

**THE VALUE CHAIN ACTIVITIES AND COMPETITIVE  
ADVANTAGE IN UAP INSURANCE KENYA LIMITED**

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NAIROBI**

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## **DECLARATION**

This project is my original work and has not been presented for the award of a degree in this University or any other Institution of higher learning for examination.

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This project has been submitted for examination with my approval as the University Supervisor.

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## **DEDICATION**

This work is dedicated to my two loving parents Mr. Elijah Manduku and Mrs. Mary Manduku who have always been there to ensure that I get quality education from childhood up to this point.

My dedication also goes to my spouse Roselyne support during the writing of this project and my Son Tyler Manduku who have always encouraged and prayed for me to ensure I achieve the best in life.

Lastly to all my friends especially Stanley, Jared, Maureen, Joyce and staff of UAP for their unwavering support during the writing of this project.

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## **ABSTRACT**

The aim of the study was to determine the value chain activities and competitive advantage in UAP Insurance Kenya, limited. The study was conducted through a case study design whereby the unit of study was UAP Insurance Kenya Ltd. Case study design was more desirable when a detailed and an in-depth data on an organization or multiple firms is desired. Both secondary and primary data were utilized in this study. Primary data was obtained from managers of UAP Insurance Kenya Ltd using an interview guide. Secondary data was obtained from the company's strategy documents and any other existing and relevant information about the firm as regards the value chain approach as a basis for competitive advantage creation. The data analysis was by way of content analysis. This was because the data collected was qualitative in nature. The qualitative data was summarized, categorized and presented according to common themes to assist the researcher in answering the research questions. The study identified various departments that carried out primary activities within the organization. They include; insurance paying claims, business development and financial planning services. However, the rest of the departments carried out support activities in the organization's value chain. The study revealed that most of the respondents acknowledged that at least their department value chain activities were an input to another/other departments within the organization. The study also established that that the competition in the insurance industry in the catchment area of the respondents was very strong. The increase in competition may be attributed to the fact that there is increased technology which makes it easier to offer customer services at ease. It can be concluded that UAP Insurance Kenya has adopted strategic value chain activities in various departments; however such activities differed across the different departments. Some degree of integration of value chain activities existed between departments undertaking primary activities. The study also concluded that there was strategic linkage of value chain activities to the overall organizational objectives and competitive advantage. Value chain activities were strategically tailored to adding value to the organization overall competitive advantage. A lot of emphasis across the value chain activities focused on human resource management practices and offering high quality services to clients. The study recommended that unlike value chain in the product industries, the service industries should focus on human resources management value chain activities so as to capture the best of its people. They should therefore be driven by the strength of its people who would ensure that high quality services which are a cut above the rest are offered to their clientele.



# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

In the recent past, firms, globally, have found themselves operating in a turbulent environment which presents both opportunities and threats to their business survival and continuity (Ansoff, 1988). Environmental turbulence creates competitive economies. Competitive economies, such as is the case in Kenya, calls for the application of the principle of competitive advantage to help firms to effectively utilize resources that enhance their capabilities of developing and maintaining an edge over the competition. Competitive advantage is sustained by a company based on its ability to create economic value as compared to the marginal competitor in the product market (Peteraf & Barney, 2003). Porter (1980) stated that producing a product at a lower cost, greater benefits, or a combination of the two leads to the creation of value. Companies could therefore create a competitive advantage through maximizing their value chain. A value chain is reflected on as a set of deeds performed by a firm in a specific industry with the aim of delivering a valuable product for the market. In this case, organizations optimize value during the management of the flow of production and sales that exist from inbound logistics to operations, marketing, outbound logistics, sales and service.

There are many theories and models which have tried to clarify the idea of competitive advantage and value chain analysis. However for reasons for this investigation the hypothesis of upper hand, the value chain examination show, and the Resource Based View (RBV) model will be more appropriate. The hypothesis of upper hand proposes that organizations relies upon gatherings of interconnected firms, providers, related

businesses, and foundations that emerge in specific locations and which Porter (1985) named them as clusters to make an upper hand. These clusters can impact rivalry in three ways: they can expand the efficiency of the companies in the group, drive development in the field or animate new businesses in the field. The upper hand of any industry or association is dictated by five forces of Porter including; existing focused contention among associations in industry, risk of new market contestants, bartering energy of purchasers, energy of providers, and the danger of substitute products including innovation. In light of these forces, the firm could think of four business level strategies to increase upper hand. These are: ease methodology, centered minimal effort technique, separation procedure; and centered separation system.

Value Chain as a model on the other hand help analyse specific activities such as inbound, outbound, primary and support activities, particularly at the business level to create cost or differentiation based value and competitive advantage. This study is also anchored on the Resource Based View model which competitive advantage is created by use of the bundle of significant resources at the company's transfer. These resources are required to be heterogeneous in nature and not consummately versatile. As a result, this converts into significant resources that are neither consummately imitable nor substitutable without incredible exertion (Hoopes, 2003). On the other hand, if these conditions hold, the company's bundle of resources can assist the firm in maintaining improved than expected returns.

As already pointed out, Kenya being a competitive economy has witnessed increased competition for customers by several firms in the same industry. More specifically, in the recent past, the insurance industry has realized phenomenal growth in competition. With this competitive challenge. Insurance firms in general and UAP in particular have

consistently sought to create a competitive advantage for themselves through effect application of the value chain approaches. Internally, the firms must continually evaluate its value chain activities in the utilization of its resources, capabilities, competence, and culture to maximize on value. This study, therefore, underscores the concept of internal analysis of firms' value chain activities as a basis of competitive advantage creation. The value chain approach examines and analyses the specific operations through which a firm can generate value and develop inexpensive edge.

### **1.1.1 Value Chain**

The value chain involves the methodical analysis of all the value adding actions undertaken by the firm in the whole procedure of creation and delivery of goods and services with an intention of meeting and surpassing customer's expectation. It constitutes a framework of identification of resources and systems that a firm employs at the current time so as to create a competitive edge in actual sense or creates the potential of creating a competitive advantage for the firm in future (Capon, 2008). An organisation is being viewed as a system composed of a sub system of which is embedded with inputs, transformation processes and outputs. These three major processes provide a summation of the process of value chain creation as a basis of competitive edge creation. In his writings, Porter (1998) envisions that the value creation process is a composite of several distinct activities including production, marketing, design and delivery of product and service in addition to after sales services among others. Value chain disaggregates a firm into its strategically relevant activities in order to understand the behaviour of costs and the existing and potential sources of differentiation. Each of these activities has the possibility of adding to an association's relative cost position and additionally make a premise of separation.

A firm hence increases focused edge by playing out the value chain activities at a subordinate cost as compared to its competitors or by in performance out the activities all the more remarkably, in respect to rivalry (Porter, 1998). While the value activities are the particular building hinders through which a firm makes an item important to its purchasers, the edge is the contrast between the aggregate values and collective cost ramifications of playing out the value activities. The objective of the deeds is to provide the client a level of value that surpasses the cost of the activities, subsequently bringing about a profit edge. These activities can be isolated into two general classes; Primary and Support activities (Porter, 1998; Ambuko, 2013).

Primary activities are unswervingly apprehensive with the creation and delivery of a product or service. The five primary activities as identified by Porter (1998) includes; outbound logistics, operations, marketing, inbound logistics, and sales and service. Support activities are in most cases not openly tangled in production, but intensify their effectiveness or efficiency in production. Similarly, Porter (1998) and Ambuko (2013) identify four generic sustenance activities that are involved in contending in any industry. These are human resource management, technology growth, procurement, and firm substructure. The value chain activities could be measured by establishing the specific number of activities undertaken by a firm at a given time. For example, a firm could identify the number of volume of sales per year, the number of marketing promotions undertaken, the level of technology spent as well as procurement expenditure budgets on the value chain activities.

### **1.1.2 Competitive Advantage**

Competitive advantage is basically having an edge over competition in attracting, keeping customers and having the ability to defend against competitive forces. To achieve this, a firm must strive to convey superior value to its clientele. Competitiveness is reliant on the productivity of a company's capital, labour and natural resources to yield high-quality goods and services that meet market expectations. Porter and Kramer (2002) posit that for companies to successfully implement strategy, they must understand their competitive context which embraces the accessibility of talented, taught and propelled workforce, the effectiveness of local framework incorporating streets and media communications in the districts they work, the size and refinement of the local market, the accessibility of local associations with whom to outsource and team up, and the extent and effective application of government regulations (Porter & Kramer, 2002). The company's competitive context is driven by the following four elements: First, are the factor conditions.

