
The Strategic Role Of The Internal Audit In Assisting Firms Achieve Competitive Advantage: An Empirical Study Of Organisations In Sekondi-Takoradi, Ghana.

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ABSTRACT

every organisation seeks prosperity and survival and the key to this is to be competitive in every aspect of an organisations value-chain and value-network system. In a current business landscape that is characterized by "cataclysmic" events and trends whose impact could wipe out the very existence of organisations in seconds, organisations must employ all strategic tools, initiatives and capabilities to confront and defeat their nemesis within their environment. One secret weapon possess by organisations is the internal audit department. Organisations expect the department to rise up from its shell and equip itself with lethal modern strategic armory and warfare to lead and drive organisations to conquer all adversaries. Is the internal audit strategically positioned and equipped for this new paradigm? This study seeks answers to these questions by studying the strategic contribution of internal audit department to the competitive drive of organisations. The study employed factor analysis which is a multivariate data analysis tool to model the internal audit's strategic role that exists in organizations in the Western Region, Ghana. The study revealed that the internal audit department within the organisations under study are well positioned and capable of leading their organisations competitive drive if given the necessary resources and support from management.

Keywords: Strategy, internal audit, competitive advantage, factor analysis, principal component-factoring, sekondi-takoradi.

1.0 INTRODUCTION

The Internal audit is a management function established to assist organisations meets their objectives effectively and efficiently. One of these key objectives is for organisations to achieve competitive advantage. Competitive advantage ensures that firms at any point in time are ahead of their competitors in the areas of costing, pricing, quality, operational efficiency, Innovation, knowledge management, speed of process delivery, speed of information processing, customer satisfaction and other organisational and industrial critical success factor areas.

Even though achieving competitive advantage is key to organisational success, sustaining the success is a major challenge to organisations especially in a business environment that is characterized by fierce competition, rapid changes in technology, turbulence and chaotic macro and micro environmental changes including sophisticated consumer behavior. Organisations want to be profitable and survive into the foreseeable future and sustained competitive activities can guarantee organisations survival.

According to Barney (1992), achieving sustainable competitive advantage requires firms to excel and past four key sustainability criteria including the fact that organisational resources and capabilities must be valuable, rare, inimitable and well-organized.

There is a general consensus within the academic circle that human resources and capital can play a key role in assisting firms achieve sustained competitive advantage, (Ordo'n~ez de Pablos, 2004; Pfeffer, 1998; Schuler and Jackson, 1987; Wright et al., 1995; Taie 2014) however, literature is very little to support the role played by the internal audit function to this effect.

The traditional functional activities used by firms to achieve competitive advantage are the use of marketing department and the finance department through "customer push" and "cost push" strategies respectively. Since these department are specialized in orientation it is quite difficult to see how their approach to achieving competitive advantage could have a comprehensive, integrated and sustainable effect on every aspect and level of the organisation.

In other words, if a company decides to use cost as a strategy to achieve competitive advantage and decides to use the accounting or finance department to lead the strategy, the danger is that cost-reduction activities may not cover every aspect of the organisations value-chain and may also not be cost integrative enough to envelope other players outside the organisations value-chain to sustain the strategy as their orientation would be more of a functional dimension than corporate-wide outlook.

If a company also decides to employ the marketing department to use customer-oriented strategies to achieve competitive advantage, the danger also is that customer may be used in a limited scope to refer to only external buyers of the company's product or services and not internal and external customers within and outside the organisations value-network system.

The challenge therefore is to identify a department that has the capability, mandate, advisory and supervisory role over every department and hierarchical levels within the organisation and then equip them to spear-head the organisations competitive advantage strategies in which case strategies would be looked at in a more comprehensive, integrated and sustainable manner.

One key department that can position itself and provide this strategic role is the Internal Audit function since they are set up to offer services to every aspect of the organisation and as such they should be in a better positioned to champion the strategic direction of the organisation in a more holistic and balanced approach. With its intricate cross-functional subject matter knowledge about processes, policies and procedures and its strong foothold within the organization as a trusted advisor, internal audit can build a compelling case to position itself as a strategic partner to firms. (PwC, 2011). In short they have a "bigger picture" of the organisation than any other departments and this makes them suitable to comprehensively assess risk both at the operational and strategic level whilst providing sound recommendations to management for the operational and strategic decisions of the organisation.

Thus, being a single repository of all risks, key strategic risk issues are available to management. This can be referred prior to introducing any major project, process or product. Recurrence of costly mistakes in any aspect of the organisation's value-network system can be prevented giving the firm a competitive advantage.

