

**THE VALUE CHAIN AND COMPETITIVE ADVANTAGE IN
UAP INSURANCE SOUTH SUDAN LIMITED**

BY

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DECLARATION

STUDENT'S DECLARATION

I, the undersigned, declare that this research project is my original work and has not been submitted to any college, institution or university other than the University of Nairobi for academic credit.

Signed.....

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SUPERVISOR'S DECLARATION

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

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DEDICATION

I dedicate this work to my loving parents Sarah and Jonathan; for instilling in me the virtues of discipline, hard work and achievement; and my loving husband Rafael Frontado Gomez for his unwavering encouragement and support throughout the study period.

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ABBREVIATIONS AND ACRONYMS

CSR	Corporate Social Responsibility
DEC	Dominant Economic Features
DHL	Dalsey, Hillblom and Lynn (Leader in logistics business)
DOC	Drivers of Change
DSF	Direct Sales Force
ERP	Enterprise Resource Planning
F & A	Finance and Administration
ICT	Information and Communication Technology
IT	Information Technology
ISO	International Organization for Standardization
KSF	Key Success Factors
POP	Point of Purchase
R & D	Research and Development
UAP SS	UAP South Sudan

ABSTRACT

Competition is at the core of the success or failure of a firm. This realisation underpins the importance of crafting and executing a competitive strategy in search of a favourable competitive position in an industry, the arena where competition occurs. An appropriate competitive strategy enables a firm to remain competitive and achieve above average returns. Various theories assert that a formidable competitive strategy and advantage can be achieved by disaggregating the firm into its strategically relevant activities and understanding how each of these activities is performed. According to these theories, a firm gains competitive advantage by performing these activities at a lower cost than its competitors or by performing the activities more uniquely, relative to competition. This is because each activity can contribute to a firm's relative cost position or create a basis of differentiation. This study sort to test whether these theories and models actually work in the real world. The study focused on a service firm in an insurance industry, UAP Insurance South Sudan. The study had two distinct objectives: To establish the activities that constitute the value chain of UAP South Sudan (UAP SS) and to establish the value chain activities that are associated with the firm's competitive advantage. The research methodology used was case study. Data was collected from both primary and secondary sources. Primary data was collected through an interview guide with open ended questions, administered to managers in the study unit. Secondary data was sourced from both external and internal sources. Data collected was qualitative in nature and therefore analysed through content analysis. The findings of this study reinforce the fact that sources of competitive advantage are inherent in a firm's value chain. For a typical insurance firm, the choice to be a differentiator or cost leader is predominantly determined by policy choices on product profile; distribution channels; investments in human capital development, marketing communication and brand building; and levels of integration. Whichever competitive strategy a firm is pursuing, it must seek to effectively communicate the same to all immediate stakeholders for unity of purpose in execution. Largely, the study revealed that the generic value chain as postulated by Porter (1998) applies in service firms. It's recommended that a study on the entire industry to determine the typical industry value chain or similar researches in other insurance firms are replicated to establish whether there is consistency on value activities.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Given the continuously turbulent environment in which most firms operate in today, a formidable strategy is key in establishing a profitable and sustainable position against forces that determine turbulence. Turbulence is defined by both the external and internal environment in which a particular firm operates in. Externally, every firm must continually analyze and understand the industry in which it operates; the competitors and its customers. According to Ansoff (1990), all organizations are environment serving, therefore only those firms that respond effectively to environmental forces remain successful. Internally, the firm must also 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. When a firm carries out an external analysis, it seeks to understand what is happening in its external environment. An industry, competitor and customer analysis is therefore vital. Conversely, internal analysis, which is the focus of this study, facilitates the assessment of a 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.

Value chain is one of the fundamental approaches to conducting internal analysis. It's a systematic approach to examining and analyzing the specific activities or functions through which a firm can create value and develop competitive advantage. Value chain is a key tool a firm can use to understand and capitalize from sources of competitive advantage internally.

1.1.1 Value Chain

The value chain is a tool that enables systematic examination of all the activities a firm performs in the whole process of creating and delivering goods or services to its customers. Capon (2008) defines value chain as a framework for thinking about resources and systems that currently provide competitive advantage or have the potential of creating competitive advantage. Technically, the idea of value chain is based on the process view of organizations. The concept of seeing a firm as a system, made up of subsystems each with inputs, transformation processes and outputs. These three main processes define the process of value creation. Porter (1998) asserts that the value creation process is a series of several distinct activities and identifies these distinct activities to include designing, producing, marketing, delivering and product or service support after sale. These activities have both cost and value implications.

According to Porter (1998), 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 can contribute to a firm's relative cost position and/or create a basis of differentiation. A firm therefore gains competitive advantage by performing the value chain activities at a lower cost than its competitors or by performing the activities more uniquely, relative to competition.

The value chain consists of value activities and the margin. Porter (1985) explains that whilst the value activities are the distinct building blocks through which a firm creates a product valuable to its buyers, the margin is the difference between the total value and total cost implication of performing the value activities. The goal of the activities is to offer the customer a level of value that exceeds the cost of the activities, thereby resulting in a profit margin. Influential work by Michael Porter suggests that these activities can be divided into two broad categories; Primary and Support activities.

Primary activities would be those that are directly concerned with creating and delivering a product or service. Porter (1998) identifies five generic primary activities. Inbound logistics, operations, outbound logistics, marketing & sales and service. Support activities are in most cases not directly involved in production, but increase effectiveness

or efficiency in production. Similarly, Porter (1998) identifies four generic support activities involved in competing in any industry. These are procurement, technology development, human resource management and firm infrastructure.

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 deliver superior value to its customers. Capon (2008) observes that gaining, maintaining or improving competitive advantage requires a firm's activities, resources and systems to be arranged to either reduce overall cost or add most value for least cost. Porter (1998) on the other hand asserts that competitive advantage grows fundamentally out of the value a firm is able to create for its customers, that exceeds the firm's cost of creating it. Value being the amount buyers are willing to pay for a given product or service, which is measured through total revenue. The primary goal of a firm therefore is to create value for buyers that exceed the cost of doing so. Competitive advantage stems from pricing products and services lower than competitors for equivalent value or providing unique benefits for the same price.

In retrospect, value chain activities are in fact, the building blocks of competitive advantage. Performance of each value chain activity determines whether a firm is either a high or low cost firm, relative to competition. Similarly, the manner in which each value activity is performed will determine its direct contribution to buyer needs, hence differentiation. Capon (2008) avows that whether a firm chooses to configure its value chain to reduce overall cost or add most value at least cost, depends on the competitive strategy the firm is pursuing – cost based or differentiation based. This discussion postulates two kinds of competitive advantage; cost leadership and differentiation. A firm gains competitive advantage by performing value chain activities more cheaply (cost leadership) or better and uniquely than its competitors (differentiation). According to Porter (1998) a single firm's value chain exists within a defined value system that comprises of supplier, channel and buyer value chains. Suppliers can impact the firm's performance through their inputs and how the same are delivered. Similarly, a firm's products pass through value chains of distribution channels on their way to the buyer.

These channels perform additional activities that affect the buyer. Ultimately, the basis of differentiation is a firm and its role in the buyer's value chain, which determines buyer needs. Essentially, gaining a sustainable competitive advantage depends on understanding how the firm fits not only in the firm's value chain, but the overall value system.

1.1.3 The Insurance Industry in South Sudan

Insurance, like all other sectors of South Sudan economy, was affected during the twenty four years of civil war. Before the signing of the Comprehensive Peace Agreement (2005), there were only a handful insurance companies in the South. However North Sudan, now Sudan, with an oil driven economy, has always had a more vibrant insurance industry, with approximately thirty fully fledged insurance companies, mainly doing business in the North.

The Comprehensive Peace Agreement (CPA) (2005), also known as the Naivasha Agreement, was a set of agreements that were signed between the Sudan People's Liberation Movement (SPLM) and the Government of Sudan. It aimed to end the second Sudanese Civil War, develop democratic governance countrywide and share oil revenues. The signing of the CPA was a turning point for Sudan and South Sudan in particular. It paved way for investors in various sectors; key among them the financial services sector. The banking industry had a head start within the larger umbrella of financial services providers. According to a report by the Bank of South Sudan (BOSS) on developments in financial services in South Sudan as of 2011, the signing of the Wealth Sharing Agreement (WSA) in Kenya on 7th January 2004 clearly laid down the shape of banking and currency in Post war Sudan. WSA provided for the restructuring of the Central Bank of Sudan (CBS). Two sets of banking instruments were created to meet the varied banking needs of Northerners and Southerners that were aligned along religion; Islam and Christianity. An Islamic financing window was created in the North, while the Bank of South Sudan was created in the South to manage the conventional window, which was a preserve of the Christians in the South. Bank of South Sudan or BOSS as its now known was also tasked to be responsible for chartering and supervising all other financial

institutions, including insurance companies in South Sudan; a role BOSS still plays in the independent South Sudan.

In February 2011, the Government of South Sudan, created a separate department within BOSS, called the non-banking division, to deal specifically with non-bank institutions. The mandate of this department is to license, regulate and supervise all non-bank financial institutions: insurance companies, foreign exchange bureaus and microfinance institutions. Particularly for insurance firms, the role of BOSS is to enforce standards in the conduct of the business of insurance with which a member of the insurance industry must comply. To-date, we do not have any specific legislation governing the insurance industry. The industry similarly lacks an independent regulator.

The South Sudan insurance industry currently consists of insurance companies and agencies. The insurers come together under the Association of South Sudan Insurers (ASSI) established in 2010 as a consultative and advisory body for the insurance Industry. Only four out of the eighteen insurance companies doing business in South Sudan are duly licensed to transact insurance business. We have no local re-insurers in the industry and neither do we have any representative offices of regional or international players. The support environment for insurers is generally weak and expensive unlike most developed insurance markets. There are few if any independent surveyors, valuers, loss assessors and adjusters. Most of these professionals have to be flown in from Kenya or Uganda at high logistic cost compared to the cost of services being sort.

One may easily make an assumption that given the few players, competition is leaner. On the contrary, competition among the eighteen players is stiff. The economy is generally still underdeveloped due to effects of twenty four years of civil war. The two civil wars resulted in cumulative deficit in public and private investments. As a result, infrastructure, agribusiness, mining & extraction and manufacturing sectors can be said to be grossly underdeveloped. Vital infrastructural services like transport, Information and Communication Technology (ICT) are equally underdeveloped. For a country that relies heavily on agricultural food imports and manufactured products, agriculture and manufacturing industries are almost non-existent. These sectors are among the key sources of insurance business. Insurance companies therefore tend to compete for a very

limited number of customers, largely from government and Non-Governmental institutions.

According to the 5th Sudan population and housing census (2008), 83% of the South Sudan population of 8.3 million people live in the rural. Further, 51% of the total population is below 18 (years) whereas 51% of the total population live below the poverty line. Only 53% of the urban adult population is literate. These demographics are a pointer to multi-faceted challenges to the insurance industry which include. limited market for insurance due to high illiteracy levels, low disposable incomes & purchasing power and limited opportunities for insurance niche marketing. Similarly, marketing communications and sales is a challenge given illiteracy levels, age profiles and location.

South Sudan is today undoubtedly an emerging market attracting a large number of regional and international investors. For the insurance market, this fact may mean increased insurance business for market players with new and increased investors on one hand, and stiffer competition from new entrants in the same market, on the other hand. There are practically no barriers to entry in the absence of a governing legislation or an industry regulator.

1.1.4 UAP Insurance South Sudan Limited

UAP Insurance South Sudan Limited is a subsidiary of UAP Holdings, the group company headquartered in Nairobi, Kenya. The group is one of the leading insurance and financial services groups in East Africa with headquarters in Nairobi and a network of branches and operational subsidiaries spread across the greater East and Central Africa region. According to UAP Group Profile (2012), the mother-outfit's origins can be traced back over eighty years ago. The current company was formed in 1994 after the merger of Union Insurance and Provincial Insurance following the merger of their parent companies, UAP of France and Provincial of the UK. In 1996 UAP became part of AXA when AXA acquired UAP in France. AXA divested its shareholding in 2000 and the firm became a fully owned Kenyan Company. Since then, UAP as a group has grown in volumes, assets and geographical expansion leading to the birth of UAP Kenya, UAP

Uganda, UAP South Sudan, Union Insurance Rwanda, UAP DR Congo and UAP Tanzania. UAP South Sudan is the study unit of this research.

UAP SS was registered in July 2005 and commenced business in February 2006. It was re-registered in Juba, the current city of South Sudan in September 2006 as per government directive and granted an insurance license in September 2007. The firm is headquartered in Juba with ten branch offices in Aweil, Wau, Nimule, Yambio, Bor, Malakal, Rumbek, Kwajock, Torit and Bentiu, essentially covering all the ten states of South Sudan. UAP SS is licensed to transact all classes of general and life insurance.

UAP SS's operations are guided by group philosophies: the vision, mission, values and positioning. The group aspires to be "Africa's revolutionary financial services company" and intends to achieve this by enhancing the quality of life of its customers, by ensuring that services it provides, deliver peace of mind and financial freedom to its customers; and by so doing, build lifelong relationships with the customers. The business focus for UAP SS and its sister companies is therefore the customer.

With gross written premiums of USD 9,756,977 at the close of 2012, as per the financial reports for the year ended December 2012, UAP SS is undoubtedly the industry's leader, offering a wide range of products namely: general insurance, health insurance, bancassurance and life insurance products. Other products and services offered at the group level and which UAP SS can pioneer in South Sudan easily by leveraging and taking advantage of the group synergies include credit and investment services.