These include inputs of production, human and capital resources, natural resources, physical, administrative and information infrastructure. Achieving higher performance requires the presence of these factors. CSR initiatives that target the facilitation of these factors will enhance competitive context. First, the demand conditions are important. This includes the presence of sophisticated and demanding local customers. Sophistication of local customers puts pressure on companies to embrace innovation which in turn promotes competitive context, on the other hand, we also have the Context for Strategy and Rivalry and these incorporates the nearness of local approaches and motivators that energize speculation, open and fiery local rivalry. The nearness of approaches that

empower and reward venture, demoralize defilement, ensure licensed innovation, open local markets to exchange and keep the arrangement of cartels as well as restraining infrastructures would all add to reasonable exchange and rivalry.

Capon (2008) identifies that gaining and maintaining a competitive edge requires an organizations activities, resources and frameworks to be in order to either lessen general cost or include most value for slightest cost. Porter (1998) then again declares that aggressive edge becomes generally out of the value a firm can create for its clients, that goes beyond the company's cost of making it. Value being the sum purchasers will pay for a given item or administration, which is measured through aggregate income. The primary objective of a firm along these lines is to make value for purchasers that surpass the cost of doing as such. Focused edge originates from estimating products and administrations lower than competitors for comparable value or giving remarkable advantages to a similar cost.

In retrospect, value chain activities are the building pieces of aggressive edge. Execution of each value chain action decides if a firm is either a high or ease firm, with respect to rivalry. Essentially, the way in which each value action is performed will decide its immediate commitment to purchaser needs, consequently separation. Capon (2008) acknowledges that whether a firm designs its value chain to decrease general cost or include most value in any event cost, relies upon the focused system the firm is seeking after – cost based or separation based. This dialog hypothesizes two sorts of focused edge; cost authority and separation.

A firm increases aggressive edge by performing value chain activities all the more efficiently (cost administration) or preferable and extraordinarily over its competitors (separation). As indicated by porter (1998) a solitary firm's value chain exists inside a characterized value framework that contains supplier, channel and purchaser value chains. Suppliers can affect the firm's execution through their data sources and how the same are conveyed. So also, a firm's products go through value chains of dissemination channels on their way to the purchaser. These channels play out extra activities that influence the purchaser. At last, the premise of separation is a firm and its part in the purchaser's value chain, which decides purchaser needs. Basically, picking up a manageable aggressive edge relies upon seeing how the firm fits in the firm's value chain, as well as the general value framework.

Competitive advantage is earned from capabilities/resources that are valued, rare, not easily imitable and most importantly underpinned by the firm's policies, procedures and practices and how a firm is organized to exploit them. Firms with better reputations outperform their rivals. (Dowling & Moran, 2012). Vilanova, (2009) agrees that a good reputation built upon CSR activities is an accepted and valued intangible asset and is often hard to imitate (Vilanova et al., 2009) Sustainable competitive advantage. Related and Supporting Industries (Clusters): to include the incidence of capable locally based providers and firms in linked fields. Having high quality supporting industries nearby improves productivity because it enables companies improve responsiveness, exchange information, lower transportation and inventory costs and innovate. To measure or operationalize competitive advantage, it will be necessary to analyse product delivery time, the amount of inventory deductions, and the number of customer complains as well as revenue and profits generated as a result of effective utilization of the value chain activities.

### **1.1.3 The Insurance Industry in Kenya**

Insurance business is used in reference to the business of undertaking obligations through insurance (including reinsurance) regarding the death and injury and not limited to any loss, including accountability to disburse compensation, depending upon the happening of a specified event. It is aimed at dropping or completely eradicating certain quantifiable risks of economic loss. Insurance business dates back to the pioneer time allotment when Kenya was colonized by the British. Expansionism had its belongings both positive and negative and insurance business is one of them. Headway of these areas provoked the improvement of the colonizer's insurance frameworks to cook for the creating insurance demands. All the insurance establishments were controlled by British guarantors.

The most reliable insurance organizations fuse; Pioneer Assurance Society 1930, Jubilee Insurance Company 1937, Pan Africa Insurance 1946, and Provincial Insurance Company Limited now (UAP Insurance) 1949. By 1963 the perfect open door for Kenyan opportunity, the insurance associations had been climbed to full insurance organizations. Before flexibility, the insurance business in Kenya like other making countries had no settled insurance order. The business was overseen by the Companies Act. In any case, in 1963 with the achievement of our self-sufficiency, the United Nations Conference and Trade Development helped Kenya comprehend the prerequisite for the institution to control the improvement of insurance business industry and the country's economy. Along these lines, Insurance Ordinance of 1960 was pronounced.

Its primary capacity was to manage the foundation, financing and working arrangement of the insurance companies. Two approaches were produced and dignified in 1994 and 1972 individually. The first perceived a sound national insurance and reinsurance



showcase as an essential normal for monetary development. The other arrangement welcomed creating nations to take measures went for advancing decrease of steadfastness on worldwide insurers and re-insurers and train aggressive reinsurance terms and conditions from global insurance business. It is because of the above endeavours that the Insurance Act cap 487 was ordered in 1986 and implemented in January 1987. The demonstration accommodated the office of a controller and the prerequisites for enrolment of insurance and reinsurance companies and different players in the field like the insurance specialists and agents.

There are 52 insurance companies operating in Kenya regulated by the Insurance Regulatory Authority (IRA). All the licensed insurers are also members of the Association of Kenya Insurers (AKI). The Kenyan Insurance Industry recorded a gross written premium of Kshs. 196.4 billion in 2016 representing a growth of 13% from the previous year. The insurance penetration, which is the ratio of Gross Direct Insurance Premiums to Gross Domestic Product (GDP), declined from 2.88% in 2015 to 2.73% in 2016. This decline is largely attributed to higher nominal growth in GDP of 14.3% (at current prices) compared to nominal growth in gross direct premium of 13.2% (IRA Report 2016). The low penetration highlights the significant opportunities that exist in the Kenyan market especially in commercial lines such as oil & gas, real estate and infrastructure. The market leaders in the insurance industry in Kenya are Jubilee Insurance, British American Insurance Company, Cooperative Insurance Company, Pan Africa Insurance and UAP Insurance. These 5 insurance companies have the highest market shares and have created a turbulent environment by increasing competition. Most insurance companies are now employing price undercutting and increasing sales force as a measure to increase production.

#### **1.1.4 UAP Insurance Limited**

UAP's origins in Kenya date can be traced back to the 1920s during a time when Provincial Insurance Company of East Africa was established as a subsidiary of Provincial Insurance Company, an insurance group that is located in London, United Kingdom. In 1978 the group was incorporated in Kenya as Provincial Insurance Company of East Africa.

In 1994, the merger of Union des Assurances De Paris (UAP) of France and Provincial of the UK led to the formation of the UAP Insurance Company of Kenya following the merger of their parent companies. In 1996, UAP become part of AXA group after AXA acquires UAP in France. In the year 2000, AXA divested in UAP and UAP is acquired by Kenyan shareholders. This marked the onset of tremendous growth in volumes, assets and geographical expansion. Since then UAP has grown tremendously in volumes, assets and geographical expansion.

UAP Holdings opened branches in Uganda in 2005, South Sudan in 2006, Rwanda and the Democratic Republic of the Congo in 2011, and in Tanzania in 2013. All passages other than Tanzania were Greenfield speculations. The company entered Tanzania by securing Century Insurance Company Limited and re-marked it to UAP Century Insurance Company Limited In all out, UAP has sixteen businesses working in the locale. The vision of UAP is "To be Africa's Revolutionary Financial Services Group" while its mission is "To enhance quality of life by delivering peace of mind and financial freedom through an exceptionally motivated team that delivers what customers want – when and where they want it. UAP Insurance Limited is one of the important insurance companies in the East Africa region. It has presence in 6 countries which makes it the most dominant player in the region in as far as insurance business is concerned hence motivation to study the company.