Again, Internal Audit is in the unique position of being able to see the organisation as a whole "the forest from the trees". It is often privy to the inner governance processes, politics and culture whilst also possesses the institutional memory that can serve as reservoir of critical knowledge from which management can tap from. Competitive organisations are thus looking for the internal audit function to assume a leadership role in assessing and managing their strategic risks, adding value to the organisation and identifying operational improvement opportunities. However while performing a consulting role, care should be taken that independence and objectivity is not diluted. Hence even if internal audit provides sound recommendations, final decision should be made by management. As the corporate conscience, moral and ethical advocate, internal audit is in a more advantageous position and must be prepared to have open, candid, and constructive dialogues with management on all strategic issues that can improve and develop the competitiveness of the organisation.

In the view of IIA, "the comprehensive scope of internal audit responsibilities provides them with a broad perspective on the organization. And that, in turn, makes them a valuable resource to executive management and the board of directors in accomplishing overall goals and objectives, as well as strengthening internal control and governance. This might be a lot to ask from one organizational resource, but for internal auditors — it's all in a day's work". (IIA, 2007).

"The paradigm for internal audit's role is shifting to a more holistic role, encompassing compliance, operational and strategic advising," said Brian Schwartz, Ernst & Young's internal audit leader in the Americas. "Today's internal audit function must be aligned to the organization's strategic initiatives to be relevant. It is imperative that audit functions revisit their respective mandates and adjust their focus to include coverage of strategic and operational business risks, and not only financial compliance."

“Our survey points to the need for internal audit to step back from the audit plan and develop a strategic plan,” Schwartz said. “This is one way for internal audit to challenge the value it brings and its true alignment to the strategic priorities of the organization.” Ernst & Young (2010).

Traditionally, the Internal Audit function has been more of compliance and control activities that is serving as a corporate policeman, primarily focusing on “blocking and tackling” activities and reporting problems including:

- ✓ ensuring the adequacy and effectiveness of accounting controls
- ✓ Compliance with policies and procedures
- ✓ Compliance with ethical standards and values
- ✓ Compliance with external regulatory requirements
- ✓ checking that rules and regulations are followed
- ✓ monitoring capital expenditure
- ✓ ensuring physical security of asset
- ✓ financial reporting compliance etc.

With increasing sophistication of consumers, growing demands for environmental protection, increasing resource scarcity, the volatile and “tsunami” of the macro and micro business environment, globalisation, turbulence of the world financial markets, government regulatory “fire-power” and the central role of the internet and social-media on organisations etc., internal auditors must wake up from their slumber and must be “seen and felt” as a major player and the “heartbeat” of the organisation in performance improvement and championing strategic issues that can propel organisations to sustained competitive advantage.

Management expect internal auditors to provide critical business intelligence and valuable recommendations to decision makers in the fastest and most efficient manner possible to assist the organisation in its strategic drive. One of the major emerging areas of interest to management and share-holders is that of strategic risk. Since the success or failure of an organisation’s strategy depends largely on the firm’s ability to identify, classify, measure, manage and review key internal and external conditions, trends and events likely to affect strategy, Internal auditors can establish an “early warning system” by proactively auditing strategic risks and also operate in an advisory role on strategy by informing management of risks involved and resources needed when pursuing a strategy.

A study conducted by Melville (2003) found out that the internal audit function (IAF), plays an active role in strategic management within organizations by evaluating and supporting the strategic management decisions making process.

This study therefore, seeks to investigate whether internal audit function in firms in Sekondi-Takoradi metropolis have been playing any strategic roles for their firms and how the unit has positioned itself in championing their firms sustained competitive agenda.

1.1 Problem Statement

The primary means of survival for every private organisation is to be competitive and remain competitive in every aspect of its value-chain delivery process.

Every organisation seeks to prosper. Prosperity depends on organisations becoming competitive and sustaining its competitiveness through the formulation and implementation of sound and robust strategic decisions and initiatives that is aligned with its strategic positioning.

Becoming competitive however, does not come easy. Organisations must work to achieve and attain competitiveness and this must be sustained for the organisation to survive and be relevant in the mist of unpredictable, chaotic, dynamic and turbulence business environment.

In achieving sustainable competitive advantage, organisations must adopt a holistic approach by bringing everybody within and outside the organisation on board to ensure that strategies chosen and activities undertaken can support the long-term direction of the organisation.

Attempt to use departments to champion the competitive agenda of organisations could be a challenge and problematic as these departments may champion strategic goals in a more narrow perspective as their understanding of organisational issues tend to be more narrow or functional based than comprehensive and global.

