

**CORE COMPETENCIES AND SUSTAINABLE COMPETITIVE
ADVANTAGE BY CIC GENERAL INSURANCE COMPANY LIMITED
IN KENYA**

**BY:
BENSON WAIBOCHI NDERITU**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI**

OCTOBER, 2015

DECLARATION

This research project is my original work and has not been submitted for examination to any other university.

Signed.....

Date.....

NDERITU BENSON WAIBOCHI

D61/71102/2014

This research project has been presented for examination with my approval as the university supervisor.

Signed.....

Date.....

DR. JOHN YABS

SENIOR LECTURER

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENT

First and foremost, and with humble gratitude I give thanks to the Almighty God, who provided me with the resources both mental and material and also the strength throughout this journey of completing this project. I continue glorifying His Mighty Name.

My sincere appreciation also goes to my family with the most important contribution being from Mum and Kev. Your support, both emotional and material went a long way in helping me complete this project. For all the occasions I missed and for being rare at home I promise to make it up to you.

To my supervisor Dr. John Yabs, who has been very supportive and encouraging during this very challenging process from the start to the final project, I sincerely appreciate the time you took to read my work and for your guidance, encouragement and timely feedback. I also give thanks to my lecturer and moderator; Prof. Awino for his guidance and insight in the field of strategic management which was very handy.

Finally, my sincere gratitude goes to all the staff at CIC General Insurance Company Limited for all the assistance provided during the research. To all of you who made me achieve milestones in this project I am forever very grateful for your support this far.

DEDICATION

I dedicate this project to my mother and brother. They have always been my inspiration and keep pushing me to do the best.

ABSTRACT

This study focused on the strategic role of core competencies on competitive advantage as applied by CIC General Insurance Company in Kenya. CIC General Insurance Company Limited can be used as a case study in successful turn-around strategy. In 2005, the company was among the bottom ten companies in the insurance industry in terms of market share and profitability. Despite advice from consultants that it was impossible to become self-sustaining without selling its stake to another company, CIC General was able to shift to be the top company in offering General Insurance by 2012. This rapid change of fortunes in a short period of time was down to the company focusing on the advantages it had in the industry and banking on them. The researcher was curious to find out on what advantages the company had that enable this rapid turn-around. The first step was to identify what the company considered to be core competencies. The second step was to find out whether the identified core competencies are used by CIC General Insurance to gain or achieve a competitive advantage. CIC General Insurance is the top general insurance provider in terms of market share and premium income. This is a sharp contrast from 5 years ago when it was among the bottom companies in the insurance industry. A number of international and local studies had been done to try and find out the link between core competencies and competitive advantage. These researches however did not focus on the use of distribution channels as a core competency. This research gap formed the basis of the research. The implication of this study was to aid in managerial policies and decision making as they can look at distribution channels as a key method of competitive advantage. The research was anchored in two main theories, namely resource based theory and competitive advantage theory. The resource based theory was crucial as it states that a company can utilise its inward resources and capabilities in a manner that enables it to have an edge over its competitors. The competitive advantage theory was important as it stated the manners in which an organisation was able to gain an edge over its competitors. These two theories informed what the researcher was trying to find out. The study was conducted using a case study analysis of the company. Data was collected through interview guides to the key managers in charge of strategy and cooperative societies account management as well as through secondary data collected through the company's financial statements and data on the company's website. Data analysis was done using content analysis where qualitative data was coded and converted into quantitative data for tabulation and analysis. The study concluded that CIC General Insurance was able to utilise its key core competence of being linked to the S.A.C.C.O.s to gain an upper hand in gaining an extended reach to its customers. The cooperative movement is used by the company to market and distribute its wide range of products to their large number of members. Due to the high interest rates in the country, S.A.C.C.O.s have gained popularity and tend to recruit a lot of members. Organisations are also forming company based S.A.C.CO.s for their employees. Since CIC General Insurance is the only cooperative insurer in Kenya, this becomes a key attribute that gives them an edge over its competitors. The core competencies were divided into three, namely, market access competencies, functionality based competencies and integrity based competencies. CIC General has been able to leverage on the first two to gain an upper hand. Michael Porter listed a differentiation strategy as a way of gaining competitive advantage on rivals. CIC General Insurance has utilised this strategy as it has a unique distribution channel that cannot be imitated by competitors. The study therefore concluded that by finding its core competency and leveraging on it, then it becomes possible for a company to gain sustainable competitive advantage.