## **1.2 Research Problem**

Value Chain Analysis presents a method for recognizing which activities are best embraced by a firm and which are best outsourced. The activities a business attempts are straightforwardly connected to accomplishing focused edge. Focused edge might be achieved through arranging the value chain to give bring down cost or better separation. Capon (2008) watches that a firm looking to be an effective cost pioneer in an industry must endeavour to cut expenses related with the value chain activities. Despite what might be expected, a firm which wishes to outflank its opposition by separating itself through higher quality should play out its value chain activities superior to the restriction. UAP K works in a swarmed and to a great competitive industry. The threat of existing and new entrants is not only high but inevitable due to a number of reasons. First, product offerings in the market are not differentiated.

Secondly, even though the insurance business requires heavy capital investments, other players are able to gain entry into the industry without due compliance because of lack of enforcement of appropriate legislation and an effect industry regulator. 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. The information and communication technology tools which are critical in this industry for customer relationship management and overall service delivery are underutilised. Additionally, the human capital skills required to compete in the industry are scarce in the market yet they are critical in operations, marketing & sales and service areas. Last but not least, Kenya is a high cost economy due to undeveloped infrastructure and human capital pools. The cost of doing business is higher. All these

factors can easily impact negatively on a firm's market share and profitability. All insurance companies are competing for a limited market. To survive competition and ensure profitability, any player in this industry must strive to be the most attractive by offering distinctive and superior value generated through competitive advantage.

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Until this point, a couple of experimental looks into have been done on the idea of value chain and upper hand creation. These incorporate the effect of store network administration rehearses on upper hand and hierarchical execution by Li, Ragu-Nathan, Ragu-Nathan, and Subba (2006). Additionally, Okoye and Akenbor, (2011) did an examination on An Empirical Investigation of Value-Chain Analysis and Competitive Advantage in the Nigerian Manufacturing Industry. Extra research was finished by Mutisya, (2014) on Value chain and upper hand at the Kenya Pipeline organization restricted. In the context of UAP, limited research has been undertaken on the context of value chain and the competitive advantage. Ideally, only one author, Atemo, (2013) undertook a study on The Value Chain and Competitive Advantage in UAP Insurance

South Sudan Limited. Unfortunately, there are no known previous related studies on UAP Insurance Kenya Ltd as a study unit. This therefore leaves a knowledge gap on the value chain approach on competitive edge creation in UAP Insurance Kenya, Limited. This is the basis of this study. This research therefore, seeks to answer the question “What is the value chain approach on competitive edge creation in UAP Insurance Kenya Ltd?”

### **1.3 Research Objectives**

This study has the following two objectives:

- i. To identify the value chain activities of UAPK
- ii. To establish value chain activities associated with UAP Insurance Kenya Ltd competitive edge.

### **1.4 Value of the Study**

The results of this study will be invaluable to UAP Insurance Kenya Limited 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 edge. The study will also be beneficial to academicians and scholars to enrich their knowledge of the Kenya industry and identify areas for further research. The government, particularly the policymaking wing will have a better understanding of typical operations of an insurance company in order to formulate appropriate legislation for the industry. Potential investors in the insurance industry will gain some knowledge of the opportunities and challenges facing the insurance industry in Kenya. Finally yet importantly, the insuring public in general will gain insights on the operations of a typical insurance firm, to inform their service level expectations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter includes the theoretical foundation of the study, the competitive advantage and value chain approaches as well as the resource base theory. The chapter gives the details of value chain and outsourcing in addition to the value chain and the competitive advantage.

#### **2.2 Theoretical Foundation**

This research is basically anchored on one theory and two models. First, it is based on the competitive advantage theory. The research also borrows heavily from the Value Chain Model, and the Resource Based View Model.

##### **2.2.1 Resource-Based Theory**

The resource-based view (RBV) is an economic instrument utilized in deciding the key resources accessible to a company. The major rule of the RBV is that the reason for an aggressive favourable position of a company lies fundamentally in the utilization of the bundle of profitable resources at the firm's transfer. To change a short-run competitive favourable position into a maintained competitive preferred angle requires that these assets are heterogeneous in nature and not amazingly flexible (Barney, 1991). Reasonably, this proselytes into beneficial assets that are neither immaculately imitable nor substitutable without great effort (Hoopes, 2003). If these conditions hold, the company's heap of assets can help the firm keeping up superior to anything expected returns.

The correct now overwhelming perspective of corporate framework – asset based theory or asset based view (RBV) of firms – depends on the possibility of financial rent and the perspective of the association as an aggregation of limits. This perspective of framework has a comprehension and integrative part that spots it well before various segments of key essential administration. Traditional framework models, for instance, Michael Porter's five powers show focus on the association's external aggressive condition. Most of them don't endeavour to look inside the association. Strangely, the asset based perspective highlights the prerequisite for a fit between the outside market setting in which an association works and its inside exercises if suitably managed influence limits which to energize focused ideal position.

The asset based view is secured in the perspective that an association's inside condition, the extent that its assets and limits, is more essential to the affirmation of fundamental movement than is the external condition. "Instead of focusing on the accumulation of assets essential to execute the framework oversight by conditions and goals in the external condition, the asset based view recommends that an association's unique assets and capacities give the commence to a technique. The business system picked should empower the firm to best enterprise its middle capacities regarding conditions in the outside condition.

### **2.2.2 The Theory of Competitive Advantage**

This study depended on the competitive advantage theory. A firm is said to post upper hand when it can't just pull in and hold clients in the long haul, yet in addition guard itself against focused powers. Watchman (1985) and Atemo (2013) opine that a firm should have an aggressive system to set up a productive and reasonable position against powers that decide industry rivalry. A decent aggressive technique prompts the making of

an upper hand. Capon (2008), additionally calls attention to that picking up, keeping up or enhancing upper hand requires a company's exercises, assets and frameworks to be masterminded to either diminish general cost or include most an incentive for minimum cost.

Awori (2011) affirms that there are a few courses to competitive preferred standpoint. These courses incorporates; giving interesting advantages or products to a similar value, better generation strategies, conveying predominant client benefit, helpful geological area, innovative aptitude, better inventory network administration, estimating products lower than the opposition, exceedingly talented staff, known and regarded mark name among others. Additionally, Juma (2012) hypothesizes many sorts of competitive favourable position including the firm's cost position, structure, item offerings, appropriation system and client support. Capon (2008), in her review of different written works, watches that three unmistakable conditions must exist for a firm to increase competitive preferred standpoint.

Initially, there must exist an ability hole between a firm and its competitors in type of particular contrasts in physical resources and working frameworks. Also, clients must see a particular distinction between the firm's item and those of competitors. In conclusion, the particular item characteristics and ability hole must persevere. Competitive preferred standpoint being a particular competitive position created by a firm can be viewed as favourable position that a firm has over its competitors. The competitive position can be created by a firm through its example of resource organization and basic leadership strategies enabling it to produce more prominent deals or edges and hold a bigger number of clients than its competitors.



The objective of quite a bit of business methodology is to accomplish a manageable competitive preferred standpoint Aroni (2010) and Atemo (2013). This gives a firm preferred standpoint over its opponents and capacity to produce more prominent value for its investors. A more supportable competitive preferred standpoint utilized by a firm makes it troublesome for competitors to kill the favourable position. The examination of the outer condition of a firm additionally makes it workable for the firm to comprehend the requests of their partners and resource accessibility, setting it in a place to settle on decisions concerning its technique. Competitive preferred standpoint is made from the firm's extraordinary capacities. These abilities are firm particular and are created after some time.

They identify with the firm's substantial and immaterial procedures and are created by administration from the resources accessible. As indicated by Barney (1991), and Atemo, (2013) the procedure must meet four criteria. To start with it must be Valuable for it to empower the firm to react to ecological open doors and dangers; meets at least one of an arrangement of human needs and keep up financial practicality. Also, it must be rare in this way controlled by a couple. In the meantime, it must be Costly to Imitate, not effectively imitated or got. At last, it must be organized to catch value in this way the firm's operations, practices and strategies are sorted out to improve the misuse of its profitable, uncommon and exorbitant to mimic resources (Barney, 1991; Atemo, 2013).

The underlying hypothesis with respect to relative focal points will be identified with near preferences of areas or countries. It took a gander at how the basic variables of creation subsequently arrive, area, work, regular resources and local populace measure

gave countries or districts a relative favourable position over others. Nonetheless, contemporary research has thought of the hypothesis of competitive preferred standpoint which says that there are other basic factors that decide the business administration. According to Porter (1985), manageable modern development is not really subject to the above acquired variables. Be that as it may, it relies upon gatherings of interconnected firms, suppliers, related businesses, and foundations that emerge in specific locations and named them as clusters.