One department that can overcome this problem and fill this gap by providing a “bird view” and comprehensive insight and oversight by looking at organisational issues in a more holistic approach is the internal audit department since they are set up with a focus and mandate to understand and provide oversight responsibility to cover every part and level of the organisation.

The question however is that, is the Internal Audit department well positioned, resourced and empowered in the current business environment to offer this strategic role to firms to assist them achieve sustainable competitive advantage?

This study therefore, seeks to investigate how relevant, prepared and ready is the internal audit to accept, provide and champion organisations sustained competitive agenda in the midst of a turbulence, market volatility, financial instability, extremely innovative corporate environment, competing interest from other departments within the organisation and how organisations can re-engineer themselves to exploit the unique capabilities of the Internal Audit department to assist it towards sustainable competitive advantage.

1.2 Objectives

The general objective of this study is to investigate whether the internal audit department has strategically positioned itself to assist organisations achieve sustained competitive advantage.

The following secondary objectives will be addressed:

- 1) To investigate whether the internal audit function plays any strategic role in organisations.
- 2) To ascertain whether the internal audit is well positioned and equipped to assist organisations achieve competitive advantage.
- 3) To investigate whether the internal audit has contributed towards competitive advantage in organisations
- 4) To ascertain whether organizations have built a strategically focused Internal Audit function.
- 5) To investigate possible challenges preventing the Internal Audit department from assisting organisations achieve competitive advantage.

2.0 REVIEW OF RELATED LITERATURE

2.1.0 Conceptual Literature Review

2.1.1 The concept of strategy and strategic risk

Over the years, countless of literature have been written on the subject of strategy and strategic management. Few definitions are stated below.

William F Gleueck (1972), defined strategy as “A unified, comprehensive and integrated plan that relates the Strategic advantage of the firm to the challenges of the environment and is designed to ensure that the basic objectives of the enterprise are achieved through proper implementation process.

Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. (Johnson and Scholes, 2008).

Strategy is a means of establishing the organisation's purpose and determining the nature of the contribution it intends to make while predefining choices that will shape decisions and actions. (IIA, 2013).

A strategy is an integrated and coordinated set of decisions, actions and commitments designed by an entity to exploit its resources, core competence and capabilities to gain competitive advantage within an uncertain business environment. They are all the actions, activities and decisions that a company uses to effectively identify, acquire, develop, and manage resources and capabilities that provide the company competitive advantage taking into account the environment and interest of all stake-holders. Thus the essence of strategy is to distinct your firm and stand out from the rest.

Strategic management however, is a comprehensive and integrative process of formulating, implementing and evaluating strategic plans and action's to achieve sustained competitive advantage taking into account the capabilities, environment and all stake-holder interests.

The above definitions highlight the fundamental critical role of strategy in organisations which is making decisions that would enhance and leverage a firm's competitiveness.

Strategy offers organisations the platform to implement decisions that would consolidate and secure the future survival and fortunes of firms in the mist of volatile and turbulence environmental climate. Through various quantitative and qualitative tools and techniques, strategic management assist firms to establish a strategic position after appraising its environment and then assist in the selection of the most appropriate strategic options that strategically fit its established position so as to enable the firm achieve its vision and objectives in a more competitive manner.

The concept of strategic risk first appeared in an article by Miller (1992). Later, Slywotzky and Drzek (2005) in an article entitled "Countering the biggest risk of all" gave prominence to the concept. One of the chief advocates of strategic risk is Mark F. L. Frigo and Richard J. Anderson. Strategic risks can be defined as the uncertainties and untapped opportunities embedded in your strategic intent and how well they are executed. PwC (2012).

Frigo and Anderson defined Strategic risks as those risks that are most consequential to the organization's ability to execute its strategies and achieve its business objectives. They also defined Strategic risk management as the process of identifying, assessing and managing the risk in the organization's business strategy—including taking swift action when risk is actually realized. Frigo and Anderson (2011).

As organisations operate in an increasingly turbulence environment, achieving ones strategic goals and objectives depends largely on being able to proactively identify, predict and assess events and conditions whose occurrence and impacts are highly likely to adversely affect the achievement of the organisations objectives. Strategic risk management assist organisations to this effect. It involves a clear understanding of corporate strategic objectives, the risks in adopting it and the risks in executing it. These risks may be triggered from inside or outside the organisation. Once they are understood, one can develop effective, integrated and strategic risk mitigation action plan to manage their effect and impact on the organisations objectives.

Research shows that it is the management of strategic risk factors that will have the greatest impact on your ability to realise your strategic objectives. PwC (2012). With their professional insight, inherent nature, central position and general oversight responsibilities, the internal audit function is the most appropriate and legitimate vehicle poised to assist organisations accomplish this process.

