# EFFECT OF VALUE CHAIN ON COMPETITIVE ADVANTAGE OF THE INSURANCE INDUSTRY IN KENYA

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**D53/CTY/PT/29930/2014**

**A RESEARCH PROJECT SUBMITTED TO SCHOOL OF BUSINESS IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT), OF KENYATTA UNIVERSITY**

**AUGUST 2020**

## DECLARATION

This research project is my original work and has not been presented for a degree or other award in any other university, no part of this research project should be reproduced without authority of the author or/ and Kenyatta university.

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I confirm that the work in this proposal was done by the candidate under my supervision.

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## DEDICATION

I dedicate this project to my Mother, Mary Njeri Ngunjiri and my sisters Beth Kariuki and Anne Waithera, whose support in my life is eminent.

# ACKNOWLEDGEMENT

I would like to express my gratitude to the Almighty God for availing me the opportunity and strength to pursue my education.

This research work has also been possible by the valuable insights of my supervisor, Dr Mary Ragui, who guided me all along the process. I acknowledge her support and thank her most sincerely for her tireless efforts and commitment.

I also appreciate the most important people who encouraged me and who relentlessly stood by me even when I barely had time for them while pursuing this course. They include my mother Mary Njeri, and my sisters, Beth Kariuki, and Anne Waithera. Their understanding and mora support went a long way in making this research a success. Last but not the least; special thanks go to my classmates and university staff at Kenyatta University, City campus who provided timely input and positive criticism hence the accomplishment of this research project. I honor you all.

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## OPERATIONAL DEFINATION OF TERMS

**Competitive advantage** is the unique ability of a firm to utilize is resources effectively, managing to improve customer value and position itself ahead of the competition

**Human resource** is the company department charged with finding, screening, recruiting and training job applicants, as well as administering employee benefit programs

**Innovation** involves producing new products and services, new business models and new improved methods for producing goods or services

**Operations** is the administration of business practices to create the highest level of efficiency possible within an organization.

**Marketing** is the management process through which goods and services move from concept to the customer

**Value chain** is a set of activities that a firm operating in a specific industry performs in order to deliver a valuable product or a service for the market

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **CA** | Competitive Advantage |
| **HR** | Human Resource |
| **HRM** | Human Resource Management |
| **ICT** | Information communication technology |
| **IRA** | Insurance Regulatory Authority |
| **MIPs** | Medical Insurance Provider |
| **R&D** | Research & Development |
| **RBV** | Resource Based View |

## ABSTRACT

The main aim of this research was to analyze the effects of value chain on organization competitive advantage with focus to insurance industry in Kenya. An analysis of value chain is helpful to a firm in the identification of bottlenecks. For easy survival in the market, companies have to have a competitive advantage over others. Like any othe service industry, insurance industry operates in a lean, crowded and extremely competitive industry. The treat of the new entrants is not only high but inevitable, the product offered in the market are not differentiated while all industry players have easy access to distribution channels. The typical insurance buyer is extremely price sensitive due to availability of perfect substitutes in the market and weak purchasing power. Additionally, information communication technology application which is vital in this sector is underutilized thus low innovation rate in the sectors. Human capital that is required to fill this gap is acutely scarce in the market yet they are key in operation, marketing and sales services unit. This leaves the consumers with only option to buy available products to the known companies in the sector causing the organization that is less competitive to perform dismally due tom lack of competitiveness. This study aimed to find out the effect of value chain on the competitive advantages of the insurance industry in Kenya. This study was based on Resource Based Theory, Competitive Advantage Theory and Organizational Learning Theory. The study focused on four variables, that is, marketing, operations, innovations and human resource management. Descriptive research design was used in this study. A total of 55 insurance companies these companies are licensed by Insurance Regulation Authority. Census sampling technique was used in this study since the number of the companies targeted were small and manageable, 2 respondents were targeted in each company. Primary data was adopted in this study where questionnaire was used to collect the data. Descriptive statistics was used to analyze the data. To test the relationship between the dependent and independent variable, inferential statistic was used to establish the relationship. Quantitative data was presented using tables and figures. The study confirmed that organization competitive advantage and innovation, human resource management, marketing and operation have a positive relationship. The independents variables studied, contributes 83.4% to the firm competitiveness as indicated by $R^2$. The study also found that operation contributes most to organization competitive advantage followed by innovation then marketing while human resource management contributed the little to organization competitive advantage. The study recommends that for any organization that aims to be market leader in the market should consider innovation as part of its operation.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

For any company to survive and do well in any kind of industry, it must meet some specific criteria: they should be in a position to provide to the consumers what they want and should also device ways of beating competition (Marsh & Stock, 2006). The overall competitive advantage of an organization emanates from the variance that exists between creation of value and the cost of acquiring it (Tomaselli, Diserio & Oliveria, 2008). The practices or tasks that an organization does are directly linked to its ability of achieving competitive advantage over other firms. An organization can attain Competitive advantage by identifying the value chain that lowers operations cost and make a unique product or services. Capon (2008) observes that a firm seeking to be a successful cost leader in an industry must strive to cut the costs that relate with the value chain activities. On the contrary, a firm that wishes to outshine their competitors by bringing a difference through better quality or responsibilities better than these competitors in the market.

### 1.1.1 Competitive Advantage

Nowadays, for a firm to sustain its life in a highly competitive business environment, it is required that it achieves some competitive advantage over other firms (Porter, 1985). When an organization is able to find out what customers want and being able to offer them and also being able to match and surpass the competitors, then the organization is said to have attained its competitive advantage. Changes that have been taking place globally have enabled customers to acquire what they desire anywhere and anytime they need and at relatively lower prices (Barney & Hesterly, 2008). This has led to growth in both demand and competition and therefore firms are expected to upgrade and better the way they undertake their activities.

According to a study by Porter (1985), an organization has a competitive advantage in the market if it has got the capability of outshining its competitors and can survive other external forces. Advantages in terms of Cost and the differentiation of products are the two vital components of the ensuring that an organization is in the upper side of competition in the industry structure (Porter, 1985). The basic concept that underlies the main strategies is that, an organization's competitive advantage is at the heart of any task that is undertaken, having a competitive advantage requires an organization to make a decision on the type of competitive advantage it desires to achieve and also the scope within which they can achieve it. Rothschild (1984) develop a framework that is based on proved and tested techniques and concepts for gaining and maintaining the competitive advantage in business. The framework emphasis lies in the competitive analysis as the key in determining a competitive advantage.

A study by Ambuko (2013) found that a product's profile policy choices; its channels for distribution; development of human capital investments; communication during marketing and building of brands and integration levels are the factors that determine a predominantly differentiator or cost leader of a typical insurance firm. The stakeholders must be communicated to by the managers on the strategy they come up with to deal with competition for the purpose of unity during execution of the strategy. The study will seek to establish how value chain create value for customer, growth of sales, increased market share among others indicators.

### 1.1.2 Concept of Value Chain

In a study by Drury (2008), he defines the analysis value chain as a way of raising the satisfaction of customers' needs and also managing costs in a more effective way. A research by Awino (2007) defines value chain to be a map of the way that value is improved through supply chain management process from the initial raw materials to finished products and that may also include the services after the delivery of goods. Value chain has been known to be a fundamental approach of conducting internal analysis. It is also a way that is used to examine and analyze the specific activities or functions by which an organization creates value and also enables an organization compete more favorably.

The model of value chain is a helpful analysis tool that is used to define an organization's core competencies and also the activities or processes in which it can achieve competitive advantage through either differentiation by focusing on those activities that relate with core competencies and capabilities in order to do them better that do competitors or cost advantage by having a better knowledge on costs and trying to reduce then on the value-adding activities (Marsh &Stock, 2006).

Value chain has been known to have an impact on market access because; it determines the key players and the lead firms in the chain and enhances a better understanding of the rules and regulations of the industry (Porter, 1985). It is known to be a tool that is used to assess the importance of the client's or customers perceived value. According to a study by Shank and Govindarajan (1993), value chain of any organization are the value-creating activities starting from the basic sources of raw materials to the final product that is delivered to the hands of the final consumers. This explanation views takes an organization as part of an all-round chain of processes for value creation.

Ambuko (2013) did a study on the influence of value chain on the performance of UAP insurance South Sudan Limited. In the study, it was found out that, the foundation of competitive advantage is inherent in value chain held by an organization. The study also established that generic value chain as postulated by Porter (1998) applies in insurance service. Value chain is an important tool a firm can use to understand and capitalize from the sources of competitive advantage within itself. Insurance firms consider value chain as fundamental approaches to conducting internal analysis and examining the specific activities or functions by which an organization can generate value and compete favorably in the industry.

A study by Porter (1998) points out the five primary tasks in a typical organization that are involved in the competition processes in any kind of industry. They include: inbound logistics, these are the activities that relate to acquiring and storing the inputs that will be used in the production processes, it also includes warehousing, scheduling of vehicles and paying back the suppliers.

### 1.1.3 Insurance Industry in Kenya

The Ministry of Finance is where the insurance industry falls in and is deemed to follow all the rules and terms as per the Insurance Act, Cap 487 and Laws of Kenya as it's registered under it. The only licensed companies operating in Kenya are 2 locally incorporated reinsurance companies and 55 insurance companies as IRA website 2015 indicates. In addition, there are 152 licensed brokers, 23 medical insurance providers

(MIPS), 3,650 insurance agents, 19 loss adjusters, and 19 surveyors, 2 claims settling agent, 5 risk managers, 111 loss assessors/investigators and 77 motor assessors.

The contracts, trusts, agency and other laws that govern companies are the ones that the ambit of Insurance companies operates under. The insurance companies, reinsurance companies, intermediaries such as insurance brokers and insurance agencies, risk managers, loss adjusters and other service providers are the Kenyan insurance industry main players, while the general insurance industry business in Kenya is driven by Motor Insurance, Fire Insurance, Aviation Engineering, Theft, Workmen's compensation, Personal Accident Insurance, Liability Insurance, Marine and Miscellaneous lines (Insurance Regulatory Authority, 2010).

The Ordinary Life and Superannuation, which includes Group Life Insurance and Deposit Administration, such as Industrial Life and Bond Investment are the lines that drive the life insurance industry (Kenya Insurance Survey, 2004). The banking financial institutions and non-banking financial institutions are the two main divisions of financial institutions. Accepting of deposits and making of loans is done by the commercial banks as their main role which is banking financial institutions. The investment banks, insurance companies, inance firms, leasing companies make up the non-banking financial institutions. There is convenience, interest incomes, and security when it comes to depositing of funds in the banks. Gaining of additional income is mostly done by non-banking financial institutions as their major role during investments.

## 1.2 Statement of the Problem

To survive competition and ensure profitability, any player in this industry must strive to be the most attractive by offering distinctive and superior value. Today, the consumers in the market are continuously becoming quality conscious in the choice of their products among the rising range of insurance products available (Carrie, 2008). In the insurance industry in Kenya, the products and services offered by insurance companies are rarely differentiated. For example, general insurance firms sell almost similar traditional products. For instance, the standard motor insurance product is being sold at a strictly regulated rate with a legal requirement of instant premium payment before cover is considered effective (Hesterly, 2008). In addition, the rating of huge risks (commonly referred to as Listed Risks), is heavily controlled by IRA which consults with a panel of AKI members to provide the rating guidelines hence a uniform rate across the industry for the identified specific risk. Industry players are therefore not allowed to vary the rate for compliance purposes. This leads to firms seeking other avenues of competition other than price. As a result, insurance firms have to be smart to beat their competitors to the business. Some companies then invoke innovation, marketing strategies, human resource competencies and operation effectiveness among others to beat the competition. These set of tools used by the firms are critical to the firm competitive advantages.