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENT	iii
DEDICATION	iv
ABSTRACT	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
ABBREVIATIONS AND ACRONYMS	x
CHAPTER ONE – INTRODUCTION	1
1.1 Background.....	1
1.1.1 Core Competency	3
1.1.2 Sustainable Competitive Advantage.....	4
1.1.3 Core Competency and Sustainable Competitive Advantage.....	5
1.1.4 Insurance Firms in Kenya.....	5
1.1.5 CIC General Insurance Company Limited	6
1.2 Research Problem	7
1.3 Research Objective	10
1.4 Value of the Study	10
CHAPTER TWO – RESEARCH METHODOLOGY	12
2.1 Introduction.....	12
2.2 Theoretical Foundation	12
2.2.1 Resource Based Theory.....	12
2.2.2 Competitive Advantage Theory.....	13
2.3 Core Competencies in Organisations.....	14
2.4 Competitive Advantage in Firms.....	17
2.5 Core Competence and Competitive Advantage in Organisations.....	19
2.6 Empirical Studies and Research Gap.....	21

CHAPTER THREE – RESEARCH METHODOLOGY.....	23
3.1 Introduction.....	23
3.2 Research design	23
3.3 Data Collection	22
3.4 Data Analysis	22
CHAPTER FOUR – DATA ANALYSIS, RESULTS AND DISCUSSION	26
4.1 Introduction	26
4.2 Background Information	26
4.2.1 Positions of Sampled Respondents	26
4.2.2 Managers’ Years of Experience	27
4.3 The Concept of Strategy	28
4.4 CIC General’s Core Competencies	30
4.5 CIC General’s Competitive Advantage	32
4.5.1 Cost Leadership Strategy	33
4.5.2 Differentiation Strategy	34
4.5.3 Focus Strategy	36
4.6 Discussion	36
CHAPTER 5 – SUMMARY, CONCLUSION AND RECOMMENDATIONS	40
5.1 Introduction	40
5.2 Summary	40
5.3 Conclusion	43
5.4 Recommendations	44
5.4.1 Recommendations for Theory	44
5.4.2 Recommendations for Managerial Policy.....	44
5.4.3 Recommendations for Managerial Practice	44
5.5 Limitations of the Study	45
5.6 Suggestions for Further Research	46
REFERENCES.....	47
APPENDICES:	
I: Letter of Introduction	50
II: Interview Guide	51
III: List of Licensed Insurance Companies in Kenya..	52

LIST OF TABLES

Table 4.1: Gender of the Respondents.....	27
Table 4.2: Competitive Strategies	32

LIST OF FIGURES

Figure 4.1: Number of Years in the Company	28
---	----

ABBREVIATIONS AND ACRONYMS

A.K.I. : Association of Kenya Insurers

B.B.C. : British Broadcasting Corporation

C.I.S. : Co-operative Insurance Services Limited

I.R.A. : Insurance Regulatory Authority

K.M. : Knowledge Management

K.N.F.C. : Kenya National Federation of Co-operatives

K.P.I. : Key Performance Indicator

CHAPTER ONE

INTRODUCTION

1.1 Background

In today's highly competitive business environment, business organisations need to act fast in order to secure their financial situations and their market positions. Firms are continuously striving for ways to attain a sustainable competitive advantage. They need to count more on their internal distinguished strengths to provide more added customer value, strong differentiation and extendibility; in other words count more on their "core competencies" (Hamel & Prahalad, 1994). Therefore, according to Hamel & Prahalad (1994), strategy has to move from competing for product or service leadership to competing on core competence leadership. The core competence has to be a primary factor for strategy formulation as it is an important source of profitability. Therefore, by competing based on core competence leadership, the company is able to form a solid base for sustainable competitive advantage. The two concepts go hand in hand when utilised effectively.