2.1.2 The concept of competitive advantage.

There is no single agreed definition of competitive advantage. Attiany (2014). The term ‘competitive advantage’ is one of the most widely and intensively discussed concept in business strategy. A competitive advantage, is an advantage one firm has over a competitor or group of competitors in a given market, strategic group or industry (Kay, 1994). Barney and Hesterly (2010) maintain that in general a firm has a competitive advantage when it is able to create more economic value than rival firms. Tracey et al. (1999) argue that competitive advantage comprises of distinctive competencies that sets an organization apart from competitors, thus giving them an edge in the marketplace (Thatte, 2007). Organisation is said to have a competitive advantage if it has tangible and intangible resources that can be used to produce goods and services that is cheaper and or distinct and that provides them with a leverage to attract and retain customers better than other competitors.

Having a competitive advantage is like having a gun in a knife fight.

Companies can build a competitive advantage from many sources, such as superiority in quality, image, speed, safety, service, design, and reliability, together with lower cost, lower price, and so on. It is more often some unique combination of these, rather than a single silver bullet, that delivers the advantage. Kotler, (2003) Marketing Insights from A to Z.

Some of the top writers on how firms can achieve competitive advantage include Michael Porter who advocates that a firm can attain competitiveness if they structure and align their value-chain and value-network system so as to provide them the leverage to produce at the lowest cost possible and/or distinctively from that of their competitors. Porter (2004),

Other writers including Prahalad and Gamel posits that firm competitive advantage can be achieved by focusing internally on what a firm possesses in terms of its resources and competences what is generally referred in academia as the “resource based view”. Prahalad and Gamel (1990).

Other authors such as Barney (1991, 2002); Rumelt (1984) have argued that competitive advantage can be obtained in a more sustained manner if organisations possess resources and competences that are valuable, rare, inimitable and organised than their competitors.

3.0 METHODOLOGY

This study uses factor analysis to model the internal audit that exists in organizations in the Western Region, Ghana. A questionnaire including 46 items that employs a five-point differential scale ranging from ‘strongly disagree’ to ‘strongly agree’ was administered to 150 respondents from selected organizations in the Western Region, Ghana. The resulting data was analysed using Statistical Product and Service Solutions (SPSS 21). The inferential statistics used for the study was factor analysis. Factor analysis (including common factor analysis and principal component analysis) is used to examine the interdependence among variables and to explain the underlying common dimensions (factors) that are responsible for the correlations among the variables. The procedure allows one to condense the information in a large set of variables into a smaller set of variables by identifying variables that are influenced by the same underlying dimensions. We can therefore look upon the underlying dimensions or factors, which are of primary interest but directly unobservable, as the new set of variables. Factor analysis facilitates the transformation from the original observable variables to the new variables (factors) with as little loss of information as possible (Baah, Twenefour, Johnson, 2015).

4.0 RESULTS AND DISCUSSION

This chapter presents the analysis and discussion of the results based on designated objectives of the study. The section is presented under the following headings

1. Descriptive Analysis
2. Inferential Analysis

4.1 Descriptive Analysis

This section introduces the descriptive statistics and explanatory design of the study with respect to gender, age of the respondents, and type of institution/organization, status with company; educational level and length of service with company (see Table 1).

Table 1: Background Information of Respondents

Attribute	N	Frequency	Percent
Gender	150		
Male		115	77
Female		35	23
Age in years	150		
20-29		17	11
30-39		44	29
40-49		79	53
50-59		10	7
Type of institution or organization	150		
Privately held		56	37
Publicly held (listed on GSE)		24	16
Government established		70	47
Status with company			
Management		24	16
Senior staff		50	33
Junior staff		76	51
Educational level	150		
Diploma		35	23
Degree		60	40
Masters		40	27
Others		15	10
Length of service	150		
1-5 years		24	16
6-10 years		40	27
11-15 years		50	33
15-20 years		26	17
20 years and above		10	7

Findings on Table 1 shows that the sample was skewed toward the male population, with 77% of the respondents being male, 23% were female. Majority of the respondents were in the age range 40-49, followed by 30-39 (29%). Also 47% of the respondents were from government institution, while publicly held and privately held accounted for 16% and 37 in turn. In relation with status of the respondents with their respective companies, majority of the respondents (51%) were junior staff, followed by senior staff (33%) and management (16%). It was also observed that 40% of the respondents constituting the majority were 1st degree holders, followed by masters degree holders (27%), diploma (23%). However, 33% of the respondents have been working with their respective institutions for 11-15 years, 27% for 6-10 years and the least 20 years and above age group were 7% (see Table 1) below.