Studies conducted locally concentrated more on other sectors leaving a gap in Insurance sector. These studies include; Changwony (2012) researched on a value chain approach to stakeholders' analysis and management of tea trade in Kenya. Wahito (2011) studied on Porters value chain model and competitive advantage in the oil industry in Kenya. Odero (2006) conducted a study on value chain and competitive advantage in the Corporate Banking industry in Kenya. Therefore, it is evident from the studies that have been conducted previously that, there has not been any extensive research conducted on value chain on organization competitive advantage more so in respect to the Kenyan insurance market or sector.

## 1.3 Study Objectives

### 1.3.1 Main Objective

The main objective of this study was to find out the effects of value chain on competitive advantage with focus to insurance industry in Kenya.

### 1.3.2 Specific Objectives

The study was guided by the following objectives:

i. To find out effect of innovation on competitive advantage in insurance industry in Kenya.
ii. To determine how human resource affects competitive advantage in insurance industry in Kenya.

iii. To find out effect of marketing on competitive advantage in insurance industry in Kenya.
iv. To examine how operations affects competitive advantage in insurance industry in Kenya.

## 1.4 Research Questions

The study was guided by the following research questions:

i. How does innovation influence competitive advantage in insurance industry in Kenya?
ii. To what extent does human resource influence competitive advantage in insurance industry in Kenya?
iii. How do marketing influence competitive advantage in insurance industry in Kenya?
iv. How do operations influence competitive advantage in insurance in Kenya?

## 1.5 Significance of the Study

Some of the benefits that the study will contribute to include; to help the management and investors in the insurance industry to make decisions on the application and the tradeoffs of the value chain management within their activities in order to create competitive advantage. It will also assist insurance brokers in understanding the discrete activities that form its value chain, core competencies arising there from that are/could in fact, be building blocks for sustainable competitive advantage.

The government will have a better understanding of typical operations of an insurance company in order to formulate appropriate legislation for the industry. The policy maker will obtain in –depth knowledge of the gaming industry that will enable them to create favorable policies and control measures for the future growth and sustainability of the industry.

The researchers in both the business and academic field will utilize the study to expand their knowledge and create a basis for further research in the field of value chain and competitive advantage amongst stakeholders that includes professional managers in the gaming industry.

## 1.6 Scope of the Study

The scope of study was on insurance companies within Nairobi County as they have several covers that they offer to the clients who desire to be covered. The study was also to seek information that was be captured through the use of questionnaires where objectives of this study was to be analyzed. The study was carried out in 55 insurance companies  and their branches within Nairobi County were be interviewed. The study was carried out within the month of February to April 2018.

## 1.7 Limitations of the Study

The main limitation of the study was that it only included insurance companies. This is due to the fact that it focused its attention on a specific institution. The study ought to have involved other organizations from other sectors in order for the study to conduct an analysis that is broad based. However, time and resource were the limiting elements while conducting the study. The researcher also faced the issue of non-cooperation from respondents this proved to be difficult to convince workers to fill questionnaires which limited the researcher from reaching the stipulated target for the sample size. In order to deal with this limitation, the researcher provided assurance to the respondents that the outcomes were to be used strictly for academic purposes.

## 1.8 Organization of the Study

The study has five chapters; the first chapter presents significance of the study, scope, and the setbacks or the limitation of the study. Chapter two covers, review of the literature work that focuses on the theme of this study from other scholars, academician and researchers. The fourth chapter will explain on how data was analyzed and tabulated while Chapter five provides a summary on the results of the study, conclusions, recommendations as well as providing the area for further research.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter reviews the literature work that have previously been published and talking about the effects of value chain on an organization's competitive advantage in the insurance sector in Kenya. It also focuses on the theories that this study is based on, critical review and empirical review.

## 2.2 Theoretical Framework

### 2.2.1 The Resource-Based Theory (view)

This is a strategic management theory whose aim is to find out the capabilities and the resources that a firm has that will enable it have a competitive advantage over the competitors in the industry or market. It was advocated for by Werner felt in the 1980s (Werner felt, 1984). Since then it has been widely used in making analysis of an organization's competitiveness in the market.

A basic assumption of the RBV is that organizations compete based on the resources that they have together with their capabilities (Peteraf & Bergen, 2003). Resources are not homogenously distributed among the firms that are competing in the market and are not perfectly mobile also (Barney, 1991). RBV is known to be the beginning of an organization's competitive advantage over other organizations, he also explains that, some of the factors that aid sustained competitiveness of an organization are; uniqueness of the products, imperfect mobility of resources and heterogeneity of the resources Peteraf (1993).

Walker (2004) pointed that firm must continually evaluate its resources, capabilities, competence, and culture among other internal variables. These two sets of factors are the building blocks of two main aspects of strategic analysis; external and internal analysis respectively. Barney and Westerly (2008) firm should conduct internal and external analysis to assess firm's capabilities to identify strengths and weaknesses in its resources, operations and activities. The prime objective of carrying out an internal analysis is to enable a firm to understand how best to deploy its resources, given its external and internal situation.

In a study carried out by Capon (2008), he points out that gaining and retaining or improving competitive advantage requires a firm to carry out different activities. They are required arrange the resources and systems so that they may reduce their overall cost or add the most value for least cost. The bigger categories of an organization's capabilities include the owning of resources such as; physical resources, human resources and financial resource. Whatever the definition, resources are seen as assets and capability, or as a function or process facilitating the competitiveness of the assets.

In relation to this study, the resource-based theory classifies an organization as a specifically unique combination of competencies and other aspects that boost the performance of a firm. The specific mix of assets may typically include the physical resources for instance; facilities and finances, organizational capabilities for instance human capital and corporate structure (Tsai & Liao, 2016). It also includes intangible resources like; reputation and recognition of brand. When all these are brought together, the resources control the organization's performance and form the starting point of the company's competitive advantage. An organization's Resource Based theory is given a view on why organizations do not do well in some markets (Bromiley & Rau, 2016). With respect to this theory, some organizations will be able to add value to their products while others are not able, this leads to the success of others while others fail.

### 2.2.2 The Theory of Competitive Advantage

This theory was advocated for by Michael Porter in 1985, it suggests that different countries and even business entities should adopt the policies that will create a high value of goods and thus can be sold at higher prices in the market. Porter (1985) argues that the focus of all national strategies should be toward the growth of productivity. For a country to have a competitive advantage the cost of labor should be low or can be acquired cheaply, he also argues that it is not a must that a country has sufficient natural resources for it to do well economically. He also argues that it is required for a firm to possess a competitive strategy so as they may retain a profitable and a sustainable state in the business.

Adopting a good competitive strategy has been known to lead to competitive advantage of a firm. In a study by Capon (2008), it was found out that attaining, maintaining competitive advantage needs the commitment of a firm in terms of not only their resources but also the activities that they carry out; they need to be organized in a way that they increase the chances of profitability. An organization can acquire Competitive advantage if it acquires or comes up with some set of qualities or executes some practices that will enable it to outdo its competitors. The managers of different institutions over the years have been thinking on the competitive strategies to adopt so that they can improve their performance in the market.

The theory of competitive advantage gives a clear understanding that a firm gain its competitive advantage over its competitors when it is in a position to attract and retain customers in the long-term and also compete favorably in the market. To achieve this, there are some critical factors that determine sustainable industrial growth for instance; suppliers who are specialized, reliable service providers and also other organizations that you can associate with.

### 2.2.3 Organizational Learning Theory

This theory was advocated for by Garvin, (1993), it states that organizations are in a position of making better profits in the long term if they adopt good organizational learning techniques. The firms that consider organizational learning are capable of performing more than their competitors through the process training and the development of their workforce. A firm should consider carrying out regular external observations so that they may know what their competitors are doing and know how to adjust. According to a study by Grant (1996), conducting organizational training helps the organization in maintaining their competitiveness in the market and also their overall performance.

To enhance continuous learning in a firm, the employers ought to be exposed to the prevailing market conditions and gather other skills. This ensures that the human capital is strengthened and there will also be improved talent management, this is according to Grant, (1996) and Armstrong, 2006). To cope with the competitive environment, organizations should be in a position to learn new trends quickly so that they may survive competition (Peppard & Rylander, 2001). According to a study by Wade, Nevo and Cook (2007) in order to attain high organizational performance, the only best and sure way is to train the employees. One of the most adopted way by which businesses use to enhance workers training is by the use of modern technology which is a sure way to transform the employees and the organization as a whole.

The employees working in well performing organizations keep learning new ideas from one another whenever they interact. According to a study by Armstrong (2001) through regular learning, the chances of labor duplication are minimal since there are regular transformations. Organizations that are open to new ideas and adopt them ensure that their levels of customer satisfaction remain high. This learning is normally focused on how to enhance sustainability and improving a firm's profitability (Coplin, 2002).

The theory of organizational learning suggests that, organizations are required to change the ways that they conduct their activities so that they meet the requirements of the environment that they are working in, this is according to Murray & Donegan (2003).According to a study by Goh (2003) and Lopez (2005) they discovered that, the theory of organizational learning is made up of different aspects such as; interactions in the processes of working, skills and experience acquisition and also through training programs.

The theory has made efforts at explicating the learning processes essential to influencing learning and attaining competitive advantage. Learning processes ensure that an organization and employees continually create, acquire, and transfer knowledge and use it to adapt to the ever-changing internal and external environment. It is not only trainings that organizations can achieve this but they can also achieve it by their interactions with other employees as they work. A learning organization is cultivated through a series of concrete steps and widely distributed activities (Sokhanvar, Matthews, & Yarlagadda, 2014).

## 2.3 Empirical Literature

### 2.3.1 Innovations and Organization Competitive Advantage

The innovation value chain explains innovation to be an ordered three-phase process which entails the conception of an idea, it development, and also the transfer of the concepts that have been developed. In all the phases, managers are expected to undertake six specific and relevant tasks which are; sourcing of employees internally, across-unit, externally, selection, improvement or development, and facilitate the spread of the idea throughout the firm. There may be one or more activities which a firm struggle with that forms part of the firm's weakest links. A study by Porter (1985) describes innovation to be a firm's competitive advantage that is critical for its success. In the same way, the effects that innovation has on the performance of an organization are depicted by the numerous studies that have been conducted over the years. The challenges of developing new ideas and generating good returns differ from one organization to another. An organization may be good in getting helpful information but might have weak systems to deliver these systems to the consumers.

One firm may be good at finding helpful ideas but may be having weak systems for delivering them to the customers. Some organizations might be having good process of rolling out and funding new products and services but may not be having sufficient ideas to develop. For an organization to improve its levels of innovation, the management is required to review the ways of changing their ideas into beneficial commercial outputs as an adjoined (Porter's, 1985). The first step of the three stages of this chain is to come up with ideas; this can be done within a unit or across different units in an organization, or outside the organizations. The next step is to convert the ideas or, most importantly choose the views to be implemented and how they will be implemented. Executives have a clear understanding that innovation starts with the best ideas but where do these concepts come from? Managers normally first look inside their own functional groups or their business units for creative sparks; they normally find what best suits them from within their places of work (Harold, Sirkin &Butman, 2007).

According to a study by Capon (1998) the development of innovation implies the best utilization of technological devices to improve the quality of the goods an organization produces and their delivery to the end users. All the tasks undertaken in value chain normally involve the use of technology or know-how. The distinct tasks normally involve; carrying out research and development, automation of the processes, design and redesign, production technology, internet marketing and the management of customer relationships. A well-managed technological system can be a more reliable source of sustainable competitiveness in both goods and services industries. In a study by Winter (1990), it is argued that, adoption of new technologies and well managing them enables organizations deliver their products cheaply to the consumers and thus maximizes the profits.