1.2 Research Problem

Value Chain Analysis presents one way of identifying which activities are best undertaken by a firm and which are best outsourced. The activities a business undertakes are directly linked to achieving competitive advantage. Competitive advantage may be achieved by configuring the value chain to provide lower cost or better differentiation. Capon (2008) observes that a firm seeking to be a successful cost leader in an industry must strive to cut costs associated with the value chain activities. On the contrary, a firm

which wishes to outperform its competition by differentiating itself through higher quality will have to perform its value chain activities better than the opposition.

UAP SS operates in a lean, crowded and extremely competitive industry. The threat of 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 appropriate legislation and an industry regulator. This is compounded by the fact that no government policy exists, that may foreclose entry into the industry. There are practically non-existent switching costs to the buyer. 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 high rate of illiteracy is a challenge to the firm in creating awareness of existing and new product offerings. The information and communication technology tools which are critical in this industry for customer relationship management and overall service delivery are either dysfunctional or underutilised. Additionally, the human capital skills required to compete in the industry are acutely scarce in the market yet they are critical in operations, marketing & sales and service areas. The business support environment in South Sudan in terms of service providers is generally weak. Last but not least, South Sudan is a high cost economy due to undeveloped infrastructure and human capital pools. The cost of doing business is higher as most if not all inputs, including human capital, are direct imports from neighbouring and regional countries.

All these factors can easily impact negatively on a firm's market share and profitability. The eighteen insurance companies are all 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. According to Kotler (2001) product or service differentiation is a major way in which firms can improve their competitiveness in a crowded market place. Through differentiation, buyers can perceive a significant contrast between the services of one insurance firm to another. The value chain model is a useful analysis tool for defining a firm's core competencies and the

activities in which it can pursue competitive advantage through either differentiation by focusing on those activities associated with core competencies and capabilities in order to perform them better than do competitors or cost advantage by better understanding costs and squeezing them out of the value-adding activities. Unfortunately, there are no previous related studies on UAP SS as a study unit or South Sudan insurance market. However influential work by Michael Porter has demonstrated that sources of competitive advantage are inherent in a firm's value chain activities. There was therefore need to formulate a study to understand what activities typically form the value chain of an insurance firm like UAP SS and which of these activities within the value chain are sources of competitive advantage.

1.3 Research Objectives

This study has the following two objectives:

- i) To establish the activities that constitute the value chain of UAP SS
- ii) To establish the value chain activities that are associated with the firm's competitive advantage.

1.4 Value of the Study

The results of this study will be invaluable to UAP Insurance South Sudan Limited in understanding the discrete activities that form its value chain, core competencies arising therefrom that are/could in fact, be building blocks for sustainable competitive advantage.

The study will also be beneficial to academicians and scholars to enrich their knowledge of the South Sudan 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 South Sudan. Last but not least, 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 presents a review of empirical literature on the concepts of competitive advantage and the value chain. This is done for purposes of appreciating available and documented perspectives and viewpoints on these two research variables.

2.2 Theoretical Foundation

This study is hinged on the competitive advantage theory. A firm is said to have competitive advantage over its competition when it can not only attract and retain customers in the long-term, but also defend against competitive forces. Porter (1985) observes that a firm must have a competitive strategy to establish a profitable and sustainable position against forces that determine industry competition. A good competitive strategy leads to competitive advantage. Capon (2008) on the other hand observes that gaining, maintaining or improving competitive advantage requires a firm's activities, resources and systems to be arranged to either reduce overall cost or add most value for least cost. Awori (2011) asserts that there are several routes to competitive advantage: pricing products lower than the competition, providing unique benefits or products for the same price, delivering superior customer service, convenient geographical location, technological expertise, better supply chain management, better production techniques, highly skilled personnel, known and respected brand name among others. Similarly, Juma (2012) postulates many types of competitive advantage including the firm's cost position, structure, product offerings, distribution network and customer support. In her review of various literatures, Capon (2008) observes that three distinct conditions must exist for a firm to gain competitive advantage. Customers must see a distinct difference between the firm's product and those of competitors. Additionally, there must exist a capability gap between a firm and its competitors in form of specific differences in physical resources and operating systems. Lastly, the distinctive product attributes and capability gap must be enduring.

Kotler (1996) on his part suggests a firm can differentiate its offerings to customers in four different areas and achieve competitive advantage in each one of them. These include product, service, personnel and image differentiations. Productwise, firms can seek to deliver highly differentiated products or they can offer standardised products with small amounts 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. Firms like DHL and TNT for instance compete on the speed of delivery. Apart from speed, Capon (2008) argues that firms in the service industry can also differentiate on quality, comfort of customer waiting lounges and skilful staff. Kotler (1996) further explains that personnel differentiation takes shape when a firm recruits its customer contact staff diligently and follows it with rigorous training on expected customer service standards. Image differentiation is basically the perception of the organization as a brand. Strong brands find it easier to stand out from the crowd in promotion of products and services.

Johnson and Scholes (2002) look at the concept of competitive advantage from strategic fit and strategic stretch points of view. From the strategic fit point of view, a firm strives to match its resources and activities to the environment in which it operates. Strategy is developed by identifying opportunities in the business environment and adapting internal resources and competencies so as to take advantage of these. In this regard, competitive advantage is attained through correct positioning directed by the market need.

Competitive advantage, in light of strategic stretch, on the other hand, takes shape when a firm pursues differentiation based on competencies suited to, or creating a market need. Here emphasis is on two elements: ensuring that resources are available to take advantage of some new opportunities in the market place and also, identifying existing resources and competencies that might be a basis for creating new opportunities in the market place. Hence, competitive advantage is a position a firm attains that leads to superior financial performance (Johnson and Scholes, 2002).

Last but not least, Porter (1998) observes that competitive advantage grows fundamentally out of the value a firm is able to create for its customers, that exceeds the firm's cost of creating it. In this regard, he introduces the value chain concept, a systematic approach to examining and analyzing the specific activities through which a firm can create value and develop competitive advantage. According to Porter (1985), the value chain disaggregates a firm into its strategically relevant activities in order to understand the behaviour of costs and the existing or potential sources of differentiation. Each of these activities can contribute to a firm's relative cost position and/or create a basis of differentiation. A firm therefore gains competitive advantage by performing the value chain activities at a lower cost than its competitors or by performing the activities more uniquely, relative to competition.

The theory of competitive advantage is critical to this study in light of the second research objective: establishing which value chain activities at UAP SS are associated with its competitive advantage. It's argued that a firm can increase its competitiveness at the market place by understanding its value chain, potential sources of competitive advantage in its value chain activities and then reconfiguring the value chain to achieve cost advantage, uniqueness, or opportunities that will enable the firm to focus on a particular buyer group, segment of the product line or geographical market.

2.3 Value Chain

Value chain describes activities within and around the firm which together create a product or a service. The cost of these value activities and the value that they deliver determines whether or not best value products or services are developed. It's therefore helpful in understanding how value is created or lost. Due to these facts, value chain is one of the most systematic approaches to examining the development of competitive advantage. To better understand the activities through which a firm develops a competitive advantage and creates both customer and shareholder value, it's useful to separate the business system into a series of value-generating activities. This concept was a brain child of M.E. Porter and was popularised in his book, *Competitive Advantage* (1985). In this book, he introduced a generic value chain model which displays total value as seen in figure 2.1 below.

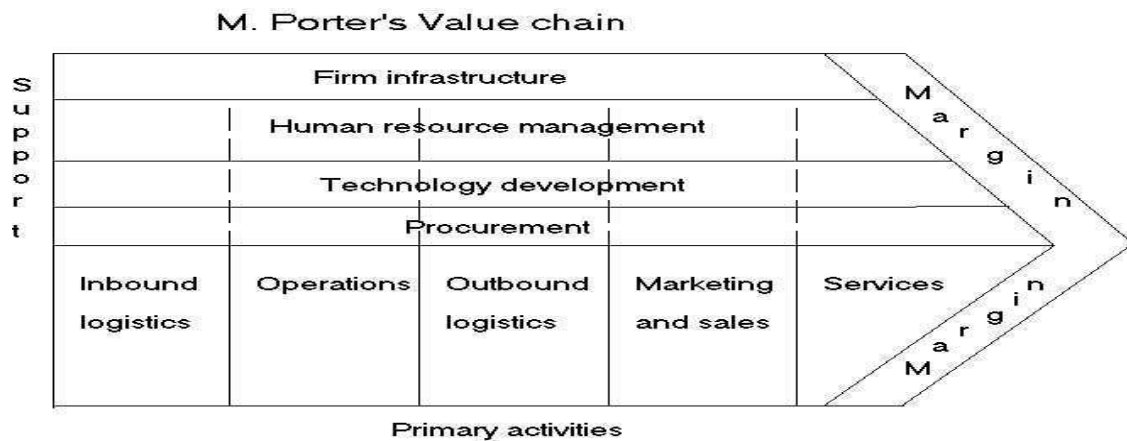


Figure 2.3 The Generic Value Chain (Porter, M.E., 1985)

The chain consists of value activities and the margin. Porter (1998) explains value activities to be the physical and technologically distinct activities a firm performs, which are the building blocks by which it can create a product valuable to its buyers. These value activities are categorised into two sets, the primary activities and the support activities. These activities culminate in the total value delivered by a firm. The margin on the other hand is the difference between the total value and the collective cost of performing the value activities. Simply put, the margin is the added value. Put together, value activities and margin define total value of a firm. According to Porter (1985), value is the amount buyers are willing to pay for what a firm provides them, and it's measured by total revenue. A firm is considered profitable when the value it commands exceeds the costs involved in creating the product or service.

2.3.1 Primary Value Chain Activities

Primary activities are directly involved with the actual creation, sale/delivery of the product or service to the buyer and any aftersales service that is necessary. Porter (1998) outlines the five generic primary activities in a typical firm, which are involved in competing in any industry. These include: inbound logistics which are mainly activities relating to receiving, storing and disseminating inputs to the product, such as material handling, warehousing, inventory control, vehicle scheduling and returns to suppliers.

Operations consist of value creating activities meant to transform inputs into the final product or service. Distinct activities here include machining, packaging, assembly, equipment maintenance, testing, printing and facility operations. According to Bartol (1991) in service organizations, operations involve transforming inputs into intangible outcomes. Such outcomes are produced and consumed more or less simultaneously, cannot be stored and involved customer participation. Capon (2008) explains that outbound logistics are about rapid and accurate delivery of the product or service to the customer. According to Porter (1998), distinct activities here include warehousing of finished goods, material handling, delivery vehicle operations/distribution management, transportation, order processing and scheduling. Bartol (1991) observes that unlike firms involved in production of tangible products, service firms cannot use idle capacity to produce stored inventory, and they often must operate in geographically dispersed locations where the customers are. Marketing and Sales activities are geared towards informing buyers about products or services, inducing buyers to purchase them and facilitating their purchase. According to Capon (2008) it's all about promotion and advertising being closely tied into well-defined market segments and having a well-trained and knowledgeable sales force. Distinct activities here include: channel selection, channel relations, advertising, promotion, selling, pricing/quoting and retail management. Service activities maintain and enhance the product's or service's value and/or performance after being sold. Distinct activities here include customer support, installation, repair, training, spare parts supply and management, complaints handling and product upgrading.

2.3.2 Support Value Chain Activities

Primary activities are supported by secondary or support activities. They hinge on how resources are acquired for the business itself. Porter (1998) similarly gives us the four generic support activities involved in competing in any industry: procurement, technology development, human resource development and firm infrastructure.

Procurement is the process of acquiring and purchasing all goods, services and materials used in all areas of the business. Porter (1998) explains that such inputs include raw materials, supplies, and other consumables, as well as assets such as machinery, office

equipment and even buildings. The underlying objective of every firm is to secure the lowest possible price for purchases of the highest possible quality for the simple reason that procurement costs if not well managed, may account for a significant portion of the total cost of production. Porter (1998) asserts that improved purchasing practises can strongly and positively affect the cost and quality of purchased inputs.

According to Capon (1998) technology development is basically the optimal use of technology to improve products, services and their delivery to customers. Obviously all activities in the value chain have technology or know-how. Distinct activities here include research and development, process automation, design and redesign, production technology, internet marketing activities, customer relationship management and many other technologies to support value creating activities. If well managed, technology can be a powerful source of sustainable competitive advantage in both goods and services industries. Winter (1990) argues that well managed technology can simultaneously deliver both low cost and act as a basis for differentiation to a firm. Technology cuts across both primary and support activities of the value chain. It's critical for inbound logistics, operations, outbound logistics, marketing, sales, customer support activities, procurement and even human capital training.

Human resource management is a critical activity that transcends all primary activities. Capon (2008) argues that the function is concerned with recruiting managing, training, developing and rewarding staff in a manner that helps the firm achieve competitive advantage. The identified human resource activities impact on motivation, attitude and staff turnover, aspects that are critical to any firm. If these activities are effectively executed, human resource can be a key basis of competitive advantage.

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. Firm infrastructure includes the structure, culture and systems. Contrary to the popular belief that infrastructure is basically an overhead, Porter (1998)] asserts that it can as well be a powerful source of competitive advantage especially in service sectors where image and business relationships cannot be wished away. Issues of the firms culture, quality control,

legal issues and the extent to which the top management is in touch with the customer, are in fact, strategic issues. Capon (2008) explains that a firm operating in a turbulent environment will require a flexible structure to facilitate development of a value chain nimble enough to continually provide a strategic match between the organization and its environment.