4.2 Inferential Analysis

Factor Analysis is a data reduction method that is used to identify the number of factors that may be used to represent relationships among sets of interrelated variables. The main objective of this research is to identify underlying construct that describes the set of variables. Mathematically, this procedure is similar to multiple regression analysis. Factor analysis which is a data reduction method was applied to extract the internal audit that exist in organisations in Western Region, Ghana. In all 40 variables were involved.

Table 2 shows the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity. KMO, a measure used to determine if the distribution of values is adequate for conducting factor analysis, was 0.886, (which is greater than the threshold of 0.50 (Sharma, 1996)).

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.886
Bartlett's Test of Sphericity: Approx. Chi-Square	3365.093
df	703
Sig.	.000

Source: output from SPSS

The Bartlett's test of sphericity was statistically significant (63365.093, $df = 703$, $p = 0.000$), conforming the multivariate normality of the data. Cronbach's alpha (see Table 3) was computed on each of the likert scale items contained in the survey instrument (Baah, et al., 2015).

The alpha coefficients for each attributes (variable) were computed. The variables were highly reliable and acceptable, with alpha scores that exceed 0.50, the threshold recommended by Nunnally (1967) for exploratory research. A reliability test using Cronbach Alpha; resulting in a reliability coefficient of 0.979 which is above the recommended minimum of 0.7 (Santos & Reynolds, 1999) was conducted on all 40 items (variables) used in the study from 150 respondents (see Table 3).

Table 3: Reliability Statistics

N	%	Cronbach's Alpha	Number of Items
150	100	0.979	40

Source: output from SPSS

Findings on Table 3 shows that variables assigned for the study were about 98% reliable to be used for inferential statistics (factor analysis) of the study. The study however, achieved a response rate of 87.87%.

Table 4: Communalities amongst the variables

Variable	Initial	Extraction
The internal audit department is responsible for assessing strategic risks.	1.000	.699
The internal audit department has a strategic plan.	1.000	.830
The internal audit strategic plan is in alignment with the organizational strategic initiatives.	1.000	.821
The internal audit department has evolved from its traditional role as assurance specialist to provision of strategic development advice to management.	1.000	.816
The internal audit assist management in setting metrics for strategic objectives, reviews the outcomes and make recommendations to management where there are adverse variances.	1.000	.629
The internal audit should focus on its core mandate of compliance, operational efficiency and review and leave strategy to management.	1.000	.619

The internal audit by virtue of its cross-functional supervisory and advisory role, creates awareness and communicates the organizations strategic goals and programs to all staff.	1.000	.629
The internal audit provides organizational readiness by identifying gaps between current state and required capabilities to achieve the strategic objectives.	1.000	.635
The internal audit coordinates the efforts between executive management and organizational departments to attain and sustain the organization's strategy.	1.000	.645
The internal audit has a well outlined and comprehensive strategic audit plan and policy document.	1.000	.720
The internal audit has a comprehensive strategic risk management policy document.	1.000	.729
The internal audit has well qualified and experience personnel to champion the strategic agenda of the organisation.	1.000	.669
The internal audit is adequately resourced financially [budget] and non-financially by management to assist the organization's sustained competitive agenda.	1.000	.757
The internal audit structure and charter are clearly defined, documented and supported by management to assist their strategic role.	1.000	.742
The internal audit understands the organization's strategic planning process and attends regularly strategic management meetings and briefings.	1.000	.633
Independence and objectivity of internal audit would be compromised if elevated to champion strategic initiatives.	1.000	.631
Internal audit can assist organization's achieve sustainable competitive advantage if adequately resourced and empowered by management.	1.000	.793
The internal audit performs strategic risk management activities that assist the organization to identify events and conditions likely to prevent the achievement of the strategic goals and objectives.	1.000	.807
The internal audit has always championed and communicated to management strategic cost reductions initiatives that have leveraged the organization's competitive advantage.	1.000	.733
The internal audit has always championed and communicated to management strategic quality improvement initiatives that have leveraged the organization's competitive advantage.	1.000	.870
The internal audit has always championed and communicated to management strategic process and system improvement initiatives that have leveraged the organization's competitive advantage.	1.000	.806
The internal audit has always championed and communicated to management innovative and best practice initiatives that have leveraged the organization's competitive advantage.	1.000	.794
The internal audit has the capability to organize the organizations resources and competences to achieve sustained competitive advantage.	1.000	.765