Whenever an organization adopts a new technology, it means that even the roles and responsibilities that the employees will be involved in will change. However, the executives of a firm who are all the time working to develop new ideas when there exists are other challenges in the system can be leading to the occurrence of other problems (Govindarajan, 2005). A complementary way of coming up with unique ideas from other companies is to come up with cross-unit networks within the organizations. The workers of a company who do not know one another are not in a position to work with one another in exchanging views. The occasional cross-functional brainstorming processes cannot help in any way.

What is required is a dialogue and an exchange of knowledge among the workers in different departments of the organization. Most firms in the current age have satisfying approaches of sharing opinions across the units. The number and the diversity of the personnel involved can create a risk-averse and bureaucratic process that may stop the execution processes.

### 2.3.2 Human Resource and Organization Competitive Advantage

Human Resource Management (HRM) is based on the idea that work is a human activity; this refers specifically to the work that people is engaged in as a socio-economic activity within an organizational context. Human resource management process is a critical process that surpasses all the other primary tasks in a firm. Capon (2008) points out that, its function are to; recruit, train, manage, develop and also reward the staff members. The activities of the human resource have an impact on the attitude, motivation and the staff turnover in an organization.

Bartol (1991) asserts that human resource can comprise a source of distinct competence that forms a basis for strategy formulation and implementation. A firm may pursue the differentiation strategy based on innovativeness of its human resource capital. Another goal of the Human resource is to create an enabling environment that the workers are able to give their best.  Porter defined value chain as being a high-level model that shows how organizations acquire raw materials as inputs, adding value to them through various processes, and selling the finished products to the final end users (Swanepoel, Erasmus & Schenk, 2008).

The major tasks that HRM plays include; ensuring that the logistics are inbound, effective sales and marketing, successful operations, logistics that are outbound and successful company's after sales. Resources and raw materials of HRM are implemented through receiving, sorting, handling and transportation; ensuring that machinery, assembly lines and packaging work effectively to transform products from inputs into outputs through operations. HR is also supposed to ensure successful sale and marketing through effective maintenance and repair of services. The support requires that Human Resource Management ensure the achievement of primary activities (Saha, 2012).

In human resource practices, value chain components form the basic aspects through which human resource activities can enhance employee morale and need to get know beyond his or her assigned duties. Human resource functions are important in ensuring that an employee settles in an organization and accepts to give his or her best. Its work is to ensure that all the employees receive their dues on the expected time and also help them adjust to the culture of the firm. Many firms are at the moment trying to increase the ways they can improve their competitive advantage and make themselves differ from their competitors so that they can be more profitable and control a wider market share (Swink & Mabert, 2000). The success of companies nowadays depends on the abilities that the human resource department has, the strategic human resource management has over the years become a critical component of organizational management (Boxall & Purcell, 2003).

A study by Ulrich (1987) explained that, the problems that the human resource department faces in the implementation processes are categorized into three, these are; it is difficult to know the value at which the human resource and the employee function has generated, this creates a complex scenario in identifying the cost that the HR has incurred and the contribution he or she has made from that. Secondly, to come up with a system that is integrated and suitable for a firm to adopt is a problem and will consume a big amount of time and resources. Thirdly, with the increased development rate, human resource has incorporated more and more responsibilities than it was in the past. An example is working with the research and development departments, helping in coming up with the appropriate marketing strategies and ensuring that there is a good relationship with the customers of the company (Ulrich, 1997).

The human resource effects enhance the overall performance of a firm so as to develop a stiff competition which cannot be adopted by the competitors. Since the desires of the customers keep on changing from time to time, the targets of an organization also change so as to meet these requirements. This leads to the need of the organizations to focus on their ability to make new innovations and increase their learning processes. The beginning of all these processes depends on the support of the human resource department (Kaplan & Norton, 1992). The human resource is an agent through which an organization can make various improvements and also enhancing innovations within the firm (Swink & Mabert, 2000). An effective use of the human resources can very much beneficial to a firm, when we compare its costs with the benefits that they bring, we always see that there is a positive impact (Rayport & Sviokla, 1995).

### 2.3.3 Marketing and Organization Competitive Advantage

Marketing activities are aimed at informing the buyers on goods and services, inducing them to make purchases of the products and facilitating the entire process. According to a study by Capon (2008) it is stated that marketing is all about carrying out advertisements and doing promotions with the help of a well-trained sales team. Distinct activities here include; channel selection, channel relations, advertising, promotion, and selling, pricing or making quotations and retail management. The distinct activities may include; support of the customers, making installations, repairs, carrying out trainings, spare parts supply and management, complaints handling and product upgrading.

Many studies have indicated the important role that sale and marketing do in value chain (Zhang & Ma, 2007). A well-organized sales and marketing structure helps in the development of a strong performance in the market and a good customer value. A study by Dahlsten (2004) explains that, the success of a product is enhanced by the involvement of the customers. Customers' involvement in every activity that the organization undertakes helps in the development of a customer friendly product or service. A study by Finch (1998) shows that sufficient involvement of the customers and having sufficient information results in the improvement of the quality of the products developed.

Many scholars have pointed out that a good marketing strategy is vital to the success of an innovation of a company (Carnegie et al., 1993). Other scholars like Scherman et al. (2000) suggested that, an efficient link between design and marketing will boost product innovation. It has also been found out that, there exists a great positive impact of the involvement of a customer on the innovation processes of an organization (Luckas & Ferrell, 2000). Appiah-Adu and Singh (2008) explained that companies that set aside sufficient resources to market their products result in quite a number of benefits that include; developing new products and enhancing a better product performance in the market. The marketing activities also help in increasing the profitability of an organization.

### 2.3 4 Operation and Organization Competitive Advantage

Operations consist of value creating activities that are concerned with transforming the inputs to final products, for instance assembly, packaging machining, maintenance of equipment, testing, printing, and also facility operations. According to a study by Bartol (1991) in the organizations that offer services, the tasks that are undertaken involve the change of tangible inputs into invisible products or outcomes.

According to a study by Porter (1998), he states that the specific activities in this scenario comprises of; warehousing or the storage of finished goods, handling of goods, distribution processes, transportation and distribution management. Bartol (1991) observes that competitive advantage gives a clear understanding that a firm gain its competitive advantage over its competitors when it is in a position to attract and retain customers in the long-term and also compete favorably in the market. Operations include transformation of inputs into final product, use of labor and manufacturing, technologies. When a firm focuses on effectiveness of its operations and strategic positioning that is distinctive, then it is able to achieve its competitive advantage (Porter, 2001).

An organization has a competitive advantage in the market if it has got the capability of outshining its competitors and can survive other external forces. Advantages in terms of Cost and the differentiation of products are the two vital components of the ensuring that an organization is in the upper side of competition in the industry structure (Evans & Wurster, 2000). The basic concept that underlies the main strategies is that, an organization's competitive advantage is at the heart of any task that is undertaken, having a competitive advantage requires an organization to make a decision on the type of competitive advantage it desires to achieve and also the scope within which they can achieve it. Rothschild (1984) developed a framework that is based on proved and tested techniques and concepts for gaining and maintaining the competitive advantage in business. The framework emphasis lies in the competitive analysis as the key in determining a competitive advantage.

An organization's general competitive advantage is derived from the difference that exists between the value it offers to customers or clients and the cost of creating that specific customer value (Marsh& Stock, 2006). Value chain framework helps a firm to analyze the particular activities by which an organization operating in a certain industry can develop value for its products and thus attain competitive advantage in the market. The structure points out that, competitive advantage can well be understood by separating value creation processes of an organization into discrete tasks that add to the organization's relative cost position and also forms basis for knowing the difference. In a study by Porter (2001), he points out that an organization can achieve a sustainable performance by focusing on distinctive strategic positioning and operational effectiveness.

### 2.2.5 Competitive Advantage and Value Chain

A study by Porter (1985) is one of the most referenced works on value chains as a major component of competitive advantage. Sanchez and Heene (2004) pointed out that the technique that Porter used was one of the best and applied techniques on the creation of the value of a product. He came up with a value chain model that that displays the performance of organizations based on the quality of the products that they developed. Value chain approach traces the link that exists between the buyers and the producers. In this process, the gaps that exist become evident and are known to form the basis for establishing priorities to first act on.

An analysis of value chain is hence an aim of knowing how a firm can create customer value by looking at the contribution of the various tasks that are undertaken. It is a tool that is used to look at, coordinate and make good use of the linkages that exist in value chain. The linkages are the relationships that exist between the performance of an activity and the effects it has on the cost and performance of a different activity. It acknowledges that the competitiveness of individual firms basically depends on the competitiveness of its value chain (Doneland & Kaplan, 2011).

An analysis of Value chain helps a firm in the identification of the bottleneck activities. It also helps them in identifying the bottlenecks that require priority in attending to. Its main goal is to maximize value creation while at the same time minimizing the costs incurred. According to a study by Drury (2008), bringing together the different parts of individual chains creates a situation where customer satisfaction can easily be improved in terms of quality and cost efficiency. A firm that performs value chain activities more effectively and at lower costs than its competitors will definitely have a competitive advantage.

There exist two categories of value chain which are; the firm's internal value chain and the general industry value chain. A firm's internal value chain focuses on all the technological and physical activities within the firm that increases the value of the products. The goal of evaluating a company's internal value chain is to clearly understand the tasks that give the firm a competitive advantage over other firms and then make use of those advantages (Marsh& Stock, 2006). This analysis is normally done in four steps which are; identification of the value chain activities, determining the activities that are strategic, and tracing the costs of the activities and improving their management. The industry value chain on its side begins with the manufacturers of the raw materials and ends with the delivery of the end products to the consumers. The main aim of analyzing the value chain of an industry is to acknowledge and make use of the strengths that an organization has in the industry. Many firms focus on the operational activities but the people who prefer value chain see this as a shallow way and it is not in a position of giving a firm a competitive advantage.

So as to do well and last in an industry, a firm should meet some criteria which are: suppliers have to deliver products as per the buyer's specifications and ensure that they use imitable strategies that competitors cannot meet. For organization to gain competitive advantage over its competitors, the company must offer distinct services or products that wins the confidence of the clients and meet their expectation (Marsh & Stock, 2006). Value chain framework helps a firm to analyze the particular activities by which an organization operating in a certain industry can develop value for its products and thus attain competitive advantage in the market. The structure points out that, competitive advantage can well be understood by separating value creation processes of an organization into discrete tasks that add to the organization's relative cost position and also forms basis for knowing the difference (Stabell & Fjeldstad, 1998).

A study by Barney (2002) pointed out that a firm can realize its competitive advantage when its activities in the industry it operates in create economic value and when there are few competing firms undertaking similar activities. There exist many different ways a firm can use to achieve this advantages and the two generic ones are; differentiation strategies and the price leadership. Price leadership means that an organization comes up with a distinctive position in the market through its product functionality, services, or quality of their products (Donelan & Kaplan, 2011). If one of the two strategies is chosen and implemented by a company, value chain analysis is in a position of helping organizations to focus their plans and therefore can achieve competitive advantage easily (Hansen &Mowen, 2010).

## 2.4 Summary of Literature Review and Research Gaps

There are various research studies both locally and internationally that have been conducted on value chain. From the research, gaps in knowledge have been found and tabulated in order to facilitate an easier identification of the reference, a summary of studies is provided in Table 2.1.