This concept can be anchored with two common strategic management theories, namely resource based theory and competitive advantage theory. A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney and Pandian, 1992). Resource based theory explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific (Barney, 1999). Porter proposed the competitive advantage theory in 1985. Porter emphasizes productivity growth as the focus of national strategies. Competitive advantage rests on the notion that cheap labour is ubiquitous and natural resources are not necessary for a good

economy. Competitive advantage attempts to emphasize maximizing scale economies in goods and services that garner premium prices (Stutz and Warf, 2009). The term competitive advantage refers to the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Christensen and Fahey, 1984).

Competitive advantage is achieved by companies through strategic planning and management which is a continuous process that evaluates, controls and examines the business, the competitors and the industry at large and sets goals and strategies to overcome obstacles on their way to success. (www.slideshare.net) Therefore, building core competence becomes essential to competitive advantage because advantages emanating from the product-price-performance-trade-offs are almost short term. Especially in an era where technologies are altering the existing boundaries of business; advantage can last only through competence enjoyed at the very roots of products. (Eric & Saatcioglu, 2006). The motive of this study is therefore to be able to find out if core competence really leads to sustainable competitive advantage.

Currently, there are about 47 insurance companies licensed to operate in Kenya. The insurance penetration in Kenya is less than 5%. All these companies are competing for a relatively small market. Based on the Association of Kenya Insurers' 2014 annual report, CIC General Insurance was first in terms of market share for purely general insurance. This means that the company is the benchmark for the industry. This study will focus on this company's strategy and the use of its core competencies to gain competitive advantage.

1.1.1 Core Competency

A core competency can be defined as a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace. To be considered as such, a core competency must fulfil three criteria. It should provide potential access to a wide variety of markets. This means that it should enable the firm to position itself in different market segments easily. It should also make a significant contribution to the perceived customer benefits of the end product. The customers should be able to get value for their money by getting quality products at an affordable price. The core competency must also be difficult to imitate by competitors. The core competence should enable a firm to completely differentiate its products and/or services in the market while giving the competitors little chance of being able to deliver similar products and/or services at a lower cost or better standard. (www.wikipedia.org)

Core competencies are valuable capabilities that are collective and unique in their characteristics, as well as strategically flexible contributing towards the success of potential business. An organizational core competency is an organization's strategic strength. Thus, it is what it does best than its competitors and should never outsource. Organizational core competencies, the unique resources of an organization, affect many products and services and provide a competitive advantage in the market place (Johnson & Scholes 2002). Organizations use their unique resources which include their capabilities and competencies to be ahead of their competition. Once an organization identifies its unique area of excellence, its management is required to come up with a strategic plan of how to utilize its competencies to achieve great competitive advantage.

1.1.2 Sustainable Competitive Advantage

Competitive advantage is a company's ability to perform in one or more ways that competitors cannot or will not match. Companies strive to build sustainable competitive advantages. Competitive advantage is at the heart of a company's performance in competitive markets. It is about how a company puts the generic strategies into practice and it grows fundamentally out of the value a firm is able to create for its buyers (Porter, 1990). It may take the forms of prices lower than competitors for equivalent benefits or the provision of unique benefits that more than offset a premium price. Thompson & Strickland (2002) argue that competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position. Competitive advantage in companies grows out of the way the companies organize and perform discrete activities.

Competitive advantage is at the heart of firm's performance. It is concerned with the interplay between the types of competitive advantage, i.e., cost, differentiation and the scope of the firm's activities. A sustainable competitive advantage creates some barriers that make imitation difficult. Without a sustainable competitive advantage, above average performance is usually a sign of harvesting (Porter, 1985). The secret of a sustainable competitive advantage lies in performing every step in the value chain in an appropriate way. A competitive advantage essentially has to be one that not only merely represents better performance than that of its competitors, but also delivers genuine value to the customer, thus ensuring a dominant position in the market. The internal resources and capabilities of an organization play a very important role in building competitive advantage.