The internal audit have designed and developed an integrated performance measurement system that links the corporate, functional and operational strategic objectives and provides performance outcomes for timely decisions.	1.000	.839
In building the internal audit function, stakeholder expectations and desired outcomes were clearly defined, articulated, measured and agreed upon by all primary stakeholders including the board	1.000	.827
The organization's vision and mission statements are clearly articulated and aligned with the internal audit function	1.000	.730
The organization has developed a formal comprehensive Strategic Plan to provide a framework for the future direction of the organization.	1.000	.624
The internal audit has a strategic audit plan which is based on a comprehensive strategic risk assessment process.	1.000	.824
The organization has a strategic resources and budgetary plan needed to drive the strategic audit program.	1.000	.741
The internal audit has a sound performance management system that measures results derived from the strategic plan using both qualitative and quantitative metrics, such as a balanced scorecard.	1.000	.867
The internal audit has detailed human resource assessment plan that incorporates the department's human resource requirements in terms of skills, experience, competence and culture.	1.000	.936
The Audit unit has established communication protocols that include the development, format, review and timing of audit reports.	1.000	.819
The internal audit has a sound performance management system that measures results derived from the strategic plan using both qualitative and quantitative metrics, such as a balanced scorecard.	1.000	.867
The organization does not have a comprehensive strategic plan document and management does not recognize the significance of strategic risk management.	1.000	.725
Functional and unit managers across the organization do not recognize, support and value the internal auditor's contribution to the organizations drive towards sustained competitive advantage.	1.000	.769

Extraction Method: Principal Component Analysis.

Communalities (shared variance) is the amount of variation in a particular variable that is shared with other variables. Thus, the communalities represent the overall importance of each variable in a principal component (Twenefour, Baah and Nortey, 2015). In Principal Component Factoring, all variables are assigned an initial variance (total communality) of one (1). The final (Extraction) communalities of each variable represent the variance accounted for by the chosen factor solution for the variable. 36 out of 40 variables remained in the final factor solution. Findings on Table 4 shows that all the final communalities were at least 0.619 (approximately 62%) of the initial communality of each variable was accounted for in the final factor solution. The factor solution is thus far considered to be acceptable as at least more than half of the variance of each variable is shared with other the factors (Baah et al, 2015).

Number of Factors Extracted

Three criteria were used to decide on the number of factors to retain for interpretation: the eigen value-greater-than-one rule, the scree plot and the percentage of variance explained. Five (5) components have eigen values greater than one, so going by the eigen value-greater-one rule, five (5) factors can be retained for interpretation (Baah et al., 2015).

Table 5: Total Variance Explained

Component	Initial Eigen values			Component	Initial Eigen values		
	Total	% Variance	of Cumulative %		Total	% Variance	of Cumulative %
1	21.146	58.738	58.738	19	.244	.678	94.709
2	2.162	6.005	64.743	20	.227	.631	95.339
3	1.653	4.593	69.335	21	.198	.550	95.889
4	1.161	3.226	72.562	22	.189	.526	96.415
5	1.153	3.202	75.763	23	.168	.468	96.883
6	.821	2.280	78.043	24	.160	.444	97.327
7	.741	2.059	80.102	25	.157	.437	97.764
8	.664	1.845	81.947	26	.137	.380	98.144
9	.609	1.693	83.640	27	.129	.359	98.504
10	.587	1.632	85.272	28	.105	.291	98.795
11	.581	1.613	86.885	29	.099	.275	99.069
12	.509	1.415	88.300	30	.096	.266	99.335
13	.428	1.188	89.488	31	.079	.219	99.554
14	.400	1.112	90.600	32	.064	.178	99.733
15	.369	1.025	91.625	33	.051	.142	99.874
16	.324	.901	92.526	34	.045	.126	100.000
17	.281	.782	93.308	35	1.3E-16	3.7E-16	100.000
18	.260	.723	94.031	36	-5.7E-17	-1.6E-16	100.000

Source: output from SPSS

Extraction Method: Principal Component Analysis.

The scree plot of Figure 1 also suggest that the maximum number of components that should be extracted are the ones just prior to where the plot begins to straighten out into a horizontal line (that is, where the plot forms an elbow-like shape) The first five (5) components explain 75.763% of the variance in the data -- more than the suggested 60% threshold (Hair et al., 2006). The five (5) factors retained for interpretation are shown in Table (6).