**Table 2.1 Summary of Research Gap**

| **Theme** | **Author** | **Title of study** | **Findings** | **Critique** | **Research gap** |
|---|---|---|---|---|---|
| Porter‘s value chain model and competitive advantage | Munyi (2011). | In the case of Porter‘s value chain strategy and the competitive advantage in the petroleum industry in Kenya | The study established that the five large oil corporations have used the value chain to create competitive advantage in different ways | The study focused on five large oil companies while there are various players in the sector. | This study aims to investigate how selected primary and secondary value chain activities enhance competitive advantage in the insurance sector. |
| Value chain management strategy and organization performance | Njau (2010) | Impact of value chain management strategy on performance: a study of major oil companies in Kenya | The study found that some of value chain activities used in the companies are such as operations procurement, services (maintenance), outbound logistics, human resource management and marketing and sales (demand) | The study focused on value chain strategies in general and how they impact to organization performance. | This study seeks to investigate how specific value chain activities affective competitive advantage in an organization in term s of more branches, sales, market share, and products and services offered. |
| Porter’s value chain model Revenue Authority | Ouma (2009) | Application of porter’s value chain model at the Kenya | The result shows that application of the porter’s value chain model enhance | The study concentrated on public institution while this study will be | This study concentrated more on how the porters value chain model impact |

| | | | | | |
|---|---|---|---|---|---|
| | | | the performance of the organization to a great extent | on insurance industry which is largely composed by private sector. | the organization performance without indicating the relationship that this study aims to show. |
| Value Chain Analysis | Otieno (2010) | Value chain analysis in Telkom Kenya | The study established that firms that undertake value chain management practices seriously in their firms often have a goal of improve their performance in terms of, for example, higher profits, better responsiveness to the market, and long-term competitive advantage. | This survey studied analyzed the value chain that the organization adopted. This may give a biased result which may not reflect its impact on the organization performance. | The study also concentrated on public organization. Thus it may not give different results which are already captured by other studied conducted. |
| Value chain & competitive advantage | Odero (2006) | Value chain & competitive advantage in the corporate banking industry in Kenya, the case of Citibank | the study established hat In the banking fraternity, differentiation is achieved by creating a perception among targeted customers that the services offered as a whole are unique in some important way, usually by being of higher quality | The study did not explicitly show how relationship between this factors and competitive | In his study, Odera explored the competitive factors in the banks value chain that brought out an advantage. This study aims to indicate the relationship between value chain and competitive advantage. |
| Value chain and competitive | Mungai (2010) | The relationship between | the study showed that | the study concentrated | this study looks at this |

| | | | | | |
|---|---|---|---|---|---|
| advantage | | competitive advantage and value chain at Deloitte &Touche, Kenya | value chain activities were strategically tailored to gaining competitive advantage for the firm | more on the financial aspects which may not comply to every sectors particularly in insurance sector | relationship in a different point where primary and secondary value chain activities will be compared and established how this activities enhance organization competitive advantage |
| value chain and competitive advantage | Mutua (2013) | value chain and competitive advantage in commercial banks in Kenya | This study established that value chain is applied to a large extent in banking sector and researcher came up with a value chain for the banking sector. | The value chain identifies areas of weaknesses which once minimized the firm can easily maximize on margins. | the current study aims to specifically established how primary and secondary value chain activities enhance service delivery in insurance sector where some of the study done in service sector have not indicated this relationship |

**Source: Research (2019)**

### 2.5 Conceptual Framework

Mugenda and Mugenda (2003) stated that there is a way of making presentations showing the link between the independent and the dependent variables. In the case that we have at hand, the independent variables are marketing, innovations of the firm, supply chain and the Human Resource, the dependent variable is the competitive advantage.

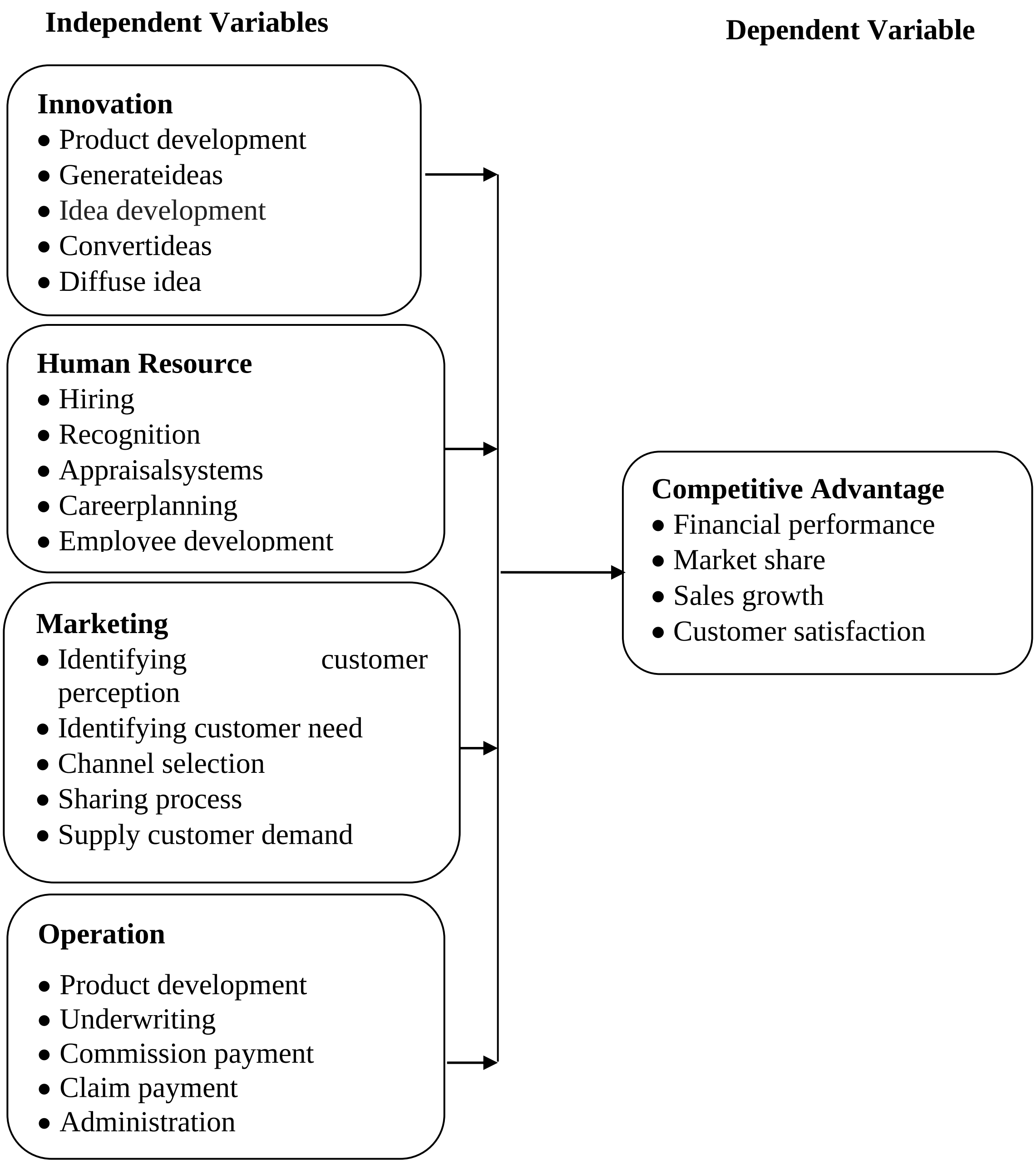



**Figure 2.1Conceptual Framework**

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter talks about the methodology of the research that was used to conduct the study. In addition, it also focused on the place where the data was obtained and how it was obtained. It also focused on the population of target and the desired sample size. It also put into consideration the techniques used to present the data together with their analysis. Also, the methodology of the research was put into consideration. In addition to this, the chapter also provides the guidelines for the collection for gathering of information and the way it will be processed.

## 3.2 Research Design

Coope and Schindler (2013) considered research design as the approach in which the study is organized. For study to be effective, different designs are used to justify each step in the study. Nyororo (2006) supported that the need for the research design is to ensure that there is clear understanding of the study which ensures that the accuracy of the study is observed. In this study explanation and descriptive approaches were employed to ensure that the interpretation is clear to the reader. In a study where explanatory design is used, probability sampling is better placed to be used in the study since the level of biasness is very low and the data collection process is made easier. To establish the relationship between the variables, descriptive cross-sectional survey design helps to indicate this.

Some scholars, such as Kibua and Mwabu (2016) and Ndonga (2016) adopted cross-sectional survey and concluded that method is suitable and reliable for similar studies. Thus, this method was considered best in this study to determine the effect of value chain on competitive advantage of the insurance industry in Kenya.

## 3.3 Target Population

Population is a given segment of the study target where the researcher carrying the study aims to identify specific information about them (Borg & Gall, 1996). Chein (1981) describes a population as the aggregate of all cases that meets some designated set of specifications. This study focused on fifty-five (55) insurance companies that operate within Nairobi County and licensed by IRA (IRA, 2016).

### 3.5 Sampling Technique

Population that represents the actual targeted population is what Mugenda and Mugenda (2009) term as a sample population. One importance of sampling of sampling is that it saves time and money. This study employed census since the number of target population is small, thus all (55 insurance companies) were involved in the study, where 2 respondents were targeted in each company contributing to 110 respondents.

### 3.5 Data Collection Procedure

Participants were given questionnaire, where they filled the information that the study aimed to investigate. The questions captured information that was intended to test the research hypothesis as well as the research objectives. Qualitative questions provided an opportunity for the respondents to give more insight on the study objectives (Mugenda & Mugenda, 2009).

The questionnaire was divided in five sections, where the first section captured general information about the respondents; second section aimed to investigate questions pertaining to innovations, third section captured human resource aspects, while section four and five aimed to investigate information about marketing and operation aspects.

### 3.6 Pilot Testing

Before final data collection is done, the researcher conducted a pilot study targeting various insurance companies though they did not participate in final study. A percentage of 5-10, is adequate for piloting of the research instrument (Mugenda & Mugenda, 2009). Thus, 20 questionnaires were distributed to 20 staffs in different insurance companies to test the ethnicity and reliability of the data instrument which represented 6% of the total population. Participants were requested to respond to the questions to test the relevance of the questions, denotations and making clarifications.

### 3.6.1 Validity and Reliability

The 'replicability of research findings' and the degree to which the findings recur under similar conditions is the main concern of reliability of data (Lewis & Ritchie, 2003). The reliability of a study is viewed to minimize faults and bias in a study (Yin, 2003).

This is achieved using relevant methodology and methods of conducting a research. This research study has been conducted in a similar manner under the same conditions over repeated administration of the questionnaire to check on reliability. On measurement of data reliability, the Cronbach Alpha method was applied which measures internal consistency of data and shows the nature of close relation a set of items are as a group. This is the most accurate method since the study has several Linkert queries in the form of a questionnaire that its reliability it to be determined.

**Table 3.3 Reliability Results**

| Variable | No. of Respondents | No. of Items | Cronbach's Alpha | Verdict |
|---|---|---|---|---|
| **Competitive Advantage** | 22 | 5 | 0.748 | Reliable |
| Innovation | 22 | 5 | 0.711 | Reliable |
| HRM | 22 | 5 | 0.749 | Reliable |
| Marketing | 22 | 5 | 0.752 | Reliable |
| **Overall** | | | **0.740** | Reliable |

The rule of thumb is that a Cronbach's alpha of 0.70 and above is good, 0.80 and above is better, and 0.90 and above is best and reflects a high level of internal consistency (Fowler, 2000; Sekaran, 2003). This was the general case in this pilot study where all the predictor variables and the response variable had alpha values of 0.70 and above as indicated in table 3.3.