1.1.3 Core Competence and Sustainable Competitive Advantage

An organization's competitive advantage potential depends on the value, rareness, and inimitability of its resources and capabilities. However, to fully realize this potential, an organization must also be organised to exploit its resources and capabilities. In a dynamic world, only organizations that are able to continually build new strategic assets faster and cheaper than those of their competitors will earn superior returns and create long term competitive advantage.

The competitive advantage to which core competencies lead is a function of several forces from both the supply and the demand side (Kak, 2008). The concept of core competence is distinct from both the traditional strategic thinking of competing for market share and Porter's (1985) low cost-differentiation strategy.

1.1.4 Insurance Firms in Kenya

The insurance industry is governed by the Insurance Act, Cap 487 of the Laws of Kenya. Under the Act, the Insurance Regulatory Authority (I.R.A.) has been mandated to regulate, supervise and develop the insurance industry in Kenya. Its strategic objectives include to build a stable insurance industry, develop and grow the insurance industry and also to strengthen institutional capacity within its scope.

The insurance industry plays a fundamental role in the Kenyan economy mainly as a result of the amount of insurance premiums collected by the insurance firms, the scale of investments and the essential social and economic role it plays by providing security to property owners for both personal and business risks. Information available at IRA, indicate that currently there are 47 insurance companies and 2 locally incorporated reinsurance companies licensed

to operate in Kenya. In addition, there are 154 Licensed Brokers, 23 Medical Insurance Providers (MIPS), 26 Risk Surveyors, 4,205 Insurance Agents, 126 Insurance Investigators, 20 Loss Adjusters, 10 Risk Managers and 26 Motor Assessors.

1.1.5 CIC General Insurance Company Limited

The idea of introducing co-operative insurance in Kenya was first conceived early in 1968 by the Kenya National Federation of Co-operatives (K.N.F.C.). After further consultations, it became necessary to form an Insurance Agency which was started in 1972. This led to the registration of a Co-operative Insurance Society of Kenya on 18th November 1975, under the Co-operative Societies Act CAP 490. In 1978, the Society was incorporated and licensed as an insurance company under the Companies Act, thus changing its name to Co-operative Insurance Services Limited (CIS) and began its business in December 1978. In 1999, the company's name was changed to Co-operative Insurance Company of Kenya Limited. In 2010 following the Insurance Regulatory Authority directive on de-merger of General and Life business, the company name changed to CIC Insurance Group Limited.

The CIC Insurance Group comprises CIC General Insurance Limited, CIC Life Assurance Limited, CIC Asset Management Limited, and CIC Africa Insurance Limited in South Sudan as well as subsidiaries being opened in Uganda and Malawi this year. The Company has been in operation for the last 37 years. CIC is owned by about 1,562 Co-operative Societies and around 3,875 individual co-operators with the Co-operative Bank of Kenya Limited holding a 26% stake. The group is also listed on the Nairobi Securities Exchange. CIC is the market leader in providing insurance services to the co-operative movement and low-income market segments in Kenya.

CIC General Business is a member of the CIC group where CIC General caters for insurance against damage to or loss of property. General insurance covers a number of classes of insurance. These include covers against damage by fire, theft of items, motor vehicle insurance, personal injury covers, marine insurance as well as cover for theft of money during transit or by employees. CIC General Insurance is the flagship of the company and contributes the biggest amount to the gross written premium as well as to the profitability.

CIC General Insurance is the pioneer in offering insurance cover to small scale traders and micro enterprises. The company also has innovative products that enable it to be a market leader. The CIC Motor Commercial Plus product is the most profitable commercial cover in the insurance industry and this has been the biggest contributor to profitability in the company.