2.4 The Value System

A firm's value chain is part of a larger system that includes value chains of upstream suppliers, downstream channels and customers. Capon (2008) defines a value system as a set of inter-organizational links between the value chains of an organization and its suppliers, distributors and customers. The linkages are transactional in nature between the firm and the supplier, distributor or consumer. An example would be when a firm decides to outsource a given activity like distribution or deliveries in the value chain. The concept of value system stems from the understanding that a firm may not undertake all activities in its value chain right from design through to delivery to the final customer. These relationships between the firm and its suppliers, distributors and customers are illustrated through the value system shown in Figure 2.2 below.

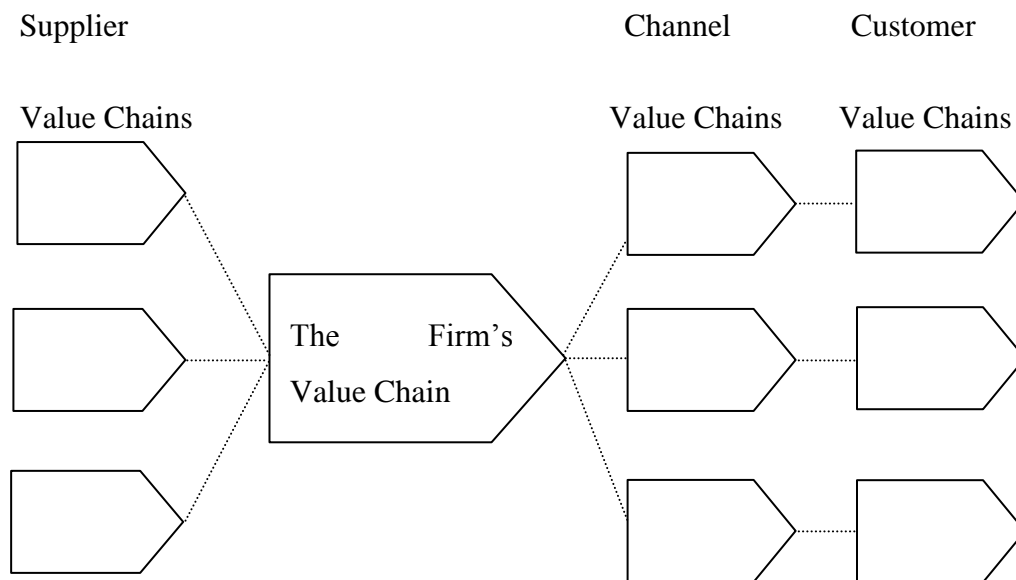


Figure 2.2 The Value System (Porter, M.E., 1985)

According to Porter (1985) the value system depicts specialization of roles and any one firm is part of the wider system. Specialization often underpins excellence in creating best value products and services. While a firm exhibiting a high degree of vertical integration is poised to better co-ordinate upstream and downstream activities, a firm having a lesser degree of vertical integration nonetheless can forge agreements with suppliers and channel partners to achieve better co-ordination. Johnson and Scholes (2002) asserts that as firms gain improved knowledge about this wider system and understand better where costs and value are created, they are able to make more informed choices on issues such as; whether to undertake or outsource a particular activity; who might be the best partners in the various parts of the value system; what kind of relationship to develop with each partner in the value system e.g. supplier or strategic alliance partner.

2.4.1 Outsourcing Value Chain Activities.

A firm may specialise in one or more value chain activities and outsource the rest. The extent to which a firm performs upstream and downstream activities is described by its degree of vertical integration.

Porter (1998) observes that a thorough value chain analysis can illuminate the business system to facilitate outsourcing decisions. To decide which activities to outsource, one must understand the firm's strengths and weaknesses in each activity, both in terms of costs and ability to differentiate. Considerations when selecting activities to outsource include whether the activity can be performed cheaper or better by suppliers. Whether the activity is one of the firm's core competencies from which stems cost advantage or product differentiation. The risk of performing the activity in-house, that is, if the activity relies on fast changing technology or the product is sold in a rapidly –changing market, it may be advantageous to outsource the activity in order to maintain flexibility and avoid the risk of investing in specialised assets. Lastly, whether the outsourcing of an activity can result in business process improvement such as reduced lead time, higher flexibility, reduced inventory among others.

2.5 The Value chain and Competitive Advantage

Capon (2008) observes that gaining, maintaining or improving competitive advantage requires a firm's activities, resources and systems to be arranged to either reduce overall cost or add most value for least cost. Whether a firm chooses to configure its value chain to reduce overall cost or add most value at least cost, depends on the competitive strategy the firm is pursuing – cost based or differentiation based. Most importantly, value activities should be assigned to categories that best represent their contribution to a firm's competitive advantage. The key tools of competitive advantage that arise from careful analysis of value chain activities are cost advantage and differentiation.

2.5.1 Value chain and Cost advantage

Cost advantage hinges on better understanding of costs and squeezing them out of the value adding activities. The aspect of cost, when used as a competitive strategy is referred to as cost leadership. Porter (1985) postulates cost leadership among the three generic strategies for achieving competitive advantage. With this strategy, the firm endeavours to become the lowest cost producer in its industry. Odero (2006) argues that this strategy is popular with large-scale businesses offering standard products with relatively little differentiation that are perfectly acceptable to the majority of customers. It's vital for a firm to fully understand cost behaviour if it hopes to develop competitive advantage through cost leadership. The value chain provides a good basis for evaluating costs within the firm. Each value activity has its own cost structure. Understanding a firm's cost behaviour requires identification of the cost drivers. Porter (1998) defined a cost driver as a structural determinant of the cost of an activity and identified ten cost drivers related to value chain activities. These include economies or diseconomies of scale, learning and spillovers, capacity utilization, linkages among activities, interrelationships among business units, degree of vertical integration, timing of market entry, firm's policy on cost or differentiation, geographic location and institutional factors. Cost drivers vary from one industry to the next. The cost drivers in insurance among the above would be learning and spillovers; interrelationship; integration; timing; policy choice; location and institutional factors. A firm develops cost advantage by controlling these drivers better than do the competitors.

2.5.2. Value chain and Differentiation

A firm differentiates itself from competition if it can be unique at something that is valuable to buyers beyond simply offering low prices. By stressing a particular attribute through differentiation, a firm can create loyal customers which enable it to charge a premium price. Differentiation leads to superior performance if the premium charged exceeds added costs of being unique. A differentiation advantage can arise from any part of the value chain because every value activity is a potential source of uniqueness.

Porter (1998) identifies several drivers of uniqueness namely: policy decisions, linkages among activities and within the value system, timing, location, interrelationships, learning, integration; scale and institutional factors. These uniqueness drivers vary from one industry to another. In the insurance industry for instance; policy choices; integration, location and interrelationships are key. Integration in insurance is a strong source of uniqueness. Providing services like actuarial and risk management in-house instead of leaving the customer to source them from third parties may allow an insurance firm to be viewed by the customer as a one stop shop that provides all round service in a unique way compared to its competitors.

Porter (1998) observes that differentiation may be costly. The link between cost and differentiation is therefore twofold: One, what makes an activity unique impacts on cost and two, the cost drivers can affect the cost of being unique. For a firm to differentiate successfully therefore, the product or service must first deliver basic functionality; must be seen as being valuable by customers to justify premium price; must dwell on readily perceived value; the uniqueness must be effectively communicated and finally; the differentiation strategy must become a moving target to enhance sustainable advantage because competitors will be seeking to copy it. Firms must understand that uniqueness does not lead to differentiation unless such uniqueness is seen as valuable by the buyer.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology adopted for this study. It entails research design, data collection procedure and data analysis technique.

3.2 Research Design

This was a case study, a qualitative descriptive research. The case study is utilized in order to gain an in-depth contextualized examination of given issues within a single social setting. This descriptive study was aimed at facilitating in-depth exploration and understanding of the value chain phenomenon in a practical situation. According to Donald and Pamela (2003), a study concerned with finding out who, when, where, what, which and how of a phenomenon is a descriptive study. Kothari (1990) argues that a case study involves careful and complete observation of a solid unit, person, institution, cultural group and emphasises depth rather than breadth. The study sought to describe the activities that constitute the value chain of a typical insurance firm like UAP SS and the extent to which these activities can be adopted to develop competitive advantage. According to Mwanja (2011) the case study research design is useful in testing whether scientific theories and models actually work in the real world. Koigi (2002), Odero (2006) and Mwanja (2011) have used the descriptive design in related studies.

It is solely a qualitative study because data collected border on themes and ideas rather than quantities. The main strengths of this research design is that it allows in-depth exploration of a phenomenon and facilitates generation of detail on key aspects of a phenomenon in order to develop profiles of these key aspects. It's ideal for generating hypothesis. However, it cannot be used to test hypothesis since it does not involve quantities.

3.3 Data Collection

Both primary and secondary data was utilised in this study. The interview guide was the data collection tool for primary data. It guided the face to face interview sessions with the interviewees. This method was preferred over other methods of data collection because of its capability to extract information from the interviewees as well as give the researcher a better understanding and more insightful interpretation of the results of the study. The interview guide had open ended questions to avoid yes/no or rehearsed answers. The questions contained topic guides containing the main areas of exploration. Semi-structured interviewing is suitable when the researcher already has some grasp of what is happening within the sample in relation to the research topic. Different ways of posing questions and probing helped to elicit more information or steer the interview. The study targeted the heads of the main departments at UAP SS. These are: head of marketing, head of operations & customer care, underwriting manager, head of finance, head of direct sales force and head of medical insurance and special channels.

Historical or secondary data was also collected from both external and internal sources. The former comprised of government sources, books, journals, internet and trade association's sources. Internal sources constituted the study unit's annual reports, strategic plan, technical manuals and inventory records. According to Mwanja (2011), there are several limitations pertinent with secondary data such as obsolescence, biasness among others. To manage these limitations, the researcher was careful to ensure that selected secondary data sources were relevant in fulfilling the study objectives and answering the research questions.

3.4 Data Analysis

Data collected was mainly qualitative. The data was analysed using content analysis which according to Krippendorff (1980) is a research method for making replicable and valid inferences from data to their context, with the purpose of providing knowledge, new insights, a representation of facts and practical action.

In its general form, the data analysis process involves three main broad stages: data preparation, descriptive analysis and inferential statistics. But this is mainly the case

when doing a survey. For this particular case study, the heading "data analysis" is actually a misnomer given that the data collected is qualitative in nature.

Instead of data analysis therefore, content analysis was be done. Mugenda & Mugenda (1999) asserts that content analysis is the systematic qualitative description of the composition of objects or materials of the study. Content analysis allows the researcher to understand the underlying context. Its purpose is to analyse given information in order to determine factors that explain a given phenomenon. This type of analysis has been used successfully in past studies by Mwanja (2011) and Awori (2011). Content analysis was used to analyse the interviewees view about the value chain activities and the sources of competitive advantage. The information from various interviewees was evaluated and documented as findings for this study. The responses from the open ended questions were grouped into categories which were mutually exclusive and exhaustive.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings of the study and discussions of these findings in relation to existing theories on the concepts of competitive advantage and the value chain, all in trying to address the research objectives. The data was gathered largely through an interview guide which was designed in line with the objectives of the study. The researcher targeted ten senior managers and sectional heads of the main departments at UAP SS, seven of whom were interviewed in person, representing a response rate of 70%. This very much complies with Mugenda and Mugenda (2003) who suggested that for generalizations, a response rate of 50% is adequate for analysis and reporting, 60% is good, while 70 and beyond is excellent. This commendable response was achieved through continuous follow up by the researcher. The various responses from different departments adequately represent expected responses from the entire firm.

4.2 Findings of the Study

The study revealed to a large extent that when you disaggregate a firm into its discrete and strategically relevant activities, it's easier to identify the firms core competencies but it's also possible to understand cost drivers and existing or potential sources of differentiation. Competitive advantage arises depending on how these discrete value chain activities are performed. The firm then is able to assess the potential for adding value through cost advantage or differentiation.

4.2.1 Interviewees and Product Profile

Interviewees to the study comprised of senior managers and sectional heads. In total the researcher interviewed seven people. These interviewees were purposely selected by the researcher as they were deemed to be dealing directly with functions/activities pertinent to the study. All interviewees have university degrees and further possess varied professional qualifications that range from information technology, insurance, marketing,

finance & accounting and human resources management. In addition four out of the seven interviewees have been working for the firm for over three years. With this solid backgrounds, it was felt that the interviewees were knowledgeable enough on the research subject matter and thus of help in realization of the research objectives.

Even though the firm sells various insurance products largely grouped into three categories of general insurance, medical insurance and life assurance, the main areas of focus for the firm are currently general and medical insurance. Life assurance products are currently sold on an agency platform on behalf of one of the group subsidiaries, UAP Life Assurance Kenya. It emerged that life business has very specialised products. The value chain of a life business unit differs substantially particularly in areas of product development, delivery, marketing & sales and even after sales services. For these reasons, the researcher saw it prudent to restrict the study to value activities relating to general and medical insurance products, which are similar.

4.2.2 Value Chain Activities of UAP Insurance South Sudan.

This section of the interview guide sought to establish from the interviewees the actual activities performed by UAP SS that ensures service delivery and customer satisfaction. This was instrumental in establishing the discrete value activities and whether they collaborate with the previous researches and theoretical frameworks.