## 3.7 Data Analysis and Presentation

Cleaning of the data was then done that involved checking of errors. To facilitate data entry, the collected questionnaires were indexed and content coded. A statistical analysis program was used in the analysis of the data. Frequencies and descriptive statistics were done for all variables and the data obtained presented in tables and graphs in frequency form. Descriptive and inferential statistics was used. For further analysis of the data, basic features of data collected were provided. Qualitative data was arranged according to objectives of the research and the responses analyzed in themes and integrated with the findings from quantitative data in discussions.

To ensure further data analysis triangulation, various statistical methods were applied including; factor analysis as well as descriptive analysis. The descriptive statistics employment enabled for the data reduction and summary and items of variables analysis in order to offer better understanding as op the features of the sample.

The regression equation is:

$$\mathbf{Y= \beta 0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+ \beta_4X_4 +\varepsilon}$$

Where: **Y** is the dependent variable (competitive analysis),

**β0** is the regression coefficient/constant/**Y**-intercept,

$\boldsymbol{\beta_1}$, $\boldsymbol{\beta_2}$, $\boldsymbol{\beta_3}$ and $\boldsymbol{\beta_4}$ are the slopes of the regression equation,

$\mathbf{X_1}$ is the innovation

$\mathbf{X_2}$ is the human resource,

$\mathbf{X_3}$ is the marketing,

$\mathbf{X_4}$ is the operation,

**ε** is the error term

## 3.8 Ethical Considerations

Protocols and the nature of contracts, participant privacy, anonymity, access, informed consent, the do no harm principle, and confidentiality the ethics adopted are the major codes of research. It is of importance if the researcher ensures that the respondents' rights to privacy and safety are observed. Data collection and main research was done ensuring several factors are observed. The researcher familiarized herself with various ethical standards, including the code of research ethics stipulated by Kenyatta University.

The supervisor helped in research tools development as well as their identification prior to the fieldwork.

# CHAPTER FOUR

# RESEARCH FINDINGS AND DISCUSSION

## 4.1 Introduction

Chapter four covers the study results attained from the collected information using questionnaires. It presents the finding on the demographic information of the respondents and their views on the effects of value chain on organization competitive advantage with focus to insurance industry in Kenya. In this chapter, the tables as well as figures are provided by the research with summarized joint opinions of the respondents to simplify the presentation of the findings.

## 4.2 Response Rate

The researcher administered questionnaires to the sample target population of 110 respondents. Out of the administered questionnaires, 97 were completely filled. This gave a return rate of 88%. Therefore, this return rate was significant as per Ndegwa (2016) suggestions that for collected data to be analysed, the return rate should be 50% or more.

**Table 4.1 Response Rate**

| Response | Frequency | Percentage (%) |
|---|---|---|
| Filled in questionnaires | 97 | 88 |
| Un returned questionnaires | 13 | 12 |
| **Total** | **110** | **100** |

Source: Survey data, (2018)

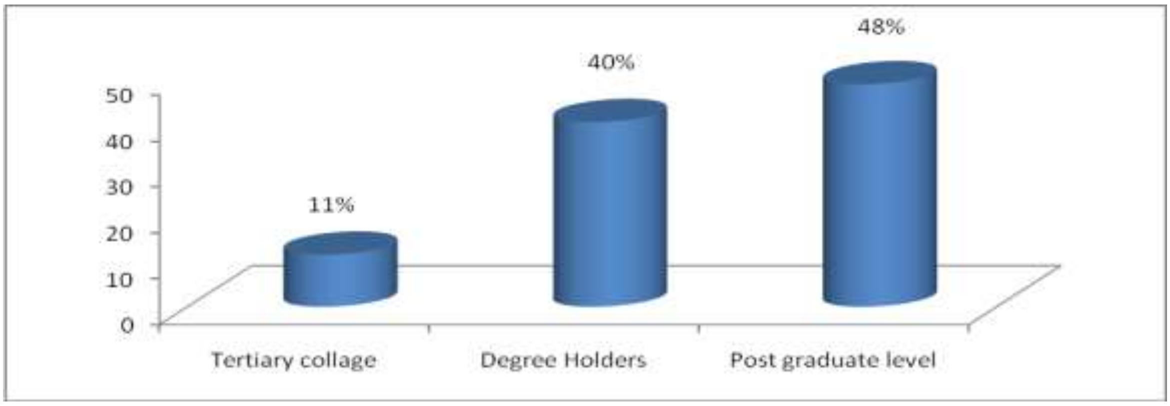
## 4.3 Demographic Characterization of the Respondents

As part of the general information, the research requested the respondents to indicate the academic qualification, duration of working in the organization, department of working and position held in the organization. The study found it crucial to ascertain the said information since it configured the charitable trust under which the study can fairly entrance the applicable information. The analysis relied on this information of the respondents so as to categorize the different results according to their acquaintance and responses.

### 4.3.1 Education Level of the Respondents

The study was also inquisitive to determine the highest level of the academic qualification that the respondent held. Figure 4.2 shows the findings of the result, most (48%) of the respondents were post graduate, 40% had degree as their highest level of education while 11% had tertiary certificate. Perrett (2003) pointed that academic qualification of the staff in an organization enhances their ability to handle their tasks and also to understand any unique working formula in work place. This depicts that most of the staff working at insurance are literate hence they are capable to adopt any strategic issues that the organization formulate with aim of improving business performance.

**Figure 4. 1 Education Level of the Respondents**




Source: Survey data, (2018)

### 4.3.2 Working Duration

Table 4.3 illustrates working duration of the respondents in their respective firms, from the findings most (39%) of the respondents had worked in the organization for a period of 6-10years, 31% had worked for a period of above 0-5 years, 26% had worked for a period of 11-15 years while the rest (4%) had served in the organization for a period of 16-20 years. This implies that most of the respondents of this study had worked for an ample time within the organization thus they were conversant of the information that the study sought pertaining to the organization.

**Table 4.2 Working Duration**

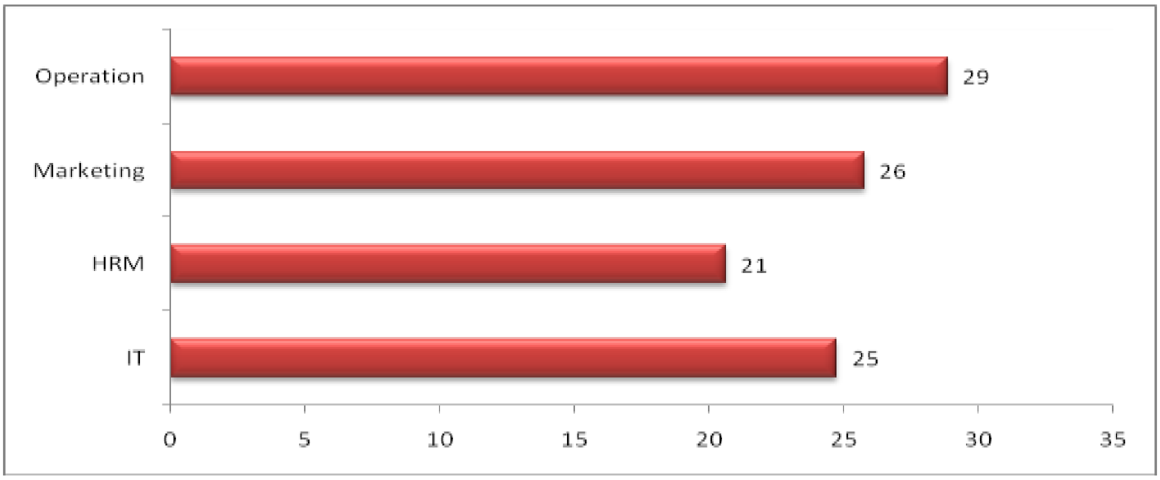
| | Frequency | Percent |
|---|---|---|
| 0-5 years | 30 | 31 |
| 6-10 years | 38 | 39 |
| 11-15 years | 25 | 26 |
| 16-20 years | 4 | 4 |
| **Total** | **97** | **100** |

Source: Survey data, (2018)

### 4.3.3 Department held by Respondents

Figure 4.2 indicates departments in which respondents were working at in the organization. From the findings most (29%) of the respondents were working at operation department, 26% were serving at marketing department, 25% were working at department while 21% were working at HRM department. This implies that all departments that were targeted by the study were involved and that the findings are not biased.

**Figure 4. 2 Department held by Respondents**

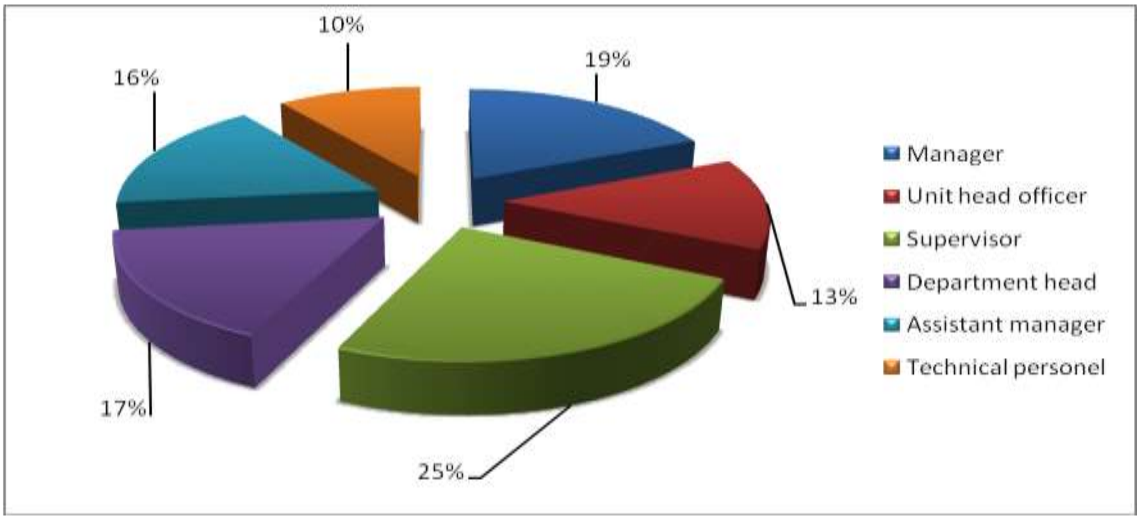



Source: Survey data, (2018)

### 4.3.4 Position held by the Respondents in their respective Department

The study aimed to investigate position held by the respondents within their department. From the findings (33%) of the respondents were unit heads, 25% were supervisors, 19% were managers, 17% were departmental heads,16% were assistant managers, 13% were unit head officers while 10% were technical personnel. Holbrough (2008) recommended that ranks or position one held in the workplace leads to easier application and strategic practices that leads to better perfomance of the organization towards achieving organizational goals and objectives. This depicts that all participant of the study was under the level to which the study targeted as stipulated in previous chapter.

**Figure 4.3 Position held by the Respondents in their Respective Department**




Source: Survey data, (2018)

### 4.4 Innovation and Organization Performance

The study requested the respondent to indicate their level of agreement on the statement relating to how innovation encourages organization performance. From the findings most of the respondents agreed that their firm encourage idea development among the staff to ensure the company out the competitors in terms of innovation as shown by mean score of 4.35, respondents also agreed that their organization encourage innovation where concept of personal creativity, knowledge, skills are converted, implemented and marketed to the customers as depicted by mean score of 4.01. Further respondents agreed that their organization ideas that are benefiting the firm are easily accepted than complicated ideas which their results are unknown and that their organization is able to develop a different product from what the competitors' offers in the market as illustrated by mean score of 3.97 and 3.93 respectively. Finally, respondents agreed that employees in their organization come up with new ideas which help in achieving a competitive advantage as depicted by mean score of 3.89.