1.2 Research Problem

Hamel & Prahalad (1990) contend that “core competencies are the collective learning in the organizations, especially how to coordinate diverse production skills and integrate multiple streams of technologies.” They argue that core competence is communication, involvement, and a deep commitment to working across organizational boundaries. Gupta, Woodside, Dubelaar & Bradmore, 2009 point out that core competence was originally invented as a tool for justifying business diversification at large companies, and for supporting internal processes such as product development (Hamel & Prahalad, 1990). This argument is supported by the resource based theory.

Resource based theory explains that a firm's competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific. Competitive advantage refers to the ability gained through attributes and resources to perform at a higher level than others in the same industry or market. It is therefore important to try and link the two concepts together in order to gain sustainable competitive advantage on competitors.

Contemporary business theory argues that companies must compete to keep or gain competitive advantage. Insurance companies also strive for competitive advantage. In Kenya the insurance industry has about 47 main stream insurance companies competing for almost the same target market. The distribution channel for insurance products is intermediary-driven i.e. insurance brokers and agents. Banks are the latest entrants to join the insurance distribution channel by offering bancassurance to their customers. All this has led intense competition and insurance companies are now trying to position themselves strategically to be able to compete effectively. The focus of this study will be on CIC General Insurance Company Limited. The company is a market leader in the General Insurance industry and this means the company must be employing the right strategies.

There have been various studies done on core competence in relation to competitive advantage. Agha (2012) studied the effect of core competence on organisational performance. His finding was that proper use of core competence led to better organisational performance. Lado & Wilson (1994) studied human resource systems as a form of competitive advantage. They found that by hiring the right people, a firm was able to gain an edge over its rivals. King, Fowler & Zeithaml (2001) studied the middle management edge in utilising core competencies to gain competitive advantage. They found that deciding on the core

competencies should not be a management decision only but rather the views of all the staff need to be sought. Papula & Volna (2013) observed that technology and innovation were key drivers of competitive advantage in an ever changing environment.

A number of local studies have also been done. Wanyanga (2007) studied the utilization of organization's capabilities as an operation strategy in the hotel industry in Kenya. His study noted that most hotels in the country had not fully identified their strategic capabilities and always scanned the external environment to identify the opportunities without identifying their internal non-imitable capabilities that will give them a competitive advantage. A study by Ngugi (2011) looked at the strategic capabilities at the British Broadcasting Corporation (B.B.C.) – Africa. He concluded that the firm's capabilities and resources available to it must interact positively with the requirements of the firm's markets and their requirements be defined clearly and explicitly for the firm to achieve desired performance results. Marucha (2011) studied core competencies for the Kenyan Insurance industry as a whole. In his study, he found that most companies had various core competencies but do not focus solely on their main one. Ilovi (2011) studied how insurance companies gained competitive advantage. The finding was that there was no single strategy and they usually followed Michael Porter's framework.

From the various studies, none of the authors have focused on use of distribution channels as core competence. If an organisation is able to leverage on a unique channel that can reach more people, then they are able to significantly gain a competitive advantage. In the insurance industry in Kenya, the products and services offered by insurance companies are rarely differentiated. For instance, the standard motor insurance product is being sold at a strictly regulated rate with a legal requirement of instant premium payment before cover is

considered effective, that is, cash and carry. In addition, the rating of huge risks (commonly referred to as Listed Risks), is heavily controlled by Insurance Regulatory Authority which consults with a panel from the Association of Kenya Insurers to provide the rating guidelines hence a uniform rate across the industry for the identified specific risk. Industry players are therefore not allowed to vary the rate for compliance purposes. This leads to firms seeking other avenues of competition other than price. As a result, insurance firms have to be smart to beat their competitors to the business. Some companies then invoke their customer care skills, speedy service delivery among others to beat the competition. These set of tools used by the firms are the companies' competencies and capabilities which help the gain competitive advantage. Hence, how is CIC General Insurance Company using its perceived core competencies to gain sustainable competitive