When asked about how the whole value creation process starts, one of the interviewees indicated that it starts with how inputs into the business are sourced and disseminated. It was noted that in a service industry like insurance, the process of creation and consumption of insurance products and services is simultaneous. In addition, the dissemination of direct inputs into insurance products and services is two-fold. First, procurement and management of material inputs that include: insurance certificates, comesa cards, insurance policy jackets, cover notes, invoicing books among others. These material inputs are sourced by finance and administration (F & A) department upon request from operations departments. The F & A department similarly stores these materials, manages all inventories and disseminates to the operations departments on need basis. Secondly, there is procurement, sourcing and management of technical inputs

that include: collection and dissemination of market intelligence on market and customer needs, customer feedback management, risk surveying and motor assessments, seeking actuarial services for data interpretation & pricing purposes and reinsurance sourcing. These are intangibles and are consumed immediately into the product creation/development process.

A senior manager directly involved with procurement collaborated this information; and indicated that sourcing and management of material inputs into insurance products is essentially a general procurement function. This process is part- manual and part-automated. The intangible services on the other hand such as risk surveying, seeking of actuarial services for data interpretation & pricing purposes and reinsurance sourcing are substantially supported by UAP Group resources. A sectional manager confirmed that UAP SS recently engaged the group actuary in data interpretation of performance of the medical and motor insurance products for pricing purposes. Similarly, sourcing of reinsurance is done at the group level where a joint reinsurance programme is negotiated for all the six subsidiaries of the group.

The distinct activities carried out at the operational level were confirmed to include development of new insurance products, revamping of existing insurance products, development of service level agreements (SLA) with service providers, determining levels of risk and loss retention and documentation processing such as: quotations, medical contracts, member guides, medical cards, cover summaries, marine protection notes, insurance certificates and insurance policy contracts.

The interviewees were asked to describe how the finished product/documentation reach the intended customers. They confirmed that this is done through deliveries by staff especially medical contracts, medical cards, general insurance policy contracts, marine protection notes and motor insurance certificates. This function is also supported by outsourced courier firms. Management of these courier firms is therefore a key activity as some of the deliveries include confidential customer information. The other major related value activity confirmed by interviewees that facilitates delivery of insurance products/services to UAP SS customers is channel management. Being in the service industry, UAP SS must operate in geographically dispersed locations where the

customers are. The channel management value activity involves; management of the direct sales force (DSF), a team internal to UAP SS; management of intermediaries such as agents and brokers; management of branch offices in the eight states; management of partnership agreements with travel agents, banks, vehicle vendors and transporters.

A senior manager confirmed that these channels continue to be useful in either delivering processed insurance documentation to the customer or getting the insurance services such as information on available insurance products offerings and product performance information to the customers. UAP Group subsidiaries were also identified by interviewees as being critical in outbound logistics as UAP SS is able to dispatch processed documents and information on insurance offerings to clients through these points, outside South Sudan borders. The UAP Group has subsidiaries in Uganda, Kenya, Tanzania, DRC and Rwanda. When probed about the role of information and communication technology tools in outbound logistics, one interviewee confirmed that electronic mail and the web-portal play a major role in ensuring that finished products and product information is available not only to customers but also to distribution channels where applicable.

When further probed whether channels are more of marketing and sales avenues rather than delivery platforms, most interviewees collaborated that channel management is instrumental in both activities, sometimes serving the two functions simultaneously. Apart from distribution channels, the interviewees identified several other activities involved in marketing and sales of its finished products. These include: all forms of advertising (mass media, print and electronic), product launches, point of purchase (POP) displays, web marketing, telemarketing, personal selling/ direct prospecting, quotations, tendering, business presentations and through sponsoring corporate social responsibility (CSR) activities. Two interviewees further disaggregated the forms of advertising predominantly used by UAP SS: media which include newspapers, radio/radio talk shows; wall branding; bill boarding; use of fliers and brochures; road shows among others. UAP SS also benefits a great deal from its group marketing activities done through newspapers and television particularly by other Group subsidiaries in Kenya and Uganda; as the readership and viewership extends to the larger East Africa region. The

interviewees confirmed this is so because the UAP brand name is consistent among subsidiaries and product offerings are almost similar.

The researcher also wished to find out from interviewees if UAP SS offers any after sale services. All interviewees answered in the affirmative. They identified various after sale activities which include: road accident scene management particularly in relation to motor insurance products; management and settlement of claims; product enhancement or cover upgrading during the currency of the insurance period; customer visits to understand any likely changes in the insurance risk; health talks particularly in relation to medical insurance products; driver training; complaints handling among others.

Procurement in the entire firm is centralised. Asked about which distinct activities are carried out within the procurement function, a senior manager mentioned four critical activities: order processing; deliveries and payments; control & management of assets, inventories/supplies; and returns to suppliers. Given the centralization of the procurement function, these activities are similar for direct inputs towards the insurance products and other inputs into the general business. Control and management of inputs is partly automated and partly manual. Items procured are categorised into two: assets and supplies/consumables. Assets procured include: auto mobiles, land, office space, furniture, generators, Information Technology (IT) hardware, IT software, telephone equipment, among other assets. A variety of consumables are also procured such as: stationery, underwriting documentation, branding materials and services such as office maintenance, transport, travel, accommodation, legal, internet services among others. Even though procurement procedures are not documented in the study unit, the firm follows general procurement steps that borrow heavily from UAP Group best practises.

Asked about the role of technology if any, in the value creation process, all interviewees confirmed matter-of-factly that technology supports the entire value chain. It's critical in process automation, data mining and interpretation, monitoring trends on new products uptake and claims, web and telemarketing activities and distribution management. Electronic mail was singled out to be instrumental in delivery of processed insurance documentation to customers such as policy documents and insurance quotations. It's also useful in communication and coordination with insurance intermediaries and branch

offices. Probed further on what process automation entails, interviewees indicated Information and Communication Technology (ICT) provides the platform for crucial insurance processes like underwriting management, health care management, customer relationship management, finance & procurement management and aftersales services such as claims handling and management. It was confirmed that UAP SS ICT tools are heavily supported by a team of highly qualified human resources and tools at the group level.

One of the sectional managers confirmed that personnel management was not only a discrete value activity, but strategic in nature as it's a key determinant of UAP SS's skill set and motivation. Asked about particular activities within this function, he identified recruitment, selection, training & development, compensation and continuous management of individual staff performance. In an industry where there is a deficit of human capital skills, 85% of the interviewees concurred that UAP SS has fully qualified professionals heading all the business function areas of finance, medical insurance, underwriting, marketing management, customer care management, human resource management, information technology management and claims management. This, the interviewees collaborated, has been achieved through properly managed employee recruitment, selection, training & development and rewards systems.

UAP SS has a synchronised human resource function meaning that human resource functions are not dispersed across the various departments. A sectional manager further confirmed that the UAP SS human resource function is heavily supported by group resources. The group human resource function coordinates the graduate development programme whose objective is to attract, recruit and develop high calibre graduates from the group's six countries of operation. This will enable the group and by extension UAP SS, to continuously build and grow a pipeline of a talented human resource pool. Similarly at the group level, staff exchange programmes exist to facilitate skills and experience transfer and building capacity of staff across the six subsidiaries. At UAP SS, a staff welfare programme also exists to address staff welfare and social matters.

Given the responses from various interviewees, firm-infrastructural activities at UAP SS can be categorised as general management, systems management (where systems include

information, operations, finance, accounting and legal systems) quality management, culture management, corporate governance and activities geared towards building and protecting the corporate brand and image. For a firm that is part of larger holding group like UAP SS, most infrastructural activities have heavy support from group resources. General management is aided through an elaborate organogram. This organogram is modelled around the key function areas of a typical insurance firm, which conforms to the group structure. One of the senior managers indicated that UAP SS's systems and processes are instituted at the group level and fundamentally borrow from best practises as two of the group's largest subsidiaries (UAP Kenya and UAP Uganda) are ISO certified. This has provided UAP SS with a platform for quality control management and best practises. The firm has underwriting, claims, medical, human resource, ICT, customer and financial management systems, with inbuilt controls.

UAP SS customer-centric culture is defined by group philosophies which include the vision, mission and values. Every staff, including executive management is considered a marketer and is directly involved in not only prospecting but also serving customers. Apart from marketing activities that help to build the brand over time, UAP SS further enhances brand building and protection by ensuring institutionalisation of an organisation suitably structured to effect good corporate governance by having a clearly ethical basis to the business; an effective strategy process which incorporates stakeholder views & values, and reporting systems structured to provide transparency and accountability. A senior manager re-joined that UAP SS is also an equal opportunity employer.

Last but not least, a senior manager confirmed that UAP SS is currently investing in property development in South Sudan. The ultra-modern 14-storey office block under construction and residential apartments are said to continue to positively reflect UAP SS as a reputable and solid financial institution.

Figure 4.1 below provides a diagrammatic representation of the study unit's value chain, coined from information obtained from the research.

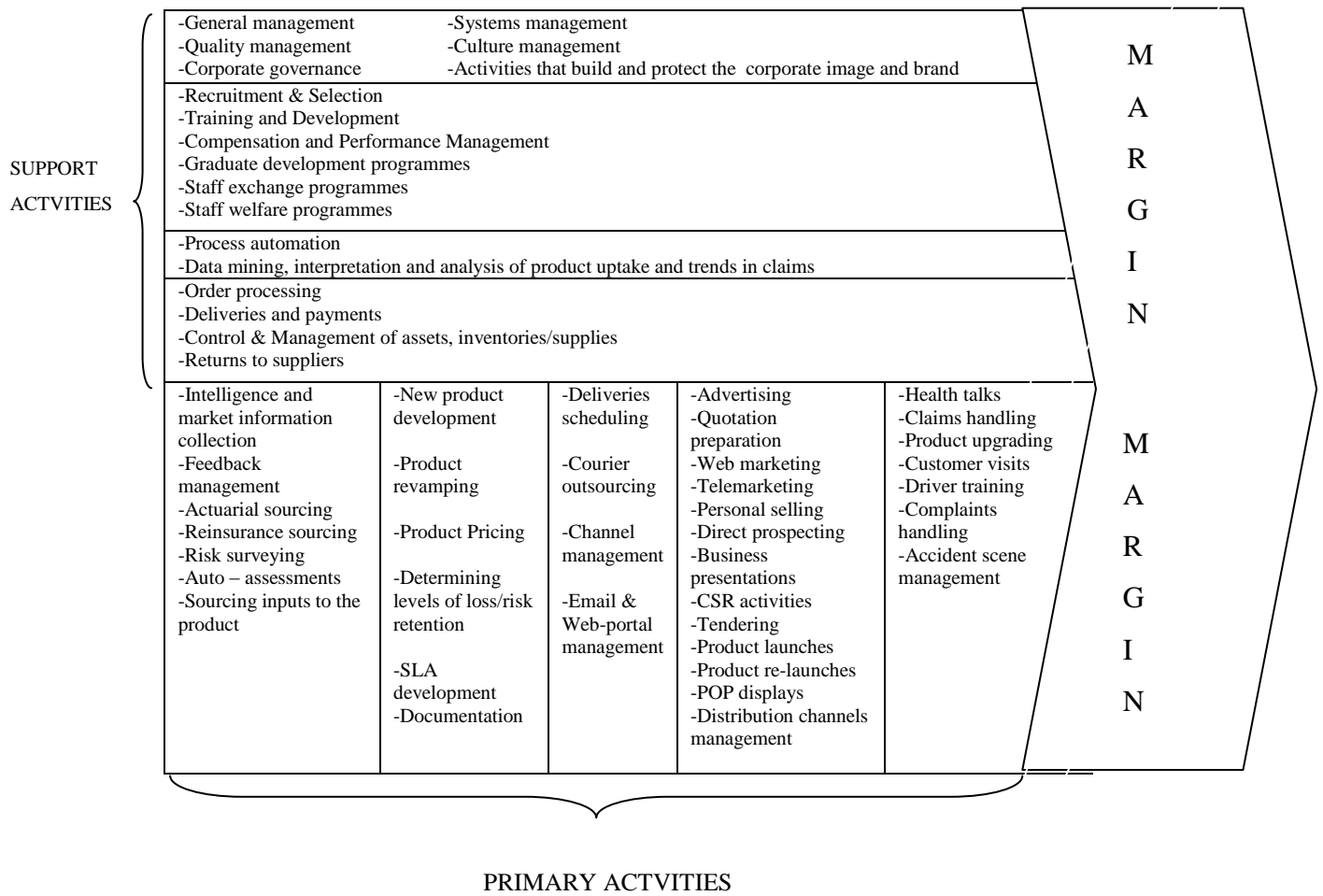


Figure 4.1 Value Chain Activities of UAP Insurance South Sudan.

Source: Field Data

4.2.3 Value Chain Activities and Competitive Advantage

The study also sort to establish from the interviewees if at all competitive advantage was inherent in any of the value activities now and/or in the future. When asked to single out activities identified in Section II of the interview guide that UAP SS automatically leverages off for competitive advantage, 80% of interviewees identified the following: reinsurance sourcing capability and capacity; product profile and product development capability; ICT based marketing communications; corporate social responsibility activities; the branch network; regional presence; a strong brand and corporate image; a pool of professional & experienced staff in all business function areas; and after sale services such as health talks, driver training, claims handling and management.

When probed about how reinsurance sourcing and capacity is a source of competitive advantage, a senior manager explained that first; UAP SS has immense capacity within its own group for ceding large risks facultatively to other subsidiaries in the group. Secondly, there is further capacity afforded by international reinsurers from the group reinsurance programme through treaty agreements.