**Table 4.3 Innovation and Organization Performance**

| | **Mean** | **STDev** |
|---|---|---|
| Our organization is able to develop a different product from what the competitors offers in the market | 3.92 | 0.589 |
| Our firm encourage idea development among the staff to ensure the company out the competitors in terms of innovation | 4.35 | 0.437 |
| In our organization employees come up with new ideas which help in achieving a competitive advantage | 3.89 | 0.593 |
| Our organization encourage innovation where concept of personal creativity, knowledge, skills are converted, implemented and marketed to the customers | 4.01 | 0.797 |
| In our organization ideas that are benefiting the firm are easily accepted than complicated ideas which their results are unknown | 3.97 | 0.770 |

Source: Survey data, (2018)

### 4.5 Human Resource and Organization Competitive Advantage

The study requested the respondents to indicate their level of agreement on the statements relating to how human resource influence organization competitiveness. Most of the respondents agreed that organization staff are assessed through performance appraisal to determine their commitment and how better are able to deliver their duties as depicted by mean score of 4.14, respondent also agreed that organizations contribute to employee career development by providing available opportunities for self-development and mentorship program as shown by mean score of 4.11. Further respondents agreed that their organization care about recruitment and hiring processes due to the expected result that human resource have to the organizations on competitive advantage as illustrated by mean score of 4.02. Likewise, respondents agreed that organization identify the employees with unique ability and providing learning and development opportunity for him or her to enhance organization competitive advantage and that organization has a structured employee recognition program where employee who contribute positive outcome is promoted as shown by mean score of as shown by mean score of 3.96 and 3.90 respectively.

**Table 4.4 Human Resource and Organization Competitive Advantage**

| | **Mean** | **STDev** |
|---|---|---|
| Our organization care about recruitment and hiring processes due to the expected result that human resource have to the organization's on competitive advantage | 4.02 | 0.721 |
| Our organization has a structured employee recognition program where employee who contribute positive outcome is promoted | 3.90 | 0.810 |
| In our organization staff are assessed through performance appraisal to determine their commitment and how better are able to deliver their duties | 4.14 | 0.645 |
| Our organizations contribute to employee career development by providing available opportunities for self-development and mentorship program | 4.11 | 0.720 |
| Our organization identify the employees with unique ability and providing learning and development opportunity for him or her to enhance organization competitive advantage | 3.96 | 0.889 |

Source: Survey data, (2018)

### 4.6 Marketing and Organization Competitive Advantage

Table 4.5 summarizes respondents' level of agreement on influence of market in enhancing organization competitive advantage. Most of the respondents agreed that organization use product differentiation as a marketing technique to establish strong identity in the market which is difficult to be copied by the competitor as depicted by mean score 4.16, respondent also agreed that through marketing organizations are able to identify the demand of the consumer and supply it to the market for consumption and that organization conduct marketing to inform consumers about products or services available in the market and the selection channel of the services and product as shown by mean score of 4.13 and 4.11 respectively. Most firms have well-coordinated marketing strategies that allow the marketers and consumers to share their experience towards a service or product that our organization offer as illustrated by mean score of 4.07, further Respondent agreed that organization conduct research to identify consumer perception through market mix in order to enhance brand loyalty and increasing market share as depicted by mean score of 3.92.

**Table 4.5 Marketing and Organization Competitive Advantage**

| | **Mean** | **STDev** |
|---|---|---|
| Our organization use product differentiation as a marketing technique to establish strong identity in the market which is difficult to be copied by the competitor | 4.16 | 0.799 |
| Our organization conduct research to identify consumer perception through market mix in order to enhance brand loyalty and increasing market share | 3.92 | 0.745 |
| Our organization conduct marketing in order to identify the consumer needs in a certain market and to develop a product or service which fulfill consumer needs | 4.07 | 0.807 |
| Our organization conduct marketing to inform consumers about products or services available in the market and the selection channel of the services and product | 4.11 | 0.593 |
| Our firm has a well-coordinated marketing strategies that allow the marketers and consumers to share their experience towards a service or product that our organization offer | 4.07 | 0.739 |
| Through marketing our organization is able to identify the demand of the consumer and supply it to the market for consumption | 4.13 | 0.772 |

Source: Survey data, (2018)

## 4.7 Operation and Organization Competitive Advantage

The study requested the respondent to indicate their level of agreement on the statement relating to influence of operation on organization competitive advantage. From the findings most of the respondents agreed that management in their firm ensure there is a good governance of the company which ensure smooth operation of the organization as shown by mean score of 4.26, respondents also agreed that firm ensure that it underwrite the existing policies to make them flexible and compatible to the environment that we are operating in and that organization sets the pace of product development which helps it to gain new customers, retain existing customers and increase profitability hence gaining competitive advantage as depicted by mean score of 4.15 and 4.10 respectively. Respondent agreed that organization ensure timely payment of the claims to ensure customer satisfaction and good reputation of the company and that organization pays fair commission to all the agents and policy marketers to ensure they are satisfied to their job and ease penetration in the market as illustrated by mean score of 4.06 and 3.98 respectively.

**Table 4.6Operation and Organization Competitive Advantage**

| | **Mean** | **STDev** |
|---|---|---|
| Our organization sets the pace of product development which helps it to gain new customers, retain existing customers and increase profitability hence gaining competitive advantage | 4.10 | 0.784 |
| Our firm ensure that it underwrite the existing policies to make them flexible and compatible to the environment that we are operating in | 4.15 | 0.784 |
| Our organization pays fair commission to all the agents and policy marketers to ensure they are satisfied to their job and ease penetration in the market | 3.98 | 0.750 |
| Our organization ensure timely payment of the claims to ensure customer satisfaction and good reputation of the company | 4.06 | 0.704 |
| Management is our firm ensure there is a good governance of the company which ensure smooth operation of the organization | 4.26 | 0.681 |

Source: Survey data, (2018)

## 4.8 Organization competitive advantage

Table 4.16 summarizes respondents' level of agreement on aspects of organization competitive advantage. Most of the respondents agreed that their organization has managed to registered profit consistent due to strategies it employs to gain competitive advantage as depicted by mean score 4.07, respondent also agreed that organization has opened a number of branches across the country targeting different segmented customers with the aim penetrating to the new market and that organization have been able to retain the number of previous customer as well as registering new customer frequently as shown by mean score of 4.05 and 4.03 respectively. Finally respondents agreed that organization has identified new market which helps it gain more share in the market as compared to our competitor as illustrated by mean score of 4.00.

**Table 4.7 Organization competitive advantage**

| | **Mean** | **STDev** |
|---|---|---|
| Our organization have been able to retain the number of previous customer as well as registering new customer frequently | 4.03 | 0.822 |
| Our organization has identified new market which help it gain more share in the market as compared to our competitor | 4.00 | 0.913 |
| Our organization has managed to registered profit consistent due to strategies it employs to gain competitive advantage | 4.07 | 0.753 |
| Our organization has opened a number of branches across the country targeting different segmented customers with the aim penetrating to the new market | 4.05 | 0.883 |

Source: Survey data, (2018)

## 4.9 Value Chain Aspects and Organization Competitive Advantage

The study further aimed to investigate the extent to which value chain aspects influence organization competitive advantage. Most of the respondents pointed that Operation influence organization competitive advantage to a very great extent as indicated by mean score of 4.35. Innovation, Marketing and Human Resources Management influence organization competitive advantage to a great extent as depicted by mean score of 4.17, 4.15 and 4.14 respectively.

**Table 4.8 Value Chain Aspects and Organization Competitive Advantage**

| | Mean | STDev |
|---|---|---|
| Innovation | 4.17 | 0.810 |
| Human Resources Management | 4.14 | 0.639 |
| Marketing | 4.15 | 0.822 |
| Operation | 4.35 | 0.578 |

Source: Survey data, (2018)

## 4.10 Inferential Analysis

### 4.9.1 Coefficient of Correlation

To compute the correlation (strength) between the study variables and their findings the researcher used the Karl Pearson's coefficient of correlation (r). From the findings, it was clear that there was a positive correlation between organization competitive advantage andinnovation as shown by a correlation figure of 0.6140, it was also clear that there was a positive correlation between organization competitive advantage and human resource management with a correlation figure of 0.5210, there was also a positive correlation between organization competitive advantage and marketingwith a correlation value of 0.5230 and a positive correlation between organization competitive advantage andoperation with a correlation value of 0.7460. This shows that there was a positive correlation between organization competitive advantage and innovation, HRM, marketing and operation.

**Table 4.9 Coefficient of Correlation**

| | | Organization Competitive Advantage | Innovation | HRM | Marketing | Operation |
|---|---|---|---|---|---|---|
| **Competitive Advantage** | Pearson Correlation | **1** | | | | |
| | Sig. (2-tailed) | | | | | |
| **Innovation** | Pearson Correlation | .6140 | 1 | | | |
| | Sig. (2-tailed) | .0032 | | | | |
| **HRM** | Pearson Correlation | .5210 | .3421 | 1 | | |
| | Sig. (2-tailed) | .0021 | .0014 | | | |
| **Marketing** | Pearson Correlation | .5230 | .1240 | .0621 | 1 | |
| | Sig. (2-tailed) | .0043 | .0120 | .0043 | | |
| **Operation** | Pearson Correlation | .7460 | .3420 | .0000 | .1660 | 1 |
| | Sig. (2-tailed) | .0172 | .0031 | 1.000 | .0031 | |

Source: Survey data, (2018)

### 4.9.2 Coefficient of Determination

Further the study conducted a multiple regression analysis so as to effects of value chain on organization competitive advantage. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (organization competitive advantage) that is explained by all the four independent variables, that is innovation, HRM, marketing and operation).

The four independent variables that were studied, contributes to 83.4% to organization competitive advantage as represented by the adjusted $R^2$. This therefore means that other factors not studied in this research contribute 16.6% to organization competitive advantage. Therefore, further research should be conducted to investigate the other factors (16.6%) that influence organization competitive advantage.

**Table 4.10 Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.913 | 0.834 | 0.751 | 0.4538 |

Source: Survey data, (2018)

### 4.9.3 ANOVA

The analysis of variance results obtained in table 4.11 revealed that all variables under study were significant since their overall significance levels (0.013) was less than the conventional significance of 0.05. All independent variables were regressed against the dependent variable (competitive advantage) in order to establish the overall variance. According to the variance results obtained, it was found out that, the F-statistic of the model was 8.72 which means that it was statistically significant since F statistic = 8.72 > F critical = 2.68 at 5% significance level. The study finding is an indication that the overall model is significant and can thus be utilized for the purposes of making predictions at 5% level of significance.

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 12.223 | 3 | 4.074333 | 8.729837 | 1.8143 |
| | Residual | 92.876 | 94 | 0.466714 | | |
| | Total | 105.099 | 97 | | | |

Source: Survey data, (2018)

### 4.9.4 Multiple Regression

Multiple regression analysis was conducted as to determine the relationship between the four variables (independent variable) and organization competitive advantage (dependent variable). As per the SPSS generated table 4.19, the equation

($\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$) becomes:

$Y = 1.308 + 0.731X_1 + 0.558X_2 + 0.620X_3 + 0.785X_4$

The regression equation above has established that taking all factors into account (innovation, HRM, marketing and operation) constant at zero, organization competitive advantage will be 1.308. The findings presented also shows that taking all other independent variables at zero, a unit increase in innovation will lead to a 0.558 increase to organization competitive advantage; a unit increase in HRM will lead to a 0.558increase oforganization competitive advantage; a unit increase in marketing will lead to a 0.620increase in organization competitive advantage and a unit increase in operation will lead to a 0.785increase in organization competitive advantage. This infers that operation contribute most to organization competitive advantage followed by innovation then marketing while HRM contributed the little to organization competitive advantage.