These clusters are geographic convergences of interconnected companies, specific suppliers, specialist organizations, and related foundations in a specific field. They develop on locations where enough resources and abilities store up and achieve a basic edge, giving it a key position in a given economic branch of action, with a conclusive practical competitive preferred standpoint over others puts, or even a world matchless quality in that field. Porter says clusters can impact rivalry by expanding the profitability of the companies in the bunch, driving advancement in the field and empowering new businesses in the field. The competitive preferred standpoint of any industry or association is dictated by five forces of Porter.

These five forces help the chiefs to concentrate on competitive forces that win in the business and the conceivable dangers to their associations. These forces incorporate existing competitive argument among associations in industry: The more that companies contend with each other for clients, ex-by reducing the costs of their products or by increasing promoting the lower are the level of industry profits. So this is a risk to the companies. Henceforth keeping in mind the end goal to support competitive favourable

position, the companies may think of new strategies and developments in their advancements and in addition business forms. Along these lines rivalry energizes development in the business and prompts advancements.

The second power is the danger of new market contestants: The simpler it is for companies to enter the business, on the grounds that for ex-boundaries to segment, for example, mark devotion are low, more the reasonable it is at industry costs and henceforth the business profits to be low. In the wake of such a circumstance the companies may go for assist developments or even separations in their products or businesses. In this manner it helps in the advancement procedure of the companies.

Thirdly is the dealing energy of purchasers: It relies upon the measure of the clients. The bartering forces of the clients come on the off chance that they are huge in estimate. So they can deal to reduce the cost of that yield. Thus the business makers may experience low profits. So the haggling energy of purchasers likewise chooses the competitive favourable position of the business.

The other power is the energy of suppliers: The suppliers likewise have vital part in choosing the competitive favourable position of firms. In the event that there are just couple of expansive suppliers of an imperative information, at that point suppliers can drive up the cost of that information and costly sources of info result in reduction in profits for companies in an industry. The last power is danger of substitute products including innovation change: Ex-plastic might be substitute for steel in some industry. At the point when this kind of substitutes exists in the business companies can't ask for high costs for it because this will cause clients to change to the substitute available in the market and this very important keeps their profits low.

As indicated by the hypothesis of competitive favourable position all the above components lead the directors to take choices in four business level strategies to increase competitive preferred standpoint. The main business level is that of minimal effort procedure: It is where the organization concentrates every one of its energies to bring down its expenses in every one of the divisions. Subsequently it can offer its products in bring down expenses than its adversaries. Here however the companies are offering the products at low costs yet since the creation costs are low the organization still makes profits. Furthermore is the concentration minimal effort methodology: In such a technique administrators centre to serve just a section of general market and tries to be most reduced cost association in that fragment. Separation system then again is the third business level procedure.

It is where associations' products can be recognized from the products of different associations on factors like item outline, quality, benefit, or after deals benefit. Here the procedure of separation might be one of a kind and costly. At long last, there is engaged separation system. This is the methodology that tries to serve just a single section of the general market and means to be the most separated association serving that portion. The hypothesis of competitive favourable position can be likewise effortlessly reached out to the position of different companies in Kenya. The four components incorporate the system, structure, and competition of firms, request conditions, relating supporting industry, and factor conditions. Regarding the procedure, structure and contention of firm, there is high rivalry among the firms, this competitive condition drives the firms to work harder for increment in profitability and development.

The Kenyan companies are helpful at specific levels yet they are additionally wildly competitive. Along these lines it is the technique and structure and competition of the firms that offers ascend to greatness to the firms as far as proficiency. The second factor is the request conditions. In the event that the firms confront testing and requesting clients then they continually confront strain to enhance their competitiveness by imaginative products, amazing and so on. Related supporting industry is another factor. An organization thrives when supporting companies are situated in a similar territory. Nearness of supporting companies in the region gives the firm included preferred standpoint regarding increasing mechanical support and mastery. At last are the factor conditions. Specific elements of generation are talented work, capital and foundation. Non-key factors or general utilize factors, for example, untalented work and crude materials, can be gotten by any organization and, thus, don't create managed competitive preferred standpoint. Nonetheless, particular elements include overwhelming, supported venture. They are harder to copy. This makes a competitive preferred standpoint, in light of the fact that if different firms can't without much of a stretch copy these variables, they are profitable and competitive.

Kotler (1996) and Atemo (2013) on their part suggests firm can separate its offerings to clients in four unique ranges and accomplish competitive preferred standpoint in every last one of them. These incorporate item, administration, work force and picture separations. Item astute, firms can look to convey much separated products or they can offer institutionalized products with little measures of differentiation. Product differentiation can be hinged on performance, safety or reliability. Service differentiation on the other hands exists in both tangible and intangible products producing firms.

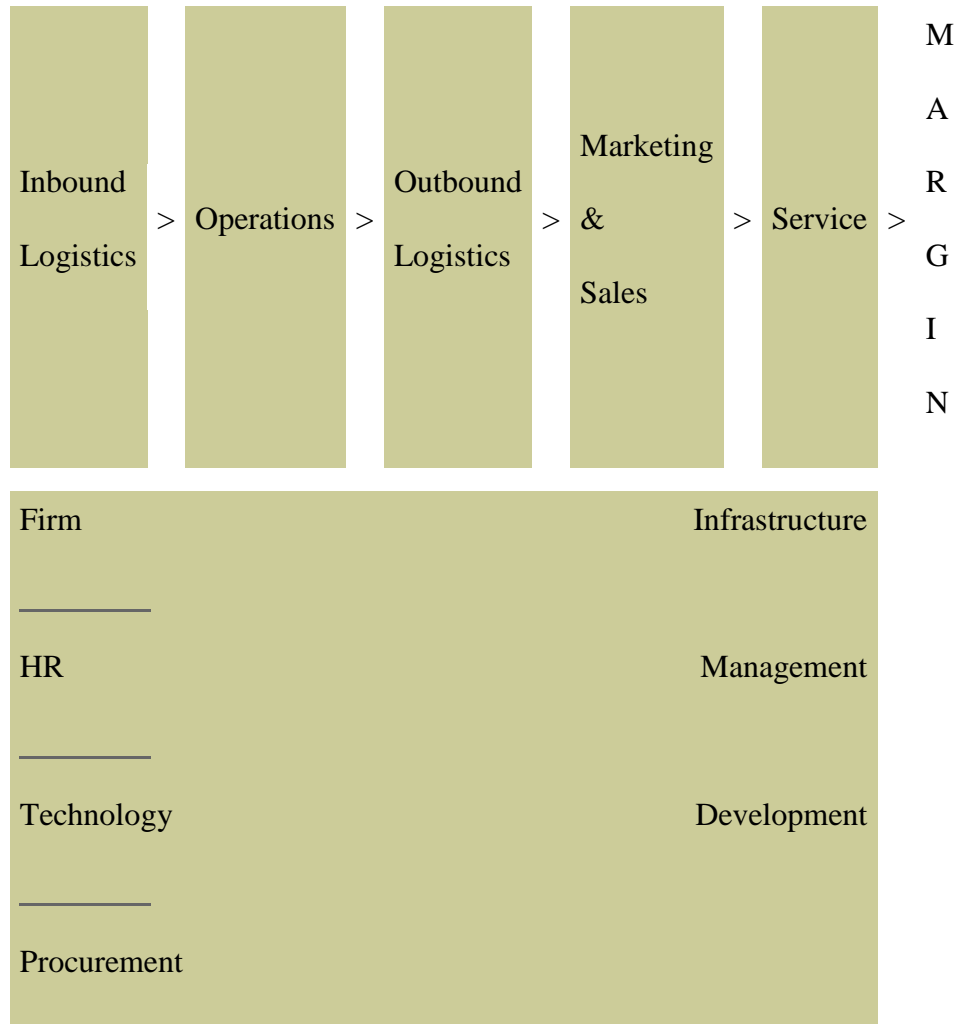
Manufacturers for instance can differentiate their service through offering additional/after sale service for free or minimal cost such as maintenance, user training among others. Service firms can differentiate their services based on speed.