Reinsurance is insurance that is purchased by an insurance company (the "ceding company" or "cedant" under an arrangement) from one or more insurance companies (the "reinsurer") as a means of risk management. The reinsurer may be either a specialist reinsurance company, which only undertakes reinsurance business, or another insurance company. For companies in the business of insurance like UAP SS therefore, it's fundamental to have an appropriate reinsurance programme in place before even commencing business. One of the sectional managers acquiesced that UAP SS is able to accept and underwrite large and unique risks in the aircraft, oil, professional indemnity and manufacturing sectors speedily than competition, given its reinsurance capacity. Most of the competitors do not have this capacity. Two senior managers confirmed that UAP SS recently secured tender business on the strength of a solid reinsurance programme. Given the capacity to underwrite large and unique risks, interviewees revealed that other carriers have in the past one year referred customers to UAP SS for unique insurances. Additionally, the reinsurance programme with international reinsurers is sourced at the group level, which ensures broad coverage at overall low cost.

Further prodded on how competitive advantage arises from the product development capability, a sectional manager argued that the product development process requires a great deal of research and information on market needs. One key value chain activity at the input level is the collection of market intelligence and information on market needs. This information gathering is done by UAP SS's marketing personnel, direct sales force, branch offices and distributor channels like travel agencies, car dealers, banks among others. Interviewees collaborated that with these kinds of networks, UAP SS is able to collect a variety of information on market needs in the larger South Sudan market, which is critical in insurance product development. If this information is well managed, UAP SS is able to develop unique products in line with specific customer/market/sector needs, faster and uniquely than competition. An example was given of varied motor insurance products recently developed to cater largely for market needs in state towns away from the capital city of Juba.

There was consensus that information on market needs from these networks/sources is more reliable than commissioning a research firm. Since the business support environment in South Sudan in terms of service providers is generally weak, UAP SS can leverage on its own internal synergies to collect market intelligence/information to stay ahead of competition, with no additional costs. This is a critical uniqueness factor and a source of competitive advantage for UAP SS. The product development team at UAP SS is in an enviable position of being able to develop insurance products in line with market needs or develop several variations of the same product for different markets depending on the varying market needs in different regions.

Additionally, interviewees confirmed that the product development cycle is generally shorter at UAP SS as they can simply and quickly tailor the large pool of insurance products from the group to suit its target markets' needs. Further, since most of the reinsurance programme is based on prior treaty agreements, the delivery time of new products is not only reduced, but also the overall cost implication of product development. In summary, a combination of convenient access to market information, a wide product profile and reinsurance capacity is the mal-faceted antidote supporting the product development capability. Interviewees were of the opinion that this capability if

well managed and optimised, can be a powerful and sustainable source of competitive advantage in future. Risk surveying and auto mobile assessment are insurance underwriting practises done as part of the process of determining whether to accept or decline proposed insurance risks. They help in understanding the risk for pricing purposes and understanding customer needs better. Interviewees argued that institutionalization of these practises could be key differentiators for UAP SS in the eyes of customers, as a professional insurance carrier.

Interviewees confirmed that most of the marketing communication activities serve two purposes. First, to inform buyers about UAP SS's insurance products & services and induce them to purchase. Secondly, for continued visibility of the brand. As regards informing buyers and inducing them to buy, interviewees were of the opinion that while all forms of outdoor advertising have done magic in creating insurance, product and brand awareness, these have now been infiltrated by competition. To enhance its marketing communication impact, UAP SS should going forward leverage off its ICT platforms to enhance web marketing & telemarketing (which is the use of internet, email and telephone respectively in reaching customers) and social networking. Interviewees viewed these marketing channels as cheap ways to advertise yet with high impact and coverage, considering the rapidly changing consumer trends.

A senior manager singled out advertising activities such as wall branding, bill boarding and road shows for their role in making the UAP SS brand very visible, recognisable and ease to recall. This has cemented the brand as a major player in the insurance industry. A study carried out by a private research firm as at August 2012 revealed that 60% of the urban population has become aware of insurance through UAP SS's advertising activities. This is a good platform for UAP SS to leverage on to attract more insurance business. Additionally, and unlike other competitors, UAP SS benefits directly from the group marketing communication activities done through newspapers and television by other group subsidiaries in Kenya and Uganda; as the readership and viewership extends to the larger East Africa region. Interviewees collaborated that a number of investors from the region, coming to South Sudan have chosen UAP SS as their insurer due to this visibility. This is a clear advantage arising from regional presence.

In hindsight, a senior manager was quick to re-join that some forms of marketing communication particularly advertising using mass media (radio), print (newspapers, brochures) and electronic (websites) could be counterproductive in certain areas of the country given the population demographics. 83% of the population is residing in the rural areas. Only 53% of urban adults are literate compared to 22% of the rural adult population, according to the 5th Sudan population and housing census (2008). It follows that few people have access to adverts and much fewer can decode the message, which is predominantly in English, in a country where majority are familiar with either the local Arabic language or their native languages. Interviewees had the opinion that this could be the reason why the brand is sometimes perceived to be elitist, a perception that is bad for business in a young, growing economy. This could turn out to be a major impediment to marketing and sales activities, therefore a source of competitive disadvantage.

A senior manager observed that UAP SS's corporate social responsibility (CSR) activities geared towards the girl child empowerment, tourism, culture, health and development of local talent have been key in building the brand. Other interviewees observed that UAP SS's CSR focus areas are pertinent issues in the South Sudan communities and have gone a long way in earning the company a name as respected corporate citizen in its catchment community, an aspect that is good for business prosperity. The firm has a CSR policy and budgetary allocation. Asked about the sustainability of the CSR activities in endearing the brand to the people in the long-term, the interviewees observed that whilst current programmes have been effective, UAP SS must now seek to expand their CSR portfolio to include sports and educational sponsorship to nurture and appeal more to the youth who are the majority, considering that 51% of the population is below 18 years and 72% below 30 years, according to the 5th Sudan population and housing census (2008). The latter is more likely to be salaried population that would be interested in insurance investment products. CSR activities must be sustainable in the long-run to cement the UAP SS brand for sustained recognition. At the group level, a senior manager explained that the holding company has engaged consultants to develop the group CSR strategy and institute a foundation as a vehicle for delivering high impact and sustainable CSR activities in the future, across the group's countries of operation.

As a pointer of how strategic UAP SS's countrywide branch network is, the interviewees explained that they have leveraged and continue to leverage off its branch network in seven key areas: documentation deliveries to customers in the state towns; marketing/personal selling of insurance products away from the capital city of Juba; entrenching the brand in the states; collection of valuable customer feedback and needs; as points of sale and as points service particularly in general and medical insurance claims handling. In contrast, many of the study unit's competitors are either based only in the capital city (in one state) or have a comparatively leaner branch network. This is a clear competitive advantage considering one, the vastness of South Sudan as a country (644,00KM²) two, the fact that the transport and communication infrastructure is still grossly underdeveloped away from the capital city of Juba. The risk of communication cut-off away from Juba is real and three, for services like insurance, some customers matter-of-factly prefer and value face-to-face contact with the service provider to enhance trustful relationship. The study revealed that the branch network has helped the study unit work around these challenges largely successfully. UAP SS has presence in all the ten states of South Sudan through branch offices as illustrated/cycled in figure 4.2. below.

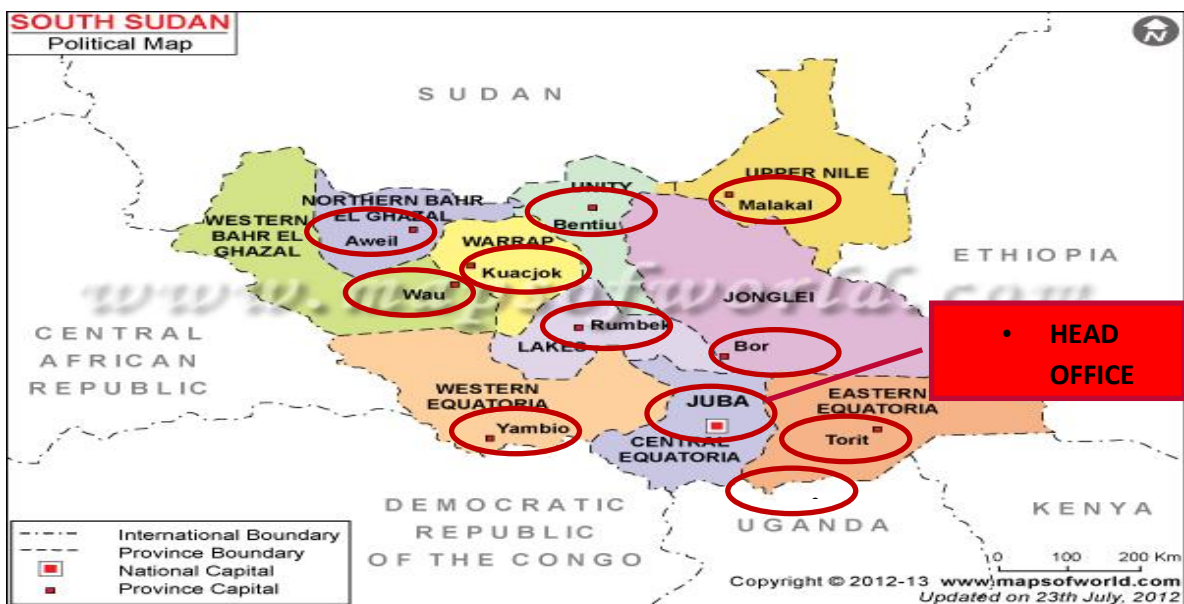


Figure 4.2. UAP SS Wide Spread Presence in South Sudan though Branch offices.
Source: Maps of the World; Amended to identify locations of UAP SS Branch Offices in South Sudan's Ten State Towns.

To enhance the advantage arising from this distribution channel, interviewees argued that the company should invest in building capacity at the branch level through training of the branch staff on products, marketing & sales skills, customer care and claims handling. Additionally, interviewees acquiesced that UAP SS must seek to have presence in all important commercial towns which are not necessarily state towns to enhance its outbound, marketing & sales activities.

When probed if competitive advantage is inherent in other distribution channels other than the branch network, the interviewees responded in the affirmative, pointing out the other five subsidiaries of the group and the direct sales force team. The group subsidiaries as a distribution channel help in creating awareness of UAP SS and its products to investors in the larger East and Central African region and documentation delivery. They also serve as points of service in claims handling and management. The following figure 4.3 shows UAP presence in East & Central Africa as a Group.

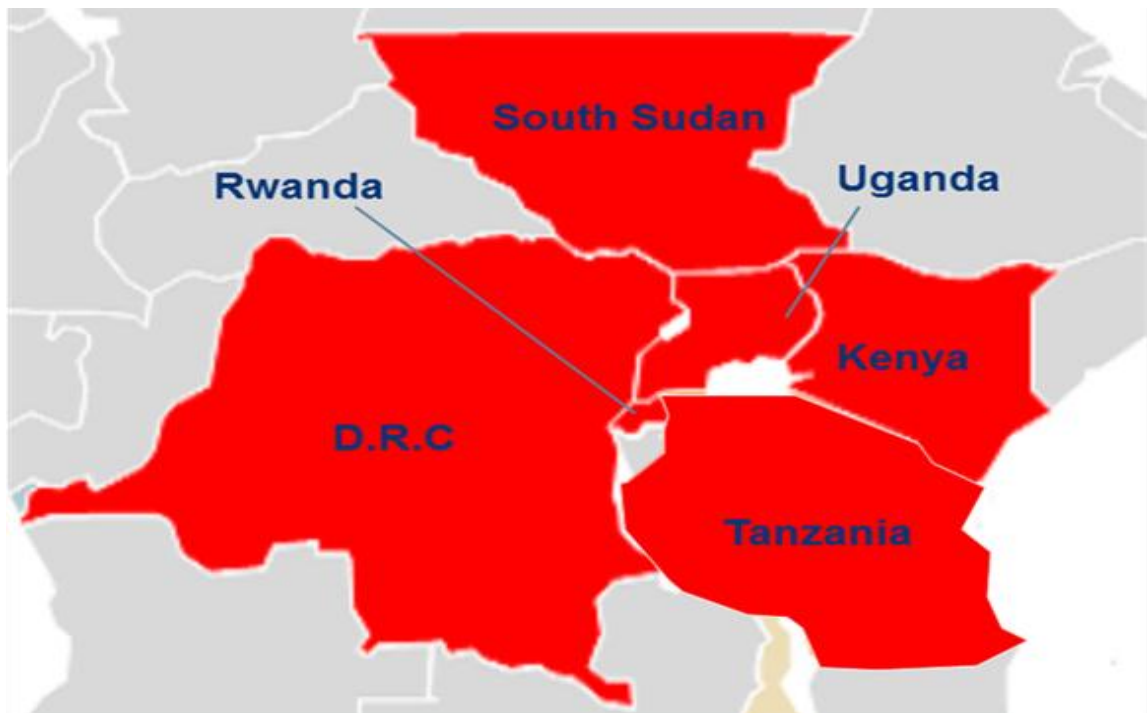


Figure 4.3 UAP Presence in the Larger East & Central African Region as a Group.