**Table 4.11 Regression Coefficients**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 1.308 | 1.342 | | 1.623 | 0.357 |
| **Innovation** | 0.731 | 0.310 | 0.172 | 4.342 | .0276 |
| **HRM** | 0.558 | 0.156 | 0.210 | 3.532 | .0285 |
| **Marketing** | 0.620 | 0.322 | 0.067 | 3.542 | .0202 |
| **Operation** | 0.785 | 0.245 | 0.148 | 3.458 | .0249 |

Source: Survey data, (2018)

### 4.11 Discussion of Findings

The study sought to establish the extent to which innovation influence organizational competitive advantage in insurance industry in Kenya, to determine how human resource affects organization competitive advantage in insurance industry in Kenya, to find out effect of marketing on organization competitive advantage in insurance industry in Kenya and to examine how operations affects organization competitive advantage in insurance industry in Kenya.

On innovation, the study established that firms encourage idea development among the staff to ensure the company out the competitors in terms of innovation. The study findings agreed with Porter (1985) pointed that organization that encourages innovation gains competitive advantage which is critical for a success. Most organizations encourage innovation where concept of personal creativity, knowledge, skills are converted, implemented and marketed to the customers. The findings conform to Harold, Sirkin and Butman (2007) that developing new ideas and generating good returns differ from one organization to another supported by organization core competence. An organization may be good in getting helpful information but might have weak systems to deliver these systems to the consumers. Organizations absorbs ideas that are benefiting the firm are easily accepted than complicated ideas which their results are unknown and that their organization is able to develop a different product from what the competitors' offers in the market.

The findings are in accordance to Porter's (1985) findings that for an organization to improve its levels of innovation, the management is required to review the ways of changing their ideas into beneficial commercial outputs as an adjoined. Based on coefficient of correlation findings, it was clear that there was a positive correlation between organization competitive advantage andinnovation as shown by a correlation figure of 0.6140. On multiple regression analysis, the study established that a unit increase in innovation will lead to a 0.558 increase to organization competitive advantage. This finding conforms with Govindarajan (2005) finding that the executives of a firm who are all the time working to develop new ideas when there exists are other challenges in the system can be leading to the occurrence of other problems.

To the objective of human resource, the study established that staff are assessed through performance appraisal to determine their commitment and how better are able to deliver their duties. Organizations contribute to employee career development by providing available opportunities for self-development and mentorship program. According to Capon (2008) the key responsibility of HR is to manage the human resources and at the same time create a pleasant environment for product discovery processes. This function is actively involved in decision making processes for employee selection, competence improvement, performance appraisal, and their guidance. Organization care about recruitment and hiring processes due to the expected result that human resource have to the organizations on competitive advantage.

Swink and Mabert (2000) human resource functions are important in ensuring that an employee settles in an organization and accepts to give his or her best. HR department ensures that the qualified and right person are designed their duties as per their qualification. The findings on coefficient of correlation established that there was a positive correlation between organization competitive advantage and human resource management with a correlation figure of 0.5210. The study findings conforms to Kaplan and Norton (1992) that the human resource effects enhance the overall performance of a firm so as to develop a stiff competition which cannot be adopted by the competitors.

Based on the regression analysis, the study established that a unit increase in HRM will lead to a 0.558increase oforganization competitive advantage. Rayport and Sviokla (1995) pointed that an effective use of the human resources can very much beneficial to a firm, when we compare its costs with the benefits that they bring, we always see that there is a positive impact.

On marketing, the study established that organization use product differentiation as a marketing technique to establish strong identity in the market which is difficult to be copied by the competitor. Zhang and Ma (2007) purported that a well-organized sales and marketing structure helps in the development of a strong performance in the market and a good customer value which is imitable. Through marketing organizations are able to identify the demand of the consumer and supply it to the market for consumption. A study by Dahlsten (2004) pointed that involving the customers in every activity that the organization undertakes helps in the development of a customer friendly product or service. Organization conducts marketing to inform consumers about products or services available in the market and the selection channel of the services and product. Most firms have well-coordinated marketing strategies that allow the marketers and consumers to share their experience towards a service or product that our organization offer.

Appiah-Adu and Singh (2008) explained that companies that set aside sufficient resources to market their products result in quite a number of benefits that include; developing new products and enhancing a better product performance in the market. Based on the findings on coefficient of correlation, there was also a positive correlation between organization competitive advantage and marketing with a correlation value of 0.5230. Scherman et al. (2000) pointed that an efficient link between design and marketing boost organization performance. On multiple regression analysis findings, the study established that unit increase in marketing will lead to a 0.620increase in organization competitive advantage. Luckas and Ferrell (2000) established that there exists a great positive impact of the involvement of a customer on the innovation processes of an organization.

To the objective of operations, the study established that most firms ensure there is a good governance of the company which ensures smooth operation of the organization. Firms ensure that it underwrite the existing policies to make them flexible and compatible to the environment that we are operating in. According to Evans and Wurster, (2000) firms should strive to understand not only their value chain operations, but also their competitors, suppliers and distributors value chains. Organizations set the pace of product development that helps it to gain new customers, retain existing customers and increase profitability hence gaining competitive advantage. In a study by Porter (2001), pointed out that an organization can achieve a sustainable performance by focusing on distinctive strategic positioning and operational effectiveness. The finding on coefficient of correlation established that there was a positive correlation between organization competitive advantage andoperation with a correlation value of 0.7460. Based on multiple regression analysis, a unit increase in operations will lead to a 0.785increase in organization competitive advantage.

# CHAPTER FIVE

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This chapter depicts the summary of the data findings on effects of value chain on organization competitive advantage with focus to insurance industry in Kenya, the conclusions and recommendations are drawn there to. The chapter is therefore structured into summary of findings, conclusions, recommendations and area for further research.

## 5.2 Summary

The objectives of this study were to ascertain effect of innovation on organization competitive advantage in insurance industry in Kenya, to establish the influence of human resource eon organization competitive advantage in insurance industry in Kenya, to examine how marketing influence organization competitive advantage in insurance industry in Kenya and how operations influence organization competitive advantage in insurance in Kenya.

From the study findings most of the organizations encourage idea development among the staff to ensure that the organization out-perform its competitors in terms of innovation. Most organizations encourage innovation where concept of personal creativity, knowledge, skills are converted, implemented and marketed to the customers. In insurance sector, most of the ideas that are perceived to have more impacts on organization competitive advantage are easily accepted than complicated ideas which their results are unknown. Through innovation, most organizations are able to develop different products and packages from what the competitors' offers in the market.

To the objective of human resource and how it influences organization competitive advantage, the study found that most organizations assess their staff through performance appraisal to determine their commitment and how better are able to deliver their duties. Organizations contribute to employee career development by providing available opportunities for self-development and mentorship program. Likewise, most organizations are more cautious about recruitment and hiring processes due to the expected result that human resources have to the organizations on competitive advantage. Employee with unique ability is providing opportunity to learn more and given development opportunity for him or her to enhance organization competitive advantage.

On the objective of marketing and how it influences organization competitive advantage, the study established that most organizations use product differentiation as a marketing technique to establish strong identity in the market which is difficult to be copied by the competitor. Through marketing organizations are able to identify the demand of the consumer and supply it to the market for consumption. Additionally, organizations conduct marketing to inform consumers about products or services available in the market and the selection channel of the services and product.

To how operation influence organization competitive advantage, the study established that in most organizations management ensure that there is a good governance of the company which ensure smooth operation of the organization. Most organizations firm ensures policies are flexible to meet the market needs. This helps organizations to gain new customers, retain existing customers and increase profitability hence gaining competitive advantage. Further, the study found that organization ensures that timely payment of the claims is done effectively to ensure customer satisfaction and good reputation of the company.

## 5.3 Conclusion

The study aimed at finding out effects of value chain on organization competitive advantage with focus to insurance industry in Kenya. Based on the findings the study made the following conclusion.

The study concluded that it is important for organizations to improve their knowledge on insurance rather than putting more efforts on innovation and an innovative culture because despite its size, knowledge is key in ensuring an established competitive advantage. Every aspect of innovative requires knowledge as the improvement environment requires to be effective more than that of other organizations. Knowledge and experience was emphasized by most of the respondents who participated in the study as they indicated that it helped in the process of innovation. Through innovation, most organizations are able to develop different products and packages from what the competitors' offers in the market. The study concluded that there was positive correlation between organization competitive advantage and innovation. On regression analysis, the study established that a unit increase in innovation will lead increase to organization competitive advantage.

On human resource, the study concluded that staff are assesses through performance appraisal to determine their commitment and how better are able to deliver their duties. Insurance firms contribute to employee career development by providing available opportunities for self-development and mentorship program. Further, most organizations are more cautious about recruitment and hiring processes due to the expected result that human resources have to the organizations on competitive advantage. Employee with unique ability is providing opportunity to learn more and given development opportunity for him or her to enhance organization competitive advantage. The study concluded that there was a positive correlation between organization competitive advantage and human resource management. Based on regression analysis, a unit increase in HR will lead to a increase oforganization competitive advantage.

To the objective of marketing, the study concludes that most insurance firms use product differentiation as a marketing technique to establish strong identity in the market which is difficult to be copied by the competitor. Through marketing insurance firms are able to identify the demand of the consumer and supply it to the market for consumption. Additionally, organizations conduct marketing to inform consumers about products or services available in the market and the selection channel of the services and product. The study further concluded that there was also a positive correlation between organization competitive advantage and marketing. In regard to regression analysis, the study concludes that a unit increase in marketing will lead to increase in organization competitive advantage.

On how operation influence organization competitive advantage, the study concluded that in most insurance firms, management ensure that there is a good governance of the company which ensure smooth operation of the organization. Most insurance firms ensure policies are flexible to meet the market needs. This helps organizations to gain new customers, retain existing customers and increase profitability hence gaining competitive advantage. Further, the study concluded that insurance firms ensure that timely payment of the claims is done effectively to ensure customer satisfaction and good reputation of the company. To operation, the study concluded that there was positive correlation between organization competitive advantage andoperation. Based on regression analysis, the study concludes that a unit increase in operation will lead to increase in organization competitive advantage.

## 5.4 Recommendation

Based on the objectives of the study, the following recommendations were reached.

The study recommends that for any insurance firm that aims to be market leader in the market should consider innovation as part of its operation. The combination of the top management's support and an innovative creative team ensures that innovation turns out successful as the team uses its knowledge in development and production of products. Knowledge is mostly concentrated in the innovative team therefore the other employees should be associted with the tea to ensure that they share their knowhow with the reast of the team to enure that innovation process is successful.

To create an innovative environment within an organization, managers should to provide each employee with time for creative self-realization and support individual initiatives and creativity of individual employees.

On Human resource management, the study recommends that for insurance sector to cope with the unpredictable environment organizations must enhance the overall performance of a firm so as to develop a stiff competition which cannot be adopted by the competitors. Since the desires of the customers keep on changing from time to time, the targets of and organization also change so as to meet these requirements. This leads to the need of the organizations to focus on their ability to make new innovations and increase their learning processes. The beginning of all these processes depends on the support of the human resource department. The human resource is an agent through which an organization can make various improvements and also enhancing innovations within the firm.

To marketing, the study recommends that insurance firm that aim to gain competitive advantage should have an effective marketing strategy which is a structure of the market that helps in understanding of the changes. A company which performs orientation to the market needs to possess good comprehension on the strengths and weaknesses of the competitors, needs to utilize the knowledge and needs to develop and implement strategies in order to create better customer value and satisfaction.

On operation, the study recommended that a long range plan must be established by the organization to ensure that its competitive position is maintained in the marketplace. The long-term goals of the company need to be included, market place understanding and differentiation ways from its competitors. The organization should ensure that it understands the strategies in market that can be used to deal with their competitors and be able to choose those that are effective to their company.