Johnson and Scholes (2002) take a gander at the idea of competitive preferred standpoint from key fit and key extend perspectives. From the key fit perspective, a firm endeavours to coordinate its resources and activities to the earth in which it works. Technique is produced by recognizing openings in the business condition and adjusting inner resources and skills in order to exploit these. In such manner, competitive preferred standpoint is accomplished through right situating coordinated by the market require. Competitive advantage, in light of vital extends, then again, comes to fruition when a firm seeks after separation based on skills suited to, or making a market require. Here accentuation is on two components: guaranteeing that resources are accessible to exploit some new open doors in the commercial centre and furthermore, distinguishing existing resources and abilities that may be a reason for making new open doors in the commercial centre. Henceforth, competitive favourable position is a position a firm achieves that prompts predominant financial execution.

### **2.3 Value Chain Management**

In order to comprehend the deeds through which a company builds up a competitive preferred standpoint and makes investor value, it is helpful to isolate the company framework into a progression of value-producing activities alluded to as the value chain. Porter (1985), developed a non-specific value chain show that contains an arrangement of activities observed to be basic to an extensive variety of firms. Porter acknowledged primary and support activities as shown in figure 1 below.

**Figure 2.1: Porter's Generic Value Chain Model**



The target of these exercises is to offer the customer a level of significant worth that outperforms the cost of the exercises, thusly realizing a benefit edge. The essential esteem chain exercises fuses inbound Logistics thusly the tolerant and warehousing of unrefined materials, and their circulation to amassing, as they are required. The chain in like manner incorporates operations which incorporate the techniques of changing commitments to finished items and organizations. Meanwhile, the esteem chain has outbound Logistics that fuses the warehousing and dispersion of finished items.

Correspondingly, there is Marketing and Sales which joins the recognizing evidence of customer needs and the period of offers. Finally, is the Service which needs to do with the help of customers after the items and organizations are sold to them?

The above primary activities are supported by the framework of the firm which incorporates hierarchical structure, control frameworks, organization culture, and so forth. Support is additionally got from human resource administration which fuses representative enrolling, procuring, preparing, advancement, and remuneration. Innovation improvement likewise supports the primary value making activities. At long last is the acquisition work which manages buying sources of information, for example, materials, supplies, and hardware. The firm's edge or profit at that point relies upon its viability in playing out these activities proficiently, with the goal that the sum that the client will pay for the products surpasses the cost of the activities in the value chain. It is in these activities that a firm has the chance to produce prevalent value.

A competitive advantage might be accomplished by reconfiguring the value chain to give bring down cost or better separation. The value chain show is a helpful examination apparatus for characterizing a firm's centre skills and the activities in which it can seek after a competitive advantage as takes after that incorporates Cost advantage. Here, cost advantage is made by better understanding expenses and pressing them out of the value-including activities. Furthermore, separation system picked up by concentrating on those activities related with centre skills and capacities keeping in mind the end goal to perform them superior to do competitors. Likewise, Porter (1998) and Ambuko (2013) distinguish four non-specific support activities associated with contending in any industry. These are human resource administration, innovation advancement, acquirement, and firm framework.



## **2.4. Competitive Advantage in Organizations**

Competitive advantage as demonstrated by Porter 1985 is largely created by both Primary and Support activities of the firm. These activities encompass the cost advantage within which the value chain is created. At the same time, Competitive Advantage incorporate Differentiation as a basis for value chain outputs of the firm.

### **2.4.1 Cost Advantage and Value Chain**

A firm may influence a cost to advantage either by reducing the cost of individual esteem chain exercises or by reconfiguring the esteem chain. Once the esteem chain is portrayed, a cost examination can be performed by doling out costs to the esteem chain exercises. Perhaps the costs obtained from the accounting report should be balanced remembering the true objective to dole out them fittingly to the esteem making exercises. Watchman (1985) perceived ten cost drivers related to esteem chain exercises. These included economies of scale, learning, confine utilize linkages among exercises, interrelationships among specialty units, level of vertical compromise, timing of market entry, association's approach of cost or division, geographic range and institutional components. A firm develops a cost advantage by controlling these drivers better than do the contenders. A cost advantage also can be looked for after by reconfiguring the esteem chain. Reconfiguration suggests essential changes such another creation method, new dispersion channels through mergers or by-outs or another deals approach.

### **2.4.2 Differentiation and the Value Chain**

A differentiation advantage can rise up out of any bit of the esteem chain. For example, procurement of wellsprings of data that are novel and not extensively available to contenders can influence division, as would conveyance to have the capacity to channels

that offer high organization levels. Detachment begins from uniqueness. A division preferred standpoint may be refined either by changing individual esteem anchor exercises to extend uniqueness in the last thing or by reconfiguring the esteem chain. Doorman perceived a couple of drivers of uniqueness which may a firm an upper hand similar to partition.

These incorporate, approaches and choices, linkages among activities and timing and in addition area. It additionally fuses the interrelationships, learning, coordination and in addition economies of scale and institutional elements. A significant number of these additionally fill in as cost drivers. Separation often brings about more noteworthy expenses, bringing about trade-offs amongst cost and differentiation. There are a few courses where a company can reconfigure its value chain with a specific end goal to make uniqueness. It can forward incorporate with a specific end goal to achieve capacities that once will be performed by its clients. It can in reverse incorporate to have more control over its data sources. It might execute new process advancements or use new allotment channels. The firm ought to be imaginative keeping in mind the end goal to build up a novel value chain arrangement that expands item differentiation.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter covers introduction of the study and the research design that was utilized to conduct the study. It describes the data collection methods that were utilized and the analysis of data in order to generate the findings of the research.

#### **3.2 Research Design**

This study was conducted through a case study design whereby the unit of study was UAP Insurance Kenya Ltd. Case study design is more desirable when a detailed and an in-depth data on an organization or multiple firms is desired (Cresswell, 1994). This was the case with this study whose focus was UAP Insurance Kenya Ltd as a single unit. The case study design provides more focused valuable insights to the phenomena under investigation. Case study design makes it possible for the researcher establish in detail factors that explain phenomena and go into the underlying issues. This study highlighted the value chain approach as a basis for competitive advantage creation for UAP Insurance Kenya Ltd.

#### **3.3 Data Collection**

Both secondary and primary data were utilized in this study. Primary data was obtained from managers of UAP Insurance Kenya Ltd using an interview guide on the value chain approach as a basis for competitive advantage creation for UAP Insurance Kenya Ltd. Section one of the interview guide covered the personal data of the interviewees. Section two included the first objective of the study; to identify the value chain activities of UAP Insurance Kenya Ltd. The third section covered data collection on the second objective of the study to establish the value chain activities that is associated with the firm's

competitive edge. The senior managers such as the Sales Manager, Logistics and Procurement, Customer Relation, Finance and Strategy manager were targeted to give information.

These interviewees were in a better position to provide the required data to answer the research questions because they are the ones who make the key decisions in drafting and implementing the value chain approach as a basis for competitive advantage creation for UAP Insurance Kenya Ltd. The interview guide used was administered through personal interview undertaken by the researcher. This was also to give more room for further probing of the respondents for more data. Secondary data was obtained from the company's strategy documents and any other existing and relevant information about the firm as regards the value chain approach as a basis for competitive advantage creation for UAP Insurance Kenya Ltd. Secondary data was also obtained through reviews and analyses of various strategy documents such as the company's strategic plan, value chain activities, and stakeholder policy documents. This was in addition to books, internet sources, and journals.

### **3.4 Data Analysis**

The data analysis was by way of content analysis. This was because the data collected was qualitative in nature. The qualitative data was summarized, categorized and presented according to common themes to assist the researcher in answering the research questions. Content analysis was used to reach at surmising through a methodical and target distinguishing proof of the particular variables and data collected (Weber, 1995). The data analysis was also benchmarked with existing literature in chapter two. This was necessary to establish areas of common ground and those where variations occurred so as to come up with well-founded research findings and conclusions.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter reports the data analysis and interpretation of the results. The focus shall be on analyzing the data collected from all the respondents in the organization and giving a clear interpretation of the results. The main focus of the study was to determine the value chain activities and competitive advantage in UAP Insurance Kenya Limited, to accomplish this; data was collected by use of an interview guide which contained open ended questions that aided in gathering of as much data.