Source: Field Data

Even though other competitors have DSF teams, a sectional manager confirmed that UAP SS's team has been in force for over three years and the firm continually invests in improving its capacity, therefore more experienced. The DSF was singled out to be effective in distribution of largely personal insurance such as motor, personal accident, health and home insurances products. The extensive distribution network is another source of competitive advantage as UAP SS is more likely to have an efficient outbound logistics process within and outside South Sudan, compared to its competitors. This strength has been used to counter the logistical challenges stemming from the under-developed transport and communication infrastructure in the country.

The interviewees confirmed one of the key after-sale activities as claims handling and management. Claims handling away from Juba has been mostly seamless given the branch network and the five group subsidiaries operating in the larger East Africa region. Within South Sudan, the branch offices are used as points of service. Beyond South Sudan, each of the UAP Group's subsidiaries further have branch offices in their countries of operation making coordination of both medical and general claims handling and management more effective and efficient even in the remotest locations of claim incidents. Critical claims management activities such as visiting incident or accident scenes, loss investigations and adjustment anywhere in the larger East African region, access to health care services and facilities among other services have been made seamless. Due to these synergies, UAP SS comfortably affords extensive geographical coverage to its customers beyond South Sudan borders. The other major competitors either have presence only in South Sudan and/or in a maximum of two other countries in the East African region. Additionally UAP SS has automatic access to all claims service providers where the group has presence, which has ensured seamless and speedy delivery of services to customers away from South Sudan and reduced logistical expenses. This is major source of differentiation for UAP SS which the interviewees pointed out must be effectively communicated to fully leverage off.

Other after sale activities which interviewees confirmed differentiates UAP SS from the crowd include free health talks and counselling services by health professionals to customers who have purchased medical insurance. There are also driver training

programmes for customers with auto mobile insurance. The interviewees observed that these areas must be given emphasis if UAP SS intends to use them as sustainable sources of competitive advantage going forward, by locking in certain service providers through strategic alliances. This is because the industry has few providers who are likely not to owe allegiance to one insurance company. Other areas identified as potential sources of competitive advantage are the use of the company's developed ICT infrastructure for customer relationship management (CRM). Interviewees decried UAP SS's lack of appropriate strategies in keeping constant touch with the customers through technology (CRM) and well-coordinated physical customer visits and pointed this out as one of UAP SS's undoing and source of disadvantage.

Collaborative information from various interviewees revealed that UAP SS undoubtedly has one of the most modern ICT platforms in the insurance industry that it can leverage on advantageously. ICT was confirmed to be embodied in the entire value creation process, and key in determining the effectiveness and efficiency of various value chain activities, or lack of it. More than 67% of the interviewees have the opinion that even though UAP SS has one of the most elaborate ICT platforms, this otherwise driver of efficiency and effectiveness has been one of the reasons for inconsistent customer service. This is because key functions such as underwriting management, claims management, healthcare management, internet marketing activities; outbound logistics, distribution management and customer relationship management hinge on this platform. To institute the existing technology platforms as a source of differentiation, most interviewees collaborated that the firm must invest in its availability, speed and build capacity for all to ensure optimal use. A dysfunctional ICT platform can impact negatively on the business and erode competitive advantage stemming from other activities.

Interviewees also collaborated that the available ICT platforms should be utilised to automate currently un-automated processes like customer relationship management and procurement systems. The former will enable an interactive claims management platform with service providers especially in medical insurance. CRM platform will also be

beneficial in data mining for marketing and sales services and also managing customer service experience in claims handling.

When asked whether personnel management is strategic in any way in the company, the interviewees answered in the affirmative. One interviewee argued that the way the human resource function is managed determines to a great extent the company's skill set and motivation. It emerged that UAP SS has invested in personnel over the years to ensure a sufficient pool of professional, experienced and motivated personnel. Prodded on how this enhances competitiveness, the interviewee, currently heading the human resource department explained that this is purposeful in ensuring delivery of excellent services. It's no wonder the insurance industry perceives UAP SS as a provider of good service; as having helpful and friendly staff and pays due claims. This is according to the findings of a private research firm commissioned by the firm in August 2012. Interviewees argued that professionalism is one of the tenets of UAP SS's brand positioning.

As part of enhancing the recruitment, selection and on-boarding, the study revealed that senior managers have undergone training on competency based interviewing and effective coaching methodology. Both internal and external training programmes have been effected over the years, geared towards developing appropriate attitudes, skills and capacity for job requirements. At the group level, the graduate development programme's mandate is to ensure the group continuously builds and grows a pipeline of a talented human resource pool in critical insurance areas of underwriting, marketing, claims handling, legal and actuarial services. Similarly staff exchange programmes exist to enhance skills transfer across the six subsidiaries. It emerged that the graduate development and staff exchange programmes are critical strategic activities for the firm in the long-term, towards ensuring a steady pool of highly skilled and experienced personnel in the insurance business. This is very key in an industry where skilled human capital is scarce. The interviewees collaborated that these co-ordinated personnel management activities are geared towards ensuring that human resource capability remains a differentiating factor for the group as a whole, and a source of sustainable competitive advantage. Interviewees argue that going forward, sustainable competitive

advantage lies in building internal capacity in actuarial skills, underwriting of oil and gas risks, general risk surveying and management skill training. This is because the South Sudan economy is growing rapidly and these skills will be critical in creating insurance solutions.

Asked whether any advantage grows from the procurement function, interviewees had varied opinions. A large number could not point out any current specific and strategic advantage, only observing that procurement is supportive of operations, logistics and marketing communications through facilitating deliveries and availability of quality of promotional and marketing materials. It emerged that procurement of certain assets like vehicles must take cognizance of outbound logistic needs of the company such as delivery of processed documents, branch network supervision while at the same time enhancing the image and the brand positioning of UAP SS. A senior manager confirmed that UAP SS already has in place the right technological infrastructure that allows automated management of stocks and other supplies. The infrastructure is critical in setting and managing economic reorder levels, order processing, lead time management among other benefits. Interviewees collaborated that going forward, optimal use of this automated procurement tools can be advantageous to the firm in several ways. First, it will enhance efficiency and reduce the human resource costs in the long-run. Through proper monitoring of stock levels, the firm can strategize for bulk orders, benefit from quantity discounts and further institute the reverse auction system of managing supplier cost and quality.

A senior manager explained that general management is aided through an elaborate organogram. The organogram is modelled around the key function areas of a typical insurance firm, and conforms to the group structure. This is advantageous to the firm in the sense that it clearly separates duties and responsibilities, ensures controls and accountability. The structure has instituted unity of purpose over the years as each staff is able to appreciate how their individual work feeds into the overall value creation process of the firm. When further probed on more specific advantages arising from the organisational structure, interviewees asserted that the similar structure across the six subsidiaries is important for skills & experience exchange, and sharing of best practises

from other markets. This sharing it is said, builds capacity, enhances professionalism, and has been key in rolling out pioneer insurance products like medical insurance, travel insurance and life insurance at UAP SS.

It also emerged that all of UAP SS's systems and processes are instituted at the group level. The latter borrows from best practises as two of the group's largest subsidiaries (UAP Kenya & UAP Uganda) are certified by the International Organization for Standardization (ISO). Whilst using these group platforms currently for quality control management and best practises, interviewees confirmed that UAP SS has currently embarked on an ISO certification process which on completion, will differentiate the firm completely from all other players in South Sudan insurance industry who are not ISO certified. An ISO endorsement will distinguish UAP SS in the marketplace.

Apart from marketing activities that build the brand, a senior manager revealed that the firm has over the years endeavoured to institutionalise good corporate governance practises through: having an ethical basis to the business; a strategy formulation process which incorporates stakeholder views and values; and reporting systems structured to provide transparency and accountability. The interviewees collaborated that these corporate governance practises have enhanced professionalism at UAP SS. Last but not least, the study revealed that recent investments in property development by the firm continue to cement its image in the market as a reputable and solid financial institution.

Figure 4.4 below provides a diagrammatic representation of the study unit's Value activities as sources of competitive advantage.

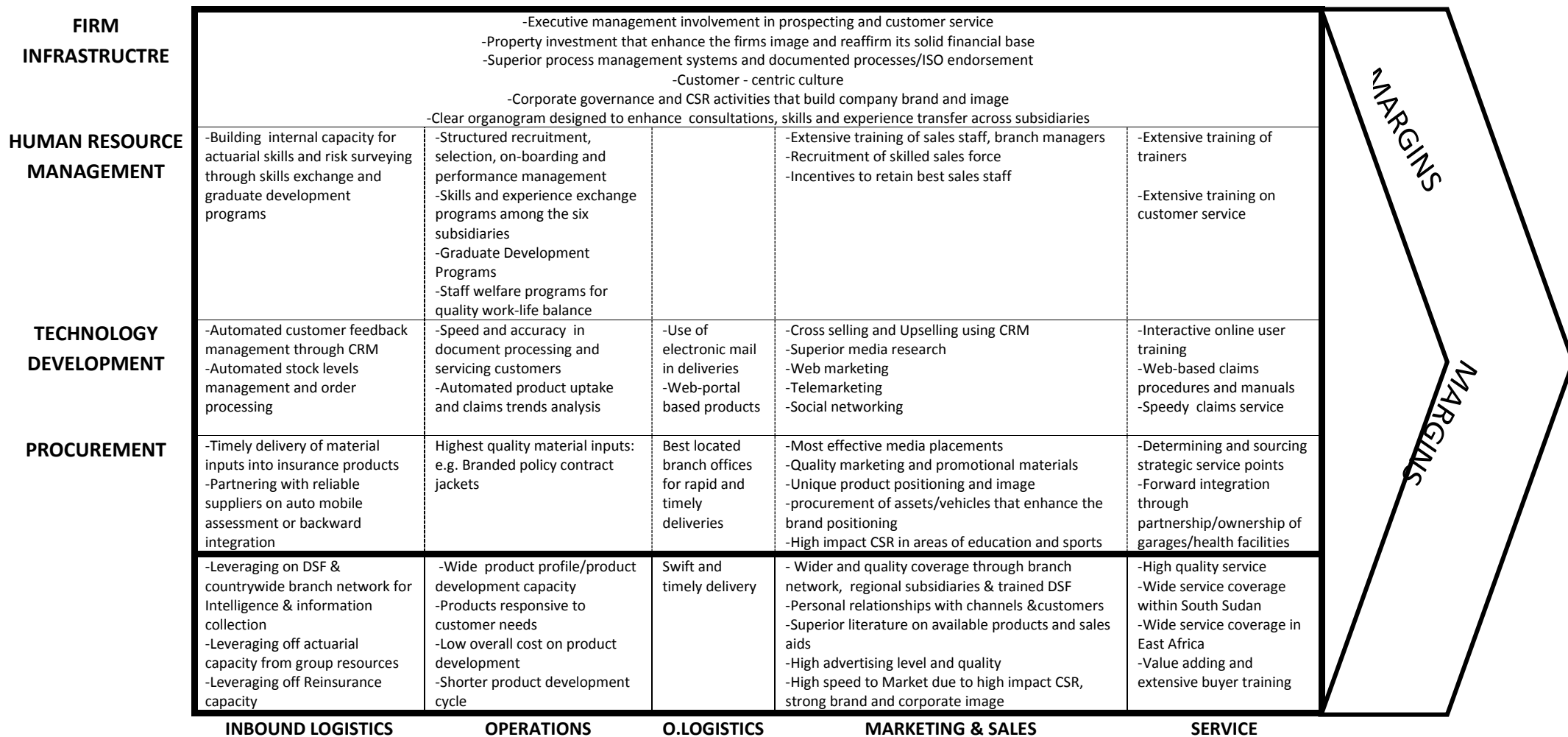


Figure 4.4 Value Activities as Sources of Competitive Advantage at UAP SS. Source: Field Data

4.3 Discussions of Findings

Even though services are intangible and perishable due to their simultaneous production and consumption nature, the study revealed that the generic value chain as postulated by Porter (1998) largely applies in service firms.

From the findings, it's evident that UAP SS's competitive advantage lies in being a differentiator, a fact confirmed by the firm's strategic plan 2013 -2017. The attention and investments of resources in product development and pricing; reinsurance sourcing; institution of various distribution channels; marketing communications; CSR; brand and image building activities; after sale service delivery; human capital sourcing and maintenance; ICT platforms and infrastructure, is a clear pointer to the strategic choices of the firm. There was collaboration to the fact that these investments have heavy cost implications and are directly related to the strategic direction that UAP SS has deliberately chosen to be unique; and are at the core of its differentiation strategy. These findings are consistent with the assertion that policy choices are prevalent uniqueness drivers (Porter, 1998).

On the product development front, the study revealed that the group, which UAP SS is part of, has an enormous profile/range of products and reinsurance capacity that UAP SS leverages off in quickly tailoring insurance solutions to suit the South Sudan market. These synergies, coupled with the study unit's capacity to collect information on customer/market needs, are advantageous in the sense that they reduce time taken in product development and costs incidental thereto. In addition, the speed to market new products is increased essentially because the products are in the first instance developed based on customer needs. In today's business world, customers prefer dialogue with companies on what they want, when and where they want it (product or service). The study revealed these strengths have enabled the firm to roll out several unique variations of auto mobile insurance products in the recent past, developed particularly to cater for needs of clients operating passenger and cargo carrying auto mobiles in South Sudan.