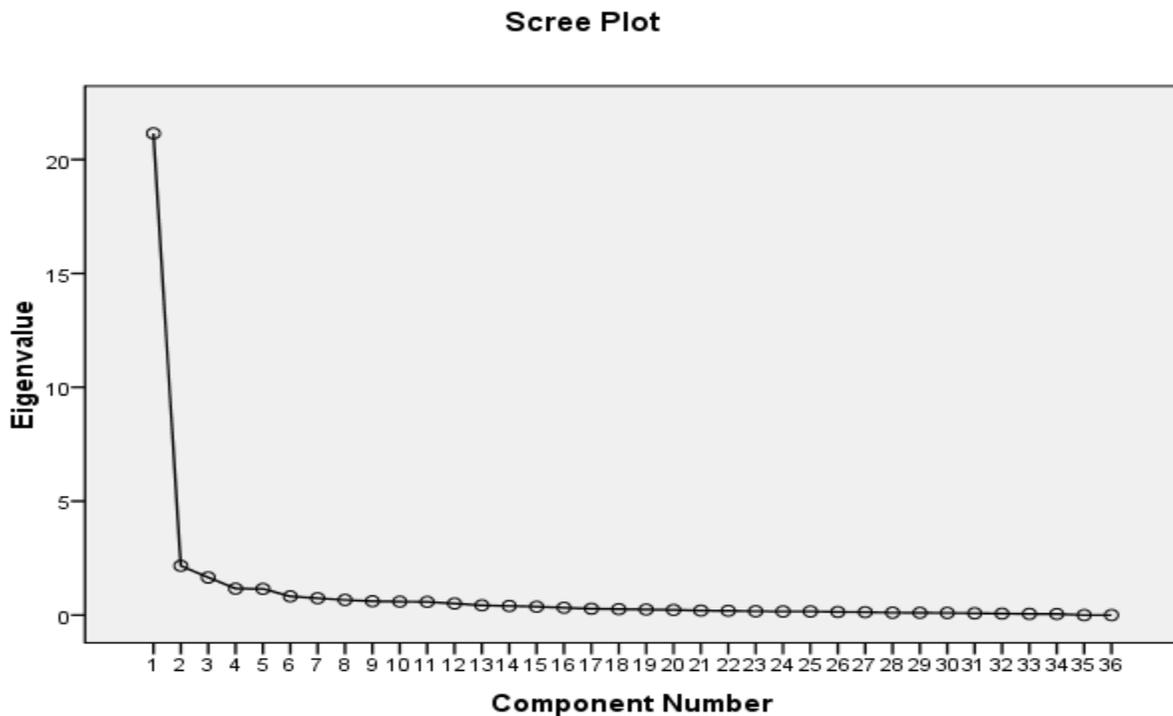


Figure 1: The Scree Plot

The rule here is to choose the components that occur to the left and up to the elbow of the curve. The elbow being the point at which there is a clear change of direction in the curve (Twenefour et al., 2015). It can be observed that the plot begins to straighten out into a horizontal line after the fifth (5th) component (that is, where the plot forms an elbow-like shape).

Table 6: Rotated Component Matrix

Variables	Component				
	1	2	3	4	5
The internal audit has always championed and communicated to management strategic quality improvement initiatives that have leveraged the organization’s competitive advantage.	0.870				
The internal audit performs strategic risk management activities that assist the organization to identify events and conditions likely to prevent the achievement of the strategic goals and objectives.	.867				
Internal audit can assist organization’s achieve sustainable competitive advantage if adequately resourced and empowered by management.	.828				

The internal audit has always championed and communicated to management strategic process and system improvement initiatives that have leveraged the organization's competitive advantage.	.812				
The internal audit has always championed and communicated to management strategic cost reductions initiatives that has leveraged the organization's competitive advantage.	.810				
The internal audit has a comprehensive strategic risk management policy document.	.800				
The internal audit has the capability to organize the organizations resources and competences to achieve sustained competitive advantage.	.800				
The internal audit has always championed and communicated to management innovative and best practice initiatives that have leveraged the organization's competitive advantage.	.782				
The internal audit strategic plan is in alignment with the organizational strategic initiatives.	.774				
The internal audit department has evolved from its traditional role as assurance specialist to provision of strategic development advice to management.	.770				
The internal audit department has a strategic plan.	.763				
The organization has a strategic resources and budgetary plan needed to drive the strategic audit program.	.758				
The internal audit has a well outlined and comprehensive strategic audit plan and policy document.	.757				
In building the internal audit function, stakeholder expectations and desired outcomes were clearly defined, articulated, measured and agreed upon by all primary stakeholders including the board	.720				
The internal audit has a strategic audit plan which is based on a comprehensive strategic risk assessment process.	.716				
The internal audit understands the organization's strategic planning process and attends regularly strategic management meetings and briefings.	.708				