#### **4.2 Demographic Information**

The study sought to collect information from the senior staff involved in value chain activities in the head office at UAP insurance Kenya. They each had different working positions but quite longer periods with majority having worked for a period of 10 years and above at UAP insurance Kenya and thus were well conversant with value chain activities that are done in their organization. They worked at different capacities in different departments thus provided clear information on value chain activities at UAP insurance Kenya and the way the same is assimilated in all the departments. Majority of them were in the department of value chain analysis and implementation. They clearly understood the value chain activities of achieving different objectives in their specific departments and the way of measuring performance among the employees.

#### **4.3 Value Chain Activities**

Various organs of the organization embrace discrete characteristic activities defining the organization's value chain. In this study there were four departments that undertook primary' activities as identified from the interviews. These were; insurance paying claims,

business development and financial planning services. The respondents further indicated that other activities include inbound logistics which are mainly activities relating to receiving, storing and disseminating of services and information to the customers. However, numerous support activities also existed in the organization. Therefore this section of the study sought to describe the various value chain activities in the respective departments in the organization. It was observed from the interviews that although most of the departments in the organization undertook support activities, departments offering primary activities had embraced at least two strategic support activities in the value chain.

Primary activities identified were auditing of financial statements to ensure they are in compliance statutory requirements, review of client's internal controls, project audits, ensuring tax compliance, advisory services, business development, project management, company secretarial service, share registration, bond registration, note trustee and shares nominee activities. On the other hand support activities include; marketing activities, corporate social responsibility, environmental issues, staff recruitment and placement, training and development, retention and facilitation of separation, financial development, brand development, financial reporting, treasury, payroll administration, system administration, acquisition and replacement of staff, training and development, retention practices, information technology support, system rollout, project management, telecommunication, hardware support and maintenance, back checks, conflict checks, marketing and communications, business development and developing policies and procedures for the operation of the organization.

#### **4.4 Interdependence of Value Chain Activities**

In a bid to better understand the firm's value chain activities the study also sought to establish the interdependence of value chain activities among various departments within the organization's value chain. Results from the interviews established that some of the department's value chain activities were an input to another or other departments within the organization. This was an indicator of integration of activities within the organization's service value chain. Further clarification on the specific details of activities shared among departments indicated that whereas there was high integration of organization specific support activities across departments within the organization, there exists a degree of integration of activities between departments offering primary activities.

Some of the primary activities of one department were inputs to another department's primary activities. Such phenomenon was evident between the four departments. The study results showed that minimal reverse integration existed among the departments. As observed the departments initiated independent primary value chain activities which were then passed over to other departments offering primary activities. However support activities were found to be spontaneously generated within the independent departments and then passed over to other respective primary or support departments. The spontaneous generation of activities within a department could be interpreted as a sign of creativity and innovation at departmental level within the organization.

#### **4.5 Value Chain Activities and the Firms Objectives**

In order to establish the link between value chain activities and the firm's competitive advantage, the interviews also sought to establish the link between the value chain activities and the firm's objectives. A firm's objectives, mission and vision statements would also be geared towards ensuring that the firm remains competitive. The interviewees were asked to explain how department performance was measured in view of the overall organizational objectives. The organization's mission is to "help our people and clients excel", while its vision is to "be recognized as the best professional services firm in the world". It was observed that different parameters of performance measurement of value chain activities link to the firm's overall objectives.

Financial performance measurement which entailed meeting budget plans and revenue targets was the widely used parameter for establishing the link between value chain activities and the firm's objectives. Client satisfaction was the second most used parameter linking the value chain activities with the overall objectives, profit level, compliance with quality standards, human resource management, winning new clients, good cost recoveries on assignments undertaken and achievement of global performance goals were some of the other global performance benchmark parameters. It can be observed that value chain activities must be strategically focused on the organization's overall objectives.

#### **4.6 Value Chain Activities and Competitive Advantage**

The value chain consists of series of activities that create and build value. They culminate in the total value delivered by an organization to its customers. A value chain analysis explicitly recognizes the interdependencies and the profit cost efficiencies accruing from



exploiting linkages among value activities across the organization. By focusing on such linkages, the value chain analysis provides a powerful tool for strategic thinking to gain sustainable competitive advantage. Respondents were asked to identify which activities in the value chain were strategically linked to the organization's competitive advantage.

An overwhelming majority of the respondents indicated that value chain activities in their department were strategic for achieving competitive advantage in the organization. The identified value chain activities focused on human resource management practices that include; recruiting quality employees, effective retention, employee reward and motivation, learning and development and talent management; service delivery system, and quality service which involved innovative and creative solutions, integration of primary activities within the organization; and client value focused value chain activities such as quality relationships, client workshops and seminars.

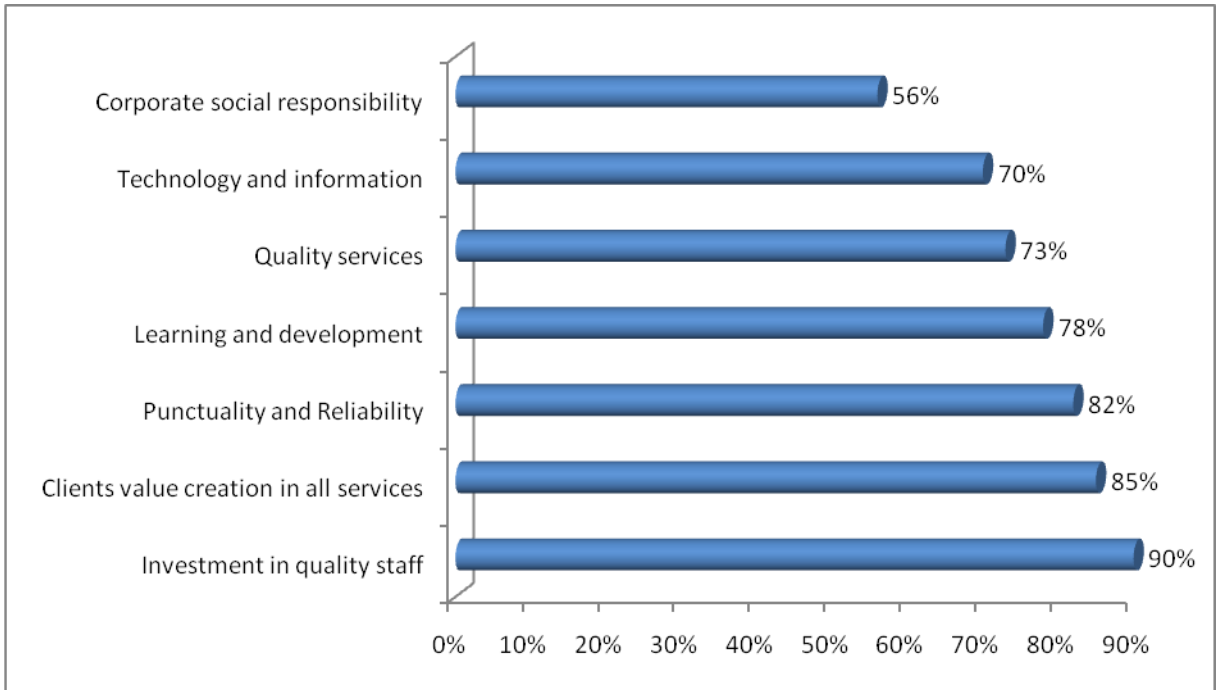
It can be observed that unlike in the manufacturing industry, the service industry value chain activities have emphasized highly on human resource management practices that ensure that services offered are a cut above the rest of the service providers. Porter (1985) identified four generic categories of support activities which are; firm infrastructure, procurement - the function of purchasing the raw materials and other inputs used in the value-creating activities, technology development - includes research and development, process automation, and other technology development used to support the value-chain activities and human resource management. He further noted that these activities help in enhancing efficiency and effectiveness of the primary activities. Unlike in a manufacturing industry, the services industry value chain model is unique.

The study observed that although support activities interacted closely with the organization's primary activities, the service industry value chain lacked an elaborate process of interaction amongst the primary activities. In addition it was noted that most of the company's primary activities are highly regulated by applicable standards including International Financial Reporting Standards, International Auditing Standards and the laws of the country. Firms therefore find themselves offering almost the same product offerings. The mode of offering the service however was noted to be the greatest contributor to the firm's competitive advantage. It was also observed that the organization gained its competitive advantage from the differentiation of both primary and support activities in the value chain. Cost leadership and market focus were not considered as major factors defining the organization's competitive advantage.