Apart from the recently developed auto mobile products, the study also revealed that UAP SS has a number of non- auto insurance products that has made it stand out of the

crowd. In the past one year for instance, other competitors did refer customers to UAP SS for insurance products that only UAP SS could offer such as travel insurance, medical insurance, life assurance, contractual performance bonds among others. As a result, UAP SS was able to charge a premium price for these products. This can be considered successful product differentiation which Kotler (1996) explains to be one of the key areas to achieve competitive advantage. The findings are also consistent with recent studies on competitive strategies. In her study of competitive strategies used by Safaricom to tackle competition, Njuguna (2012) confirms that differentiation through product differentiation that must appear to be different from competitor offerings is a sure way of creating a competitive edge over competition.

However, the study also revealed that the enviable position of competitor referrals has already changed in just one year because either new players have come into the industry with capacity to offer these products or existing competitors have developed capacity to offer similar products. To ensure continued advantage based on differentiation, the study revealed that UAP SS is now focusing on boosting uniqueness of the same products by enhancing their features, performance and clearly communicating added value. The firm is also focusing attention on ensuring quality service at all customer touch points, including after sales services such claims handling, health talks and driver training. These findings are consistent with Kotler (1996) postulation that firms can further differentiate their service through offering additional after sales services for free such as maintenance, user training among others. Capon (2008) also argues that firms in the service industry can successfully differentiate on quality of services offered to customers.

Other than the product development capability, the study brought to the fore a key value chain activity at the input level: the collection of market intelligence and information on market needs. This is powerful input into the product development process. With the right information on customer needs, UAP SS is able to develop appropriate insurance solutions/products acceptable for its customers. Recent studies have shown that it's advantageous for companies to allow customers to share ideas on product features and functionalities they desire in products. It enhances customer satisfaction, loyalty and increases speed of product adoption. Gatwiri (2012) in her recent study of Competitive

Strategies Adopted by Esri Eastern Africa Ltd confirms that customers testified company products were of great quality and relevance to their unique needs because they were actively involved in their development. This is confirmation that in today's business environment, customers are preferring dialogue with companies on what they want, when and where they want it (product or service). Firms that have the ability to effectively harness this information and incorporate it into their product and service offerings have a clear advantage.

It emerged that UAP SS continues to leverage off its wide distribution network that ensures location utility for the customer, advantageously. UAP SS has physical presence through branch offices in all the ten states of South Sudan, the widest branch network so far in the insurance market, as collaborated by interviewees. From the findings of the study, the branch offices are largely used for marketing of insurance products away from the capital city of Juba including personal selling; entrenching the brand in the states; collection of valuable customer feedback and needs; as points of sale and as points service particularly in handling medical and general insurance claims. To expound further on the point of service function, branch offices have been and continue being effective in handling claims away from the head office. In medical insurance, branch executives help direct customers to approved medical providers and coordinate handling of customer complaints. In general insurance, they assist in attending to accident scenes, advising customers on claim documentation, identifying service providers and coordinating the claim settlement process with the head office.

For the above reasons, there has been a deliberate effort by the firm to invest in its branch expansion to stay ahead of competition. Matter-of-factly, the branch network is currently a key differentiator for UAP SS. A service firm with extensive branch network is poised to offer more personalized services away from the head office. These findings collaborate yet other recent findings on the importance of branch offices, as distribution channels. Ndungu (2012) in her recent study on distribution strategies and competitive advantage at Kenya Commercial Bank observes that competitive advantage is inherent in an effective distribution strategy and that a commonly adopted distribution channel in the service sectors is the branch network. With this channel, customers have access to a wide

range of services/products and some customers value face-to-face contact with the service provider to enhance trustful relationship. Further, findings are consistent with Capon (2008) assertions that rapid and accurate delivery of the product or service to customers than competitors can be a major source of differentiation.

Other than the branch network, the study brought to the fore several other channels that ensure location utility and/or product and service availability to UAP SS customers. These include the DSF, the group subsidiaries, use of insurance intermediaries, travel agencies, and vehicle vendors among others. This collaborates recent studies by Ndungu (2012) and Awori (2011) which postulate that an extensive distribution network is not only crucial in the eventual acceptance and sale of a new product in the market but also determines to a large extent the availability of the new product to the customers. It's evident that with its extensive and varied distribution network, UAP SS has a direct advantage on speed to market any new products or revamped insurance offerings. However, the study also revealed that UAP SS has not fully optimized these avenues in creating awareness of their products. Additionally, the firm needs to break ground in emerging distribution channels like mobile phones and social networks like blogs, online communities, podcasting & videocasting among others. Deciding on which channels to use is a major marketing decision with long-term implications. Insurance being a service, selection of appropriate distribution channels is key in ensuring that insurance products are accessible to the customers and the customers are continuously induced to purchase them. Bartol (1991) observes that unlike firms involved in production of tangible products, service firms cannot use idle capacity to produce stored inventory, and they often must operate in geographically dispersed locations where the customers are.

The study also found out that UAP SS has stood out from the crowd on several occasions especially in insurances procured through tenders by asserting its vast distribution channels and presence as unique value. The firm continues to invest in this area in terms of office facilities and capacity building for human resources. Porter (1998) observes that a firm can enhance the role of its distribution network in differentiation through the following actions: ensuring quality in channel selection to achieve consistency in facilities, capabilities and image; establishing standards and policies in which all

channels must operate; provision of advertising and training materials for use by channels; organizing adequate training programmes for channels on product offerings and service expectations. Given the brand equity currently enjoyed by UAP SS in its market, continuous adoption of these practices will not only enhance the capability of the firm's distribution network, but also build the brand. The findings largely collaborate with Porter (1998) postulations that a firm with more and convenient branch offices, service locations and options available to customers ensures faster field service and is poised to be perceived by the customers to be different.

Closely related to the distribution network is the marketing function, which the study revealed has been key in creating awareness of the company's products and communicating incentive to buy. Further, marketing activities have played a critical role in brand building. Whilst there is consensus that the current marketing activities such as advertising, personal selling, web marketing and telemarketing have been largely successful, it's imperative that the firm embraces the current trends in marketing communication which is to dialogue with the customer as opposed to monologue. For instance, the growing use of social networking in marketing has dramatically changed the way companies interact and market their products and services to customers. As a matter of fact, successful service companies in the larger East Africa region like Safaricom Limited have embraced these new marketing trends and are learning new methods of market research in getting more authentic view of customers, new ways to design and promulgate marketing communication campaigns and new ways to compliment traditional marketing and distribution channels. Being a market leader in its industry, UAP SS can shape the marketing landscape by adopting these new trends.

It also emerged that UAP SS is yet to fully embrace promotions and word of mouth (WOM), yet they are powerful marketing communication and sales methods that complement each other. Regarding WOM, it's argued that potential customers trust and value the opinions of one another more than they do the commercial messages of firms trying to sell them their products. Today, WOM is active in many ways unimaginable. Marketers can listen, observe, learn and obtain as much feedback as possible or actively participate in the conversation and steer to encourage greater dissemination.

The study has also shown that UAP SS has fully qualified professionals in all business function areas of finance, medical insurance, underwriting, marketing management, customer care management, human resource management, information technology management and claims management. The firm gives attention to the process of recruitment, selection and on-boarding and has instituted appropriate procedures and practises to support them. Undoubtedly, human capital development is one of firm's policy choices towards differentiation. According to Kotler (1996), personnel differentiation takes shape when a firm recruits its staff diligently and follows it with appropriate training on expected customer service standards and job requirements. Overall, 15% of gross written premium is allocated to staff related matters of training and general welfare. There is therefore great emphasis on staff learning and development to ensure the right skill sets, motivation and experience of personnel in the various value chain activities. These findings are consistent with recent studies which have shown that competitive recruitment, selection and training not only ensures quality in service delivery by staff, but also sustainable relationships with customers and impacts the brand name positively (Gatwiri, 2012). Juma (2012) also confirmed that a skilled workforce gives a company competitive advantage as it's an enabler in providing a differentiating customer experience and geographical expansion within and outside the borders.

As a group, the holding company is seeking sustainability of this differentiation through the graduate development programme, whose objective is to continuously build and grow a pipeline of high calibre and talented human resource pool, from its six countries of operation. Matter-of-factly, these human resource activities are geared towards ensuring that UAP SS has the right human resource pool to effectively pursue its business strategy and goals. This will ensure that any strategies pegged on skilled human resources are sustainable in the long-run. The findings seem consistent with existing theories on the human resource function and its role in competitive strategy. According to Porter (1998), human resource management affects competitive advantage in any firm, through its role in determining capacity, skills, motivation of employees and the cost of hiring, training and development. Additionally, Bartol (1991) asserts that human resource can comprise a source of distinct competence that forms a basis for strategy

formulation and implementation. A firm pursues the differentiation strategy based on the skill and innovativeness of its human resource capital.

Apart from institutionalizing acceptable corporate governance practises to support its business and the brand, the study revealed that UAP SS has allocated about 2% of its gross revenues from premiums, to marketing communications and corporate social responsibility (CSR) activities. This is reasonable allocation for an emerging market like South Sudan given the average allocation by insurance companies on this activity in more developed economies is 4%. It would appear the intensity of marketing and CSR activities at UAP SS has enhanced visibility of the brand. A research by a private firm commissioned by the study unit in August 2012 revealed that 69% of respondents have heard about insurance through advertising media: bill boards, wall branding, radio, television and newspapers. This research further established that UAP SS was the most recognizable company. 60% of the respondents correctly identified and associated the logo to UAP SS. This discussion underscores the importance of marketing communications and CSR activities. In this case, it has enabled UAP SS to stand out from the crowd, an advantage that the firm can now leverage on to take insurance to the people and push its various products. These findings tie with exiting theory that strong brands find it easier to stand out from the crowd in marketing of products and services (Kotler, 1996). Recent studies collaborate that a recognizable brand name is critical in product marketing, sales and penetrating new markets (Gatwiri, 2012).

The study also found some inputs into the product development process to include actuarial evaluation, auto mobile valuation and risk surveying. Such inputs the study revealed are not available internally. They are either sourced on need basis or shared from group resources. Conversely, on the service delivery side, the firm requires a lot of support from external providers in delivery of the promise to their customers. This is more so for motor insurance and medical products where insurance companies must rely on external suppliers like motor assessors, risk surveyors, repair & maintenance garages and health facilities. Since unique customer service when delivering the insurance promise can be a key differentiator, service providers become critical touch points for the customer and if not well managed, can easily erode a company's competitive position in

the market. To have control over the quality and timeliness of required inputs and service delivery, UAP SS seems to have a good chance with both backward and forward integration. The study revealed that both can be achieved through building capacity internally and or forming strategic partnerships with existing external providers. According to Awori (2011), a firm's level of integration may make it unique because the firm is better able to control the performance of the activities or coordinate them with other activities. Integration in insurance is a strong source of uniqueness. For instance, a strategic partnership with a repair garage or health facility can be key managing cost and quality of end user service.

Technology enhances efficiency and effectiveness in product and service delivery. At UAP SS, it supports all value activities. An effective ICT platform is key in easing transactional processes through speed (Gachara, 2012). UAP as Group has invested in a unique Enterprise Resource Planning (ERP) solution that integrates the core function systems and the support systems into a seamless ICT platform. However the study revealed that for these ICT platforms to have an advantageous impact on service delivery and overall value creation process, the firm must ensure their stability and also enhance user capacity through training.

In concluding this section on discussions, it's worth noting that differentiation is usually costly. A firm must incur costs to be unique because uniqueness requires that it performs value activities better than competitors. A highly skilled and motivated sales force typically costs more than a less skilled one. Speed and accuracy in delivery of various insurance services such customer inquiries, underwriting services, claims services and customer relationship management is a major differentiator and a source of competitive advantage in the insurance industry. Such service efficiency requires adequate investment in appropriate technology platforms, distribution channels and skilled manpower, which can be costly. The cost of differentiation reflects the cost drivers of the value activities on which uniqueness is based. Achieving differentiation will therefore imply a trade-off with cost position if the activities required to create a unique position are inherently costly.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMENDATIONS

5.1 Introduction

This chapter presents a summary of findings and sets to draw conclusions that will seek to address the research objectives as outlined in chapter one. It further gives conclusive remarks on the study together with various recommendations.

5.2 Summary of Findings

This study had two objectives. To establish the activities that constitute the value chain of UAP SS and to establish the value chain activities that are associated with the firm's competitive advantage.

In respect to the first objective, the study revealed that the strategically relevant activities of the study unit largely conform to the generic value chain framework. From the diagrammatic representation of the value chain of UAP SS as coined from the study on Page 30, the main primary activities of the firm include: Information and intelligence collection, feedback management, actuarial evaluation, reinsurance sourcing and risk assessment as inbound logistics. At operational level distinct value activities include: new product development, product revamping and pricing. Outbound logistics are mainly deliveries and courier management. Key marketing and sales activities are distribution channels management, advertising, telemarketing, personal selling, business presentations and CSR activities. After sale services include health talks, risk management, claims handling, customer visits and driver training. The human resource, ICT, procurement and executive management functions are strategic in nature, while at the same time are key determinants in ensuring effectiveness and efficiency in performance of primary activities.

Fundamental discrete value activities at UAP SS associated with its competitive advantage include reinsurance sourcing and capacity, product development; ICT based marketing communications & CSR activities; distribution channels management

(country wide branches, regional group subsidiaries and other distribution channels); after sale services such as health talks, driver training, claims handling and management; brand and corporate image building activities; and human resource management.

Potential sources of competitive advantage are inherent in its ICT infrastructure; after sale services; CSR activities; and the procurement function. A complete summary of activities as current and potential sources of competitive advantage is captured on page 42.