The internal audit have designed and developed an integrated performance measurement system that links the corporate, functional and operational strategic objectives and provides performance outcomes for timely decisions.		.704			
The internal audit department is responsible for assessing strategic risks.			.696		
The organization's vision and mission statements are clearly articulated and aligned with the internal audit function			.658		
The Audit unit has established communication protocols that include the development, format, review and timing of audit reports.			.645		
The internal audit provides organizational readiness by identifying gaps between current state and required capabilities to achieve the strategic objectives.			.633		
The internal audit has well qualified and experience personnel to champion the strategic agenda of the organisation.			.624		
The organization has developed a formal comprehensive Strategic Plan to provide a framework for the future direction of the organization.			.603		
The internal audit coordinates the efforts between executive management and organizational departments to attain and sustain the organization's strategy.			.595		
The internal audit assist management in setting metrics for strategic objectives, reviews the outcomes and make recommendations to management where there are adverse variances.			.593		
The internal audit is adequately resourced financially [budget] and non-financially by management to assist the organization's sustained competitive agenda.				.763	
The internal audit structure and charter are clearly defined, documented and supported by management to assist their strategic role.				.679	
The internal audit has a sound performance management system that measures results derived from the strategic plan using both qualitative and quantitative metrics, such as a balanced scorecard.				.658	

The internal audit has detailed human resource assessment plan that incorporates the department's human resource requirements in terms of skills, experience, competence and culture.				.648	
Functional and unit managers across the organization do not recognize, support and value the internal auditor's contribution to the organizations drive towards sustained competitive advantage.					.816
The organization does not have a comprehensive strategic plan document and management does not recognize the significance of strategic risk management.					.816
Independence and objectivity of internal audit would be compromised if elevated to champion strategic initiatives.					.815
The internal audit should focus on its core mandate of compliance, operational efficiency and review and leave strategy to management.					.713
The internal audit by virtue of its cross-functional supervisory and advisory role, creates awareness and communicates the organizations strategic goals and programs to all staff.					.774

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Table 6 shows the factors that were extracted from the analysis. The values in Table 6 (known as factor loadings or weights) indicate the partial correlations between the variables and the factors. The factors were rotated using the Varimax method so as to ensure that some variables load highly on a factor than on others (Baah et al., 2015).

Table 6 shows the extracted factors and the loadings of the various variables on the factors, after the initial factor solution had been rotated via the Varimax method so that each variable load highly on only one factor. The method also ensures that the factors are uncorrelated. As indicated, the loadings represent the extent of correlation between a variable and a factor. The higher the absolute value of a loading of variable on a factor, the more influential the variable is on the factor.

A loading of 0.40 is considered significant for a sample size of 210 (Hair et al., 2006). However, a higher value of 0.50 was used to ensure that only variables of practical significance are included in the final factor solution. Loadings below 0.50 were omitted with the remaining ones sorted in descending order of magnitude to facilitate easy interpretation of the final factor solution (Baah et al., 2015).. The factors (Components 1, 2, 4 ... 5 (Table 7)) are presumed to be the primary dimensions of factors in the area of internal audit that exist in organisations in the Western Region, Ghana.

The factors were named based on the loadings of the variables shown so that the higher the absolute value of a variable's loading on a factor; the more influential the variable is in naming the factor. The factors were named as follows:

1. Strategic Leverage
2. Strategic Risk Assurance
3. Strategic Goals Alignment
4. Resource Availability
5. Internal Audit Integrity

5.0 CONCLUSION

In conclusion, this study sought to assess the strategic role of the internal audit department in supporting the competitive drive of organisations within sekondi-takoradi metropolis. Ten private and public organisations were selected for the study. Responses from a 40 variable questionnaire that employs a five-point differential scale was administered to a sample of 150 respondents who are familiar with the operations of the internal audit unit and the resulting data was subjected to factor analysis). Factor analysis is a tool that can be used to uncover the latent factors that determine how strategic the internal audit unit is in championing the competitive agenda of organisations. The KMO value of 0.88 and the p -value of 0.000 for the Bartlett's test of sphericity meant that the data was suitable for factoring. The dimensions adduced to be influencing the strategic role of the internal audit unit are: Strategic Leverage, Strategic Risk Assurance, Strategic Goals Alignment, Resource Availability and Internal Audit Integrity.

The study concluded that majority of the respondents both internal and non-internal audit staff believe the internal audit department can play a key role in assisting firms achieve competitive advantage and also have well qualified personnel and capabilities to provide this support. Majority of the respondents also were of the view that the internal audit unit play key risk management role by providing strategic risk management advisory services to their organisations. However, the view remain that the internal audit unit need adequate resources, management and staff support to rise to the challenge.

Finally. management of organisations can focus on the above five dimensions as they strive to empower the internal audit unit in supporting the organizations competitive drive.

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