#### **4.7 Comparison with Competing Firms**

An organization must prioritize setting its strategies higher than those of its immediate competitors so as to gain competitive advantage over its rivals, even though temporarily. As such this section of the study sought to establish how activities in the various departments in the organization differed from those of other competing firms. Respondents noted that unlike their competitors various activities within the value chain focused on; quality service through close consultations at departmental level, consistency of quality service within the department and the organization levels, specialization through talent management and timeliness in service delivery. The respondents were asked to give their opinion on value chain activities that made UAP insurance Kenya stand out as leading organization in Kenya. Results were as shown in the figure below.

**Figure 4.1: Comparison with Competing Firms**

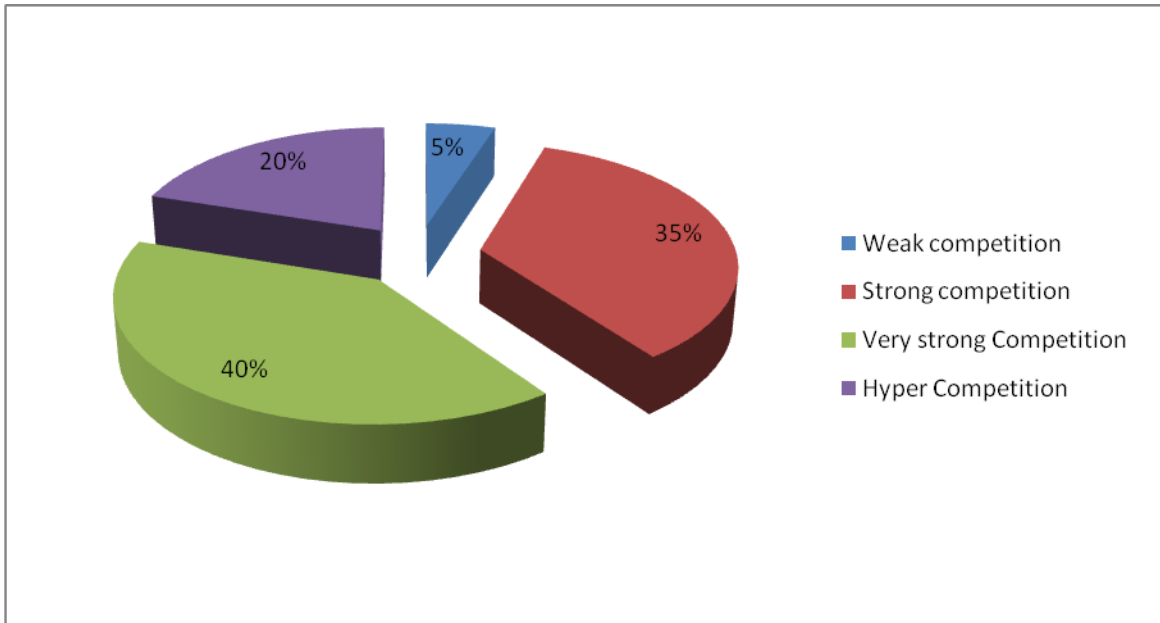


The results indicated that investment in quality staff across the value chain was the greatest contributor that made UAP insurance Kenya; stand out as a leading organization in Kenya. Other activities mentioned include; punctuality and reliability, clients values creation activities, learning and development activities, technology and information, quality services and corporate responsibility activities respectively. UAP insurance Kenya is an organization that has achieved a competitive edge due to focusing on the strength of its people and value creation in client’s service.

#### **4.8 Competition in the Business Industry**

The respondents were requested to indicate how they would describe competition in the business industry in their catchment area. The findings were as shown in the figure below.

**Figure 4.2: Competition in the Business Industry**



The results above indicated that the competition in the insurance industry in the catchment area of the respondents was very strong (40%), followed by strong competition (35%), hyper competition (20%), and weak competition. This depicts that the competition in the insurance industry in the catchment area of the respondents was very strong. The increase in competition may be attributed to the fact that there is increased technology which makes it easier to offer customer services at ease.

#### **4.9 Discussion of Findings**

The study established most of the departments in the organization undertook support activities, departments offering primary activities had embraced at least two strategic support activities in the value chain. Primary activities identified were insurance paying claims, business development and financial planning services. Unlike UAP insurance competitors various activities within the value chain focused in creating superior value

services. Activities in the value chain include; on service designs, service quality and consistency of quality service within the department level then organization level had contributed to the organization's competitive advantage. According to Mark and Spencer (1998) competitive advantage enables the firm to create superior value for its customers and superior profits for itself.

The findings of this study revealed that investment in quality staff, client's value creation in all services, punctuality and reliability; learning and development, quality control, technology and information as well as corporate social responsibility were the seven key activities that contributed to the firm's competitive advantage. This agrees with a study by Odero (2006), who stated that technology and innovation, human resource management and customer focus are more critical in competitive advantage within the corporate banking industry.

The findings of this study depicted that the value chain activities were strategically tailored to differentiating the services rendered as a strategy in gaining competitive advantage. These value chain activities focused on human resource management practices; service delivery system and quality service which involved innovative and creative solutions, integration of primary activities within the organization; and client value focused value chain activities. This agrees with a study by Dess (2002) who found that businesses that do not have either form of competitive advantage perform poorest among their peers while businesses that possess both forms of competitive advantage enjoy the highest levels of profitability within their industry.

The study found that though study cost advantage was a consideration in terms of offering competitive fees for the services rendered, this was not a very key consideration by the organization but instead value adding activities leading to differentiation in the mode of service offering were the organization's top priority. The firm is keen in ensuring that they obtain a fair fee for the services rendered. Considering that the largest cost in the service offering is human capital remuneration and that the retention of staff is highly pegged to the levels of remuneration as compared to the remuneration by competitors and other industry players, the low cost advantage was not strongly pursued by the firm in gaining competitive advantage. The study support Treacy and Wieserma (1993) alternative approach to generic strategy that they call the value disciplines, that strategies must centre on delivering superior customer value through one of three value disciplines: operational excellence, customer intimacy, or product leadership. Operational excellence refers to providing customers with convenient and reliable products or services at competitive prices all of which focuses on differentiation.

The study found that overwhelming majority of the respondents indicated that value chain activities in their department were strategic for achieving competitive advantage in the organization. The identified value chain activities focused on human resource management practices that include; recruiting quality employees, effective retention, employee reward and motivation, learning and development and talent management; service delivery system, and quality service which involved innovative and creative solutions, integration of primary activities within the organization; and client value focused value chain activities such as quality relationships, client workshops and seminars. Study findings support Hamel (1990) observation that a firm's competitive

edge is based on its ability to perform competitively using crucial activities along with its value chain to achieve better results than its rivals. Similarly, the study organization stood out from competitors due to its investment in quality staff across the value chain, punctuality and reliability, client's values creation activities, learning and development activities, technology and information, quality services and corporate responsibility activities respectively.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

In this chapter the summary and conclusions for the research findings in line with the objectives of the study are discussed. Based on the findings, recommendations have been made for policy and practice. The limitations of the study and suggestions for further research are also presented.

#### **5.2 Summary of Findings**

The study established that the respondents had different working positions but quite longer periods with majority having worked for a period of 10 years and above at UAP insurance Kenya and thus were well conversant with value chain activities that are done in their organization. They worked at different capacities in different departments thus provided clear information on value chain activities at UAP insurance Kenya and the way the same is assimilated in all the departments. Majority of them were in the department of value chain analysis and implementation. They clearly understood the value chain activities of achieving different objectives in their specific departments and the way of measuring performance among the employees.

The study identified various departments that carried out primary activities within the organization. They include; insurance paying claims, business development and financial planning services. However, the rest of the departments carried out support activities in the organization's value chain. The study revealed that although most of the departments in the organization undertook support activities, departments offering primary activities in the value chain utilized at least two strategic support activities within the value chain.



The study revealed that most of the respondents acknowledged that at least their department value chain activities were an input to another/other departments within the organization. This was an indicator of integration of activities within the organization's service value chain. Further clarification on the specific details of activities shared among the departments indicated that whereas there was high integration of organization specific support activities across departments within the organization, a lesser degree of integration of activities between departments offering primary activities was observed. Some of the primary activities of one department were an input to another department's primary activities.