5.3 Conclusions of the Study

The study would come to the conclusion that when you disaggregate a firm into its strategically relevant activities, it's easier to understand and identify existing and potential sources of differentiation.

As a differentiator, UAP SS's competitive advantage today and in the future oscillates around three key areas: policy choices it has made, location & scales and integration. Policy choices are currently the prevalent uniqueness drivers. Included in these choices are: product portfolio and reinsurance capacity; scope of services provided; intensity of activities adopted such as marketing, brand & corporate image building and CSR; technology employed in performing value activities; quality of inputs procured; skill and experience level of personnel employed and training provided. Competitive advantage from location and scales arises from its ability to serve customers away from the head office given its wide branch network, DSF and the use of other UAP group subsidiaries (regional presence advantage). The study also revealed that opportunity for competitive advantage in future lies in both backward and forward integration which should be aimed at managing the quality and speed of delivery of technical inputs into the insurance products and final delivery of the promise to the customer.

Looking at the established sources of competitive advantage, it would appear that the firm's core competencies are conveniently interlinked in support of a differentiation strategy and UAP SS must capitalize on this advantageous linkage to maintain its market leadership position and grow the business and market share.

5.4 Limitations of the Study

This study had various limitations. Due to the nature of information handled by insurance companies and similarly the nature of competition in the insurance industry in South Sudan, some interviewees were very sensitive about the information they were sharing, thus did not give information considered confidential.

The study depended on interviews and discussions with senior management and sectional heads. It would have been of value to obtain the views of those served by the organization or other stakeholders of the firm such as customers, shareholders, suppliers, service providers among others. This is so because a firm's value chain is part of a larger value system that includes value chains of upstream suppliers, downstream channels and customers. Engaging the customers would have been critical in determining customer satisfaction levels with the firm's insurance products and services and how they generally perceive the brand. This would have been one way of objectively assessing whether the firm's value chain activities are indeed distinctive competencies.

The study established UAP SS's core competencies i.e the activities the firm does well relative to its other internal activities. These include product development, distribution, marketing and brand building activities, after sale services and personnel management. However, it was only established through collaborations from interviewees, and findings of a private research firm hired by the study unit; that these core competencies are also the firm's distinctive competencies. This information could be biased given the source. Distinctive competencies are activities that a firm performs exceptionally well, relative to competitors and are determined through benchmarking. The insurance industry in South Sudan does not currently have data/information bank on industry players and individual strengths to facilitate such benchmarking, neither does a previous research exist.

In the absence of documented research and/or data on the industry's key success factors (KSF), drivers of change (DOC) and dominant economic features (DEF); it was practically impossible to objectively benchmark UAP SS's core competencies or value activities in order to determine its competitiveness in the industry. It was also not

possible to determine to what extent its internal capabilities and resources are developed to either take advantage of opportunities in its business environment or tackle threats arising therefrom. KSF affect the ability of a firm to succeed in the market place and vary across industries. Where a firm's core competencies/value activities match with the industry success factors, the firm's degree of competitiveness in the market place is increased. Similarly, a positive match between a firm's core competencies/value activities and industry drivers of change is a pointer to opportunities for the firm, relating to that driver of change. The competency/activity becomes the strength to be used by the firm to exploit the opportunity. A dominant economic feature is an outstanding feature that characterizes an industry. A positive match between a firm's core competencies/value activities and dominant economic features in its industry denotes opportunities to be exploited by the firm using its internal competencies.

5.5 Suggestions for Further Research

This study concentrated on the value chain of UAP SS and the findings cannot be generalised for other insurance firms within South Sudan because it's likely that their value chains are different. This leaves a lot to be done on this area in order to bridge this knowledge gap. A study on the entire industry to determine the typical industry value chain would be ideal or similar researches should be replicated in other insurance firms in order to establish whether there is consistency particularly on the activities that constitute the value chain of an insurance firm. Value chains of firms in an industry differ either due to past history, culture, different offerings in product lines, different buyers, geographic areas, distribution channels, policy choices among other factors. According to Porter (1998) value chains of competitors always differ and the differences among competitor value chains are a key source of competitive advantage.

The study established UAP SS's core competencies. As to whether these double up as distinctive competencies for the firm, is an area ripe for further research. It was only established through collaborations from interviewees and findings of a private research firm hired by the study unit that these core competencies are also the firm's distinctive competencies. This information could be biased and can only be verified through scientific research. Studies on other firms are therefore recommended to determine their

core competences which will then help in objective benchmarking of distinctive competencies among industry players.

Last but not least, the researcher recommends a study of the South Sudan insurance industry to establish the key success factors, the drivers of change and the dominant economic features of the industry. This will enable firms to objectively assess their levels of competitiveness in the industry and determine to what extent their internal capabilities and resources are developed to either take advantage of opportunities in its business environment or tackle threats arising therefrom.

5.6 Contribution to Theory and Knowledge

The findings of the study on the concepts of value chain and competitive advantage largely collaborate existing theories and recent studies. Two key issues arose from this particular study.

Even though at the conceptual level products and services are similar, services are particularly different because they are produced and consumed simultaneously. In appreciating the value chain of a service firm therefore, inbound logistics and operations would predominantly include technical and intangible inputs and processes.

Key outputs of this study include a value chain of UAP SS and a diagrammatic representation of the firm's value activities as sources of competitive advantage. These will serve as a reference point for future researchers on the concepts of value chain and competitive advantage, particularly in the insurance industry.

5.7 Recommendation for Managerial Policy and Practise

The study revealed that insurance services are simultaneously produced and consumed. For this reason, they are highly perishable and cannot be inventoried. For UAP SS and the insurance industry, it means that management should ensure internal capacity matches consumer demand at all times.

Firms would normally make policy choices about what activities to perform and how to perform them. The study revealed that a firm's policy choices most often define its

strategic direction. It would appear that in the insurance industry, the choice of the product portfolio; scope of services provided; intensity of marketing; brand and image building activities; distribution channels; technology employed in performing value activities; quality of inputs procured; skill and experience level of personnel employed and training provided; determines the firm's competitive strategy. Whilst a cost leadership strategy would require intense labour supervision; low cost distribution systems and channels; few and standardised products; tight cost control in areas of R & D, service, sales force management and marketing communications; a differentiator would invest heavily in these same activities to have a uniqueness edge against competition.

For UAP SS, it's critical to consolidate and leverage off advantages arising from the firm's investments in distribution channels; ICT platforms; strong corporate image & brand; and human capital. The firm must build capacity at the branch level through training of branch staff on products, marketing, sales, customer care and claims handling. To institute the existing technology platforms as sources of differentiation, the firm must invest in its availability, speed and build capacity for all to ensure optimal use. The study revealed that ICT is key in enhancing efficiency and effectiveness in service delivery and the general value creation process. ICT can additionally help the firm in breaking ground in emerging distribution channels like mobile phones and social networks like blogs, online communities, podcasting & video casting among others. These marketing channels are cheap ways to advertise yet with high impact and coverage, considering rapidly changing consumer trends. Being a market leader in its industry, UAP SS can shape the marketing landscape by adopting these new trends. UAP SS must also seek to expand their CSR portfolio to include sports and educational sponsorship to nurture and appeal more to the youth who form the majority of the population. CSR activities must be sustainable in the long-run to cement the UAP SS brand for sustained recognition.

The graduate development and staff exchange programmes are critical strategic activities for the firm in the long-term, towards ensuring a steady pool of highly skilled and experienced personnel in insurance business. It's imperative that these programmes are followed through to achieve their intended objectives considering that UAP SS operates

in a market where skilled human capital especially in insurance business is acutely scarce. The firm must also seek to optimally utilise its advantageous capability to collect information on market needs when developing insurance products. This ensures that the final products have features and functionalities desired by end users; and has direct impact on speed of product adoption, customer satisfaction and loyalty.

In conclusion, a firm pursuing differentiation must incur costs to be unique because uniqueness requires that it performs value activities better than competitors. Matter-of-factly, insurance industry players must understand that the relationship between uniqueness and cost drivers takes two related forms. One, uniqueness drivers impact cost drivers and two, the cost drivers affect the cost of being unique. In pursuing differentiation therefore, a firm often affects the cost drivers of an activity and deliberately adds cost. Achieving differentiation will imply a trade-off with cost position if the activities required to create a unique position are inherently costly. Most importantly, for a firm to differentiate successfully, the products or services must first deliver basic functionality; must be seen as being valuable by customers to justify premium price; must dwell on readily perceived value; the uniqueness must be effectively communicated; and finally, the differentiation strategy must become a moving target to enhance sustainable advantage because competitors will be seeking to copy it. Firms must understand that uniqueness does not lead to differentiation unless such uniqueness is seen as valuable by the buyer.

Last but not least, whichever competitive strategy a firm is pursuing, it must seek to effectively communicate the same to all immediate stakeholders such as service providers, suppliers, customers and employees to ensure that they all have the same mind-set. At UAP SS for instance, with all the investments and efforts towards differentiation, the firm must seek to effectively communicate uniqueness arising here from through effective media of communication to all stakeholder to ensure that all have a uniqueness mind-set which they all work towards achieving. Such media must take cognizance of population demographics in South Sudan and more critical, their target markets.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Rose Atemo Ambuko

April, 2013.

School of Business

C/o. MBA Office

Department of Business Administration

University of Nairobi

P.O. Box 30197

NAIROBI

Dear Interviewee,

RE: DATA COLLECTION

I am a postgraduate student at the University of Nairobi, School of Business. In order to fulfil the degree requirement, I am undertaking a management research Project on “The Value Chain and Competitive Advantage in UAP SS Insurance South Sudan Limited”. You have been selected to form part of this study. This letter therefore kindly requests you to assist me collect data through an interview. Attached please find my interview guide.

The information you provide will be used exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated with strict confidence. A copy of the final paper will be availed to you upon request.

Your co-operation will be highly appreciated.

Yours Faithfully,


ROSE ATEMO AMBUKO.

APPENDIX II: INTERVIEW GUIDE

This interview guide is designed to collect views on the value chain and competitive advantage in UAP SS Insurance South Sudan Limited. Information given will be strictly used for academic purposes.

Section I: Demographic Information

- 1) What is your gender?
- 2) What is your highest academic qualification?
- 3) What is your designation?
- 4) For how long have you worked for UAP SS Insurance South Sudan Limited?

Section II: Value Chain Activities

- 1) Describe the various products or services provided by UAP SS.
- 2) Are the main activities involved in creating and delivering the various products/services similar?
- 3) Which distinct activities in the firm are related to:
 - a) Receiving purchased inputs or consumables used in creation of your products/services
 - b) Storing and disseminating or allocation of purchased inputs/consumables used in creation of your products/services
- 4) Which distinct activities does the firm/department perform that create the actual products or services of UAP SS?
- 5) How does the firm distribute the finished “products” to the buyer?
- 6) How does the firm create awareness of available/finished “products” to buyers and induce them to buy? How are these “products” made available/accessible to the buyer?
- 7) Does UAP SS endeavor to provide any after-sales service to the buyer for products or services sold?
- 8) Other than purchase of direct inputs involved in creation of the final product or service, what activities or procedures are involved or considered when procuring other resources like machinery, office equipment, buildings, vehicles and other general inputs?

9) How does the overall procurement function in (8) above support the “product” creation, marketing and delivery?

10) How does the firm’s technology support the overall value creation process of the firm? What specific roles does it support?

11) What activities are involved in sourcing and maintain the firm’s human resource pool? How do these activities support the value creation process?

12) What aspects constitute UAP SS’s infrastructure? How do these aspects support the value creation process?

Section III: Competitive Advantage

1) Are there any specific activities within the function of receiving and disseminating inputs that can provide a competitive edge or disadvantage for UAP SS? How and Why?

2) Which of the firm’s operational activities can be sources of competitive advantage? How and Why?

3) Among the activities the firm does to distribute finished “products” to the buyer, which ones can the firm leverage on advantageously? How and why?

4) What aspects of marketing and sales does the firm do better than competition? Which ones can undermine the firm’s position in the industry?

5) Which specific activities of the firm’s after-sale services can be used to the firm’s advantage? Are there any activities that could undermine the competitive position of UAP SS?

6) What aspects of the overall procurement process can be sources of competitive advantage? Which ones need to be improved?

7) How is technology ensuring effectiveness and efficiency in the overall value creation process of the firm? If it does not, where has it failed and why?

8) Are there any specific aspects of personnel management where UAP SS can derive competitive advantage? Which aspects need improvement?

9) Describe how UAP SS's structure, culture and systems could be sources of competitive advantage or disadvantage?

APPENDIX III: UNIVERSITY OF NAIROBI LETTER



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE.....15/4/2013

TO WHOM IT MAY CONCERN

The bearer of this letterROSE ATEMU AMBUKO

Registration No.....5619156/07

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
FOR: MBA CO-ORDINATOR
SCHOOL OF BUSINESS



APPENDIX IV: PROPOSAL CORRECTION FORM

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

PROPOSAL CORRECTION FORM

Student Name..... ROSE ATEMO AMBUKO

Registration Number..... D61/9156/05

Department..... ..

Specialization..... STRATEGIC MANAGEMENT

Title of Project Proposal.....

THE VALUE CHAIN AND COMPETITIVE ADVANTAGE
IN OAP INSURANCE SOUTH SUDAN LIMITED

The student has done all the corrections as suggested during the Proposal Presentation and can now proceed to collect data.

Name of Supervisor. Prof: Martin Oguta Signature.....  .. Date. 15th/4/2013