## 5.5 Areas of Further study

This study investigated on the effects of value chain on organization competitive advantage with focus to insurance industry in Kenya. The study suggests that further research to be one on the same with focus to other sectors other than Insurance sector in order to give a result that depicts the real situation in all sectors. The study also recommends that a study to be done on other value chain aspects (16.6%) that contributes to insurance firms competitive advantage as indicated by coefficient of determination

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# APPENDICES

## Appendix I: Introductory Letter

Dear Sir/Madam,

**REF: REQUEST TO CARRY OUT DATA COLLECTION.**

I am a student at KU campus pursuing a Master's degree in Business Administration. As a requirement in fulfillment of this degree, am carrying out a study on the '**VALUE CHAIN ON ORGANIZATION COMPETITIVE ADVANTAGE: A CASE OF INSURANCE INDUSTRY IN KENYA**.'

You have been chosen as you are well positioned to provide reliable information that will enable the study achieve its objectives. I intend to research the above through the use of questionnaires.

Any assistance accorded to me in my noble cause and information given shall be treated as confidential and will be used purely for the purpose of this research and a final copy of the document shall be availed to you upon request. Your cooperation will be highly appreciated and thank you in anticipation.

Yours Faithfully,

**Jane Nyambura Ngunjiri**

**Appendix II: Questionnaire**

This questionnaire is designed to collect data on effect of value chain on competitive advantage of the insurance industry in Kenya. The data shall be used for academic purposes only and will be treated with confidentiality it deserves. The respondents are highly encouraged and persuaded to respond to the questions or statements in this questionnaire in the most truthful and objective way possible. Your participation in facilitating this study is highly appreciated.

**SECTION (A): RESPONDENTS INFORMATION**

1. Kindly indicate your organization?

   ………………………………………………………………………………

2. What is your highest level of academic qualification?

   Secondary [ ] Tertiary college [ ]

   University graduate [ ] University postgraduate [ ]

   Any other (please specify)…………………………………………………

3. How long have you been working in this organization?

   0-5 years [ ] 6-10years [ ]

   11-15years [ ] 16-20years [ ]

   Above 21years [ ]

4. Which department do you work at?

   IT [ ] HRM [ ]

   Marketing [ ] Operation [ ]

   Any other (please specify)………………………………………………………

5. Indicate the position that you hold in the department.

Manager [ ] Unit Head officer [ ]

Supervisor [ ] Departmental Head [ ]

Assistant Manager [ ] Technical personnel [ ]

Any other (specify)………………………………………………………………

**Section B: Effects of Value Chain on Organization Competitive Advantage**

6. Does your organization Value Chain as a critical tool for creating competitive advantage of your organization?

   Yes [ ] No [ ]

   Explain your answer?

   ………………………………………………………………………………………
   ………………………………………………………………………………………

7. Indicate your level of agreement to the statement below relating to aspects of value chain and how they ensure organization competitive advantage. Use a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

| **Innovation** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Our organization is able to develop a different product from what the competitors offers in the market | | | | | |
| Our firm encourage idea development among the staff to ensure the company out the competitors in terms of innovation | | | | | |
| In our organization employees come up with new ideas which help in achieving a competitive advantage | | | | | |
| Our organization encourage innovation where concept of personal creativity, knowledge, skills are converted, implemented and marketed to the customers | | | | | |
| In our organization ideas that are benefiting the firm are easily accepted than complicated ideas which their results are unknown | | | | | |

| Human Resource | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Our organization care about recruitment and hiring processes due to the expected result that human resource have to the organization's on competitive advantage | | | | | |
| Our organization has a structured employee recognition program where employee who contribute positive outcome is promoted | | | | | |
| In our organization staff are assessed through performance appraisal to determine their commitment and how better are able to deliver their duties | | | | | |
| Our organizations contribute to employee career development by providing available opportunities for self-development and mentorship program | | | | | |
| our organization identify the employees with unique ability and providing learning and development opportunity for him or her to enhance organization competitive advantage | | | | | |
| **Marketing** | **1** | **2** | **3** | **4** | **5** |
| Our organization use product differentiation as a marketing technique to establish strong identity in the market which is difficult to be copied by the competitor | | | | | |
| Our organization conduct research to identify consumer perception through market mix in order to enhance brand loyalty and increasing market share | | | | | |
| Our organization conduct marketing in order to identify the consumer needs in a certain market and to develop a product or service which fulfill consumer needs | | | | | |
| Our organization conduct marketing to inform consumers about products or services available in the market and the selection channel of the services and product | | | | | |
| Our firm has a well-coordinated marketing strategies that allow the marketers and consumers to share their experience towards a service or product that our organization offer | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Through marketing our organization is able to identify the demand of the consumer and supply it to the market for consumption | | | | | |
| **Operation** | **1** | **2** | **3** | **4** | **5** |
| Our organization sets the pace of product development which helps it to gain new customers, retain existing customers and increase profitability hence gaining competitive advantage | | | | | |
| Our firm ensure that it underwrite the existing policies to make them flexible and compatible to the environment that we are operating in | | | | | |
| Our organization pays fair commission to all the agents and policy marketers to ensure they are satisfied to their job and ease penetration in the market | | | | | |
| Our organization ensure timely payment of the claims to ensure customer satisfaction and good reputation of the company | | | | | |
| Management is our firm ensure there is a good governance of the company which ensure smooth operation of the organization | | | | | |
| **Organization competitive advantage** | **1** | **2** | **3** | **4** | **5** |
| Our organization have been able to retain the number of previous customer as well as registering new customer frequently | | | | | |
| Our organization has identified new market which help it gain more share in the market as compared to our competitor | | | | | |
| Our organization has managed to registered profit consistent due to strategies it employs to gain competitive advantage | | | | | |
| Our organization has opened a number of branches across the country targeting different segmented customers with the aim penetrating to the new market | | | | | |

8. Kindly indicate the extent to which the following value chain aspects enhance your organization competitive advantage? Use a scale of 1-5 where 1 very low extent and 5 very great extent.

| | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Innovation | | | | | |
| Human Resources Management | | | | | |
| Marketing | | | | | |
| Operation | | | | | |

9. What would you recommend to enhance your organization competitive advantage through value chain activity?

.................................................................................................................................

.................................................................................................................................

.................................................................................................................................

.................................................................................................................................

**THANK YOU FOR YOUR PARTICIPATION**

**Appendix III: List of Insurance Companies Operating in Nairobi**

| |
|---|
| 1. AAR Insurance Kenya Limited PO Box 41766 - 00100, Nairobi |
| 2. AIG Kenya Insurance Co Ltd PO Box 49460 - 00100, Nairobi |
| 3. Africa Merchant Assurance Co. Ltd PO Box 61599 - 00100, Nairobi |
| 4. Allianz Insurance Co of Kenya Ltd PO Box 66257- 00800, Nairobi |
| 5. APA Insurance Limited PO Box 30065 - 00100, Nairobi |
| 6. APA Life Assurance Limited PO Box 30389 - 00100, Nairobi |
| 7. Barclays Life Assurance K Ltd PO Box 1140 - 00100, Nairobi |
| 8. Britam General Ins. Co. (K) Ltd. PO Box 40001 – 00100, Nairobi |
| 9. British-American Insurance Co. Ltd. PO Box 30375 – 00100, Nairobi |
| 10. Cannon Assurance Ltd PO Box 30216 - 00100, Nairobi |
| 11. Capex Life Assurance Limited PO Box 12043 - 00400, Nairobi |
| 12. CIC General Insurance Limited PO Box 59485 - 00100, Nairobi |
| 13. CIC Life Assurance Ltd PO Box 59485 - 00100, Nairobi |
| 14. Continental Reinsurance Ltd PO Box 76326 - 00508, Nairobi |
| 15. Corporate Insurance Co. Ltd PO Box 34172 – 00100, Nairobi |
| 16. Directline Assurance Co Ltd PO Box 40863 - 00100, Nairobi |
| 17. EA Reinsurance Company Ltd PO Box 20196 - 00200, Nairobi |
| 18. Fidelity Shield Insurance Co Ltd PO Box 47435 - 00100, Nairobi |
| 19. First Assurance Company Ltd PO Box 30064 - 00100, Nairobi |
| 20. GA Insurance Limited PO Box 42166 - 00100, Nairobi |
| 21. GA Life Assurance Ltd PO Box 42166 - 00100, Nairobi |
| 22. Geminia Insurance Company Ltd PO Box 61316 - 00200, Nairobi |
| 23. ICEA LION General Insurance Co Ltd PO Box 30190 - 00100, Nairobi |
| 24. ICEA LION Life Assurance Co Ltd PO Box 46143 - 00100, Nairobi |
| 25. Intra Africa Assurance Co Ltd PO Box 43241 - 00100, Nairobi |
| 26. Invesco Assurance Company Ltd PO Box 52964 - 00200, Nairobi |
| 27. Kenindia Assurance Co Ltd PO Box 44372 - 00100, Nairobi |
| 28. Kenya Orient Insurance Ltd PO Box 34530 - 00100, Nairobi |
| 29. Kenya Orient Life Assurance Ltd PO Box 34540 - 00100, Nairobi |
| 30. Kenya Reinsurance Corp Ltd PO Box 30271 - 00100, Nairobi |
| 31. Liberty Life Assurance Kenya Ltd PO Box 30364 - 00100, Nairobi |
| 32. Madison Insurance Company Ltd PO Box 47382—00100, Nairobi |
| 33. Mayfair Insurance Company Ltd PO Box 45161 - 00100, Nairobi |
| 34. Metropolitan Cannon Life Ass Ltd PO Box 46783 - 00100, Nairobi |
| 35. Occidental Insurance Co Ltd PO Box 39459 - 00623, Nairobi |
| 36. Old Mutual Life Assurance Co Ltd PO Box 30059 - 00100, Nairobi |
| 37. Pacis Insurance Company Ltd PO Box 1870 - 00200, Nairobi |
| 38. Pioneer Life Assurance Company Ltd PO Box 20333 - 00200, Nairobi |
| 39 Pioneer General Insurance Ltd PO Box 20333 - 00200, Nairobi |

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| 40. Phoenix of EA Assurance Co Ltd PO Box 30129 - 00100, Nairobi |
| 41. Prudential Life Assurance K Ltd PO Box 25093 - 00100, Nairobi |
| 42. Saham Assurance Company K Ltd PO Box 20680 - 00200, Nairobi |
| 43. Sanlam General Insurance Ltd PO Box 60656 -00200, Nairobi |
| 44. Sanlam Life Assurance Ltd PO Box 44041 – 00100, Nairobi |
| 45. Tausi Assurance Company Ltd PO Box 28889 - 00200, Nairobi |
| 46. The Heritage Insurance Company Ltd PO Box 30390 - 00100, Nairobi |
| 47. Trident Insurance Company Ltd PO Box 55651 - 00200, Nairobi |
| 48 Resolution Insurance Company Ltd PO Box 4469 - 00100, Nairobi |
| 49. UAP Life Assurance Limited PO Box 23842 - 00100, Nairobi |
| 50. UAP Insurance Company Limited PO Box 43013 - 00100, Nairobi |
| 51. Takaful Insurance of Africa Limited PO Box 1811- 00100, Nairobi |
| 52. The Jubilee Insurance Co. Ltd PO Box 30376 – 00100, Nairobi |
| 53. The Monarch Insurance Co. Ltd. PO Box 44003 - 00100, Nairobi |
| 54. The Kenyan Alliance Insurance Co Ltd PO Box 30170 - 00100, Nairobi |
| 55. Xplico Insurance Limited PO Box 38106 - 00623, Nairobi |