Findings revealed that parameters of performance measurement of value chain activities linked to the firms objectives. Financial performance was the key parameter for the performance within the departments. The financial performance measurement included; meeting budget plans and revenue targets. Client satisfaction was the second most used parameter linking the value chain activities with the overall organizational objectives, profit level compliance with quality standards, human resource management, winning new clients and achievement of global performance goals, were some of the other performance benchmark parameters. It was observed that there was strong strategic linkage between the value chain activities and overall organizational objectives.

An overwhelming majority of the respondents indicated that value chain activities in their department were strategic for achieving competitive advantage in the organization. It was observed that value chain activities were strategically tailored to gaining competitive advantage. These value chain activities focused on human resource management practices that include; recruiting quality staffs, effective retention, employee reward and

motivation, learning and development and talent management; service delivery system and quality service which involved innovative and creative solutions, integration of primary activities within the organization; and client value focused value chain activities. The study observed that that unlike in the manufacturing industry, the service industry value chain activities greatly focus on human resource management in gaining competitive advantage.

The study also found out those activities in the respective departments in the organization differed from those of competitors. Respondents noted that unlike their competitors various activities within the value chain focused on; quality service through close consultations at departmental level, consistency of quality service within the department level then organization level, nationally and globally, specialization through talent management and timeliness in service delivery.

Results indicated that majority of respondents noted investment in quality staff across the value chain was one of major value chain activities that made UAP Insurance Kenya to stand out as a leading organization in Kenya. Notably other activities mentioned were; punctuality and reliability, clients values creation activities, learning and development activities, technology and information, quality services and corporate responsibility activities respectively.

### **5.3 Conclusion**

The study concluded that UAP Insurance Kenya has adopted strategic value chain activities in various departments; however such activities differed across the different departments. Some degree of integration of value chain activities existed between

departments undertaking primary activities. Linkage of primary value chain activities could be highly attributed to high quality service. The support activities in the value chain were highly linked to the rest of the departments in the organization.

The service value chain is different from product value chain in that it's characterized by a high level of independence amongst the primary activities. In this study the organization gained competitive advantage from the differentiation of activities within the value chain. This resulted to high quality service design and quality. Cost advantage was not high in consideration by the organization but instead value adding activities for differentiation of the mode of service offering was the organization's top priority.

The study also concluded that there was strategic linkage of value chain activities to the overall organizational objectives and competitive advantage. Value chain activities were strategically tailored to adding value to the organization overall competitive advantage. A lot of emphasis across the value chain activities focused on human resource management practices and offering high quality services to clients.

#### **5.4 Recommendations for Policy and Practice**

The following study recommendations were made from the study conclusions and summary of findings:

The study recommended that unlike value chain in the product industries, the service industries should focus on human resources management value chain activities so as to capture the best of its people. They should therefore be driven by the strength of its people who would ensure that high quality services which are a cut above the rest are offered to their clientele.

Whereas primary activities largely utilize the professional skills possessed by the staff, the support activities should largely focus on empowerment and retention of human resources for high quality professional and client service.

The value chain efforts should focus not only on recruitment of high quality staff but also on their training and development to ensure they remain relevant to the ever changing world.

### **5.5 Limitations of the Study**

The most important limitation of this research is that the findings cannot be directly generalized to the larger population. The findings of this study can therefore not be generalized to the entire professional services industry. The professional services industry's value system is not limited to a simple linear two dimensional view. Any business does not operate in isolation. There is micro (internal) and macro (external) environmental factors all of which would have a bearing on the firm's competitive advantage. This study focused mainly on the activities leading to competitive advantage and thus could have missed out on important interactions of a facet of inter relationships that contribute to the firm's competitive advantage. The study focused on the interviewing the heads of departments who could have felt obliged to depict the best view of the organization's value chain activities, resulting to a lack of better understanding of the value chain activities. This social desirability would have led interviewees to self-sensor their actual views.

## **5.6 Suggestions for Further Research**

The study focused on the link between value chain activities and competitive advantage in a specific professional services firm. Replica studies could be undertaken on other service industries to further build knowledge on the specific application of the value chain model in the service industry. This would contribute to the already existing knowledge on value chain and competitive advantage in the service industry in Kenya.

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# APPENDICES

## Appendix I: Introduction Letter



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SCHOOL OF BUSINESS

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P.O. Box 30197  
Nairobi, Kenya

DATE 24/10/2017

### TO WHOM IT MAY CONCERN

The bearer of this letter EVANG N MANDUKU

Registration No. D61/72933/2012

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



**PATRICK NYABUTO**  
SENIOR ADMINISTRATIVE ASSISTANT  
SCHOOL OF BUSINESS



## **Appendix II : Interview Guide**

This interview guide is designed to collect information on UAP Insurance Group Kenya Limited value chain activities and to establish the link between these activities and the firm's Competitive Edge Creation.

### **Part A: General Information**

1. What is your Job Title?
2. How long have you worked for the company?

### **Part B: Value Chain Activities in the Department**

3. What activities does your department carry out?
4. Are these activities primary or support activities?
5. Are there activities in your department that are inputs to other departments?
6. Are there activities in your department that require input from other departments before you can carry them out?
7. In your view, what objectives have been achieved by the designed value Chains?
8. Is the value chain structure well defined to deliver competitiveness in the firm? If yes explain
9. Is value chain strategically aligned to competitive performance? If yes explain

### **Part C: Value Chain Activities and Link to Competitive Advantage**

10. Do the department's activities assist the firm in gaining competitive advantage?
11. In what ways do these activities contribute to the firm's competitive advantage?
12. How do the activities in your department differ from those of similar departments in major competing firms?

13. In your view which of the identified activities make UAP Insurance Group Kenya Limited, Kenya the number one choice within the Insurance industry?

14. How would you describe competition in the business industry in your catchment area?

Weak competition [ ]    Strong competition [ ]    Very strong Competition [ ]

Hyper Competition        [ ]

Explain.....

15. What would be your recommendations towards improving value chain impact on building competitive strength?

### **Appendix III: Insurance Companies Operating in Kenya**

1. AAR Insurance Kenya Ltd
2. African Merchant Assurance Company (AMACO) Ltd
3. AIG Insurance Ltd
4. ALLIANZ Insurance company Ltd
5. APA Insurance Ltd
6. APA life Assurance Ltd
7. Barclays Life Assurance Kenya Ltd
8. Britam General Insurance Ltd
9. Britam Life Assurance Ltd
10. Canon Assurance Ltd
11. Capex Life Assurance Ltd
12. CIC General Insurance Ltd
13. CIC Life Assurance Ltd
14. Corporate Insurance Company Ltd
15. Direct Line Assurance Ltd
16. Fidelity Shield Insurance Ltd
17. First Assurance Company Ltd
18. GA Life Assurance Ltd
19. GA Insurance Ltd
20. Geminia Insurance Ltd
21. Heritage Insurance Ltd
22. ICEA Lion General Insurance Ltd
23. ICEA Lion Life Assurance Ltd
24. Intra - Africa Assurance Ltd
25. Invesco Assurance Company Ltd
26. Jubilee Insurance Company of Kenya Ltd
27. Kenindia Assurance Company Ltd
28. Kenya Orient Insurance Ltd
29. Kenya Orient Life Assurance Ltd
30. Liberty Life Assurance Ltd

31. Madison Insurance Ltd
32. Mayfair Insurance Ltd
33. Metropolitan Life Assurance Ltd
34. Occidental Insurance Ltd
35. Old Mutual Life Assurance Ltd
36. Pacis Insurance Company Ltd
37. Phoenix Insurance Company Ltd
38. Pioneer Assurance Company Ltd
39. Pioneer Insurance Ltd
40. Prudential Life Assurance Ltd
41. Resolution Insurance Ltd
42. Saham Assurance Ltd
43. Saham Insurance Ltd
44. Sanlam Insurance Ltd
45. Sanlam Life Assurance Ltd
46. Takaful Insurance Ltd
47. Tausi Assurance Ltd
48. The Kenyan Alliance Insurance Ltd
49. The Monarch Insurance Ltd
50. Trident Insurance Ltd
51. UAP Life Assurance Ltd
52. Xplico Insurance Ltd

**Source: AIK Report (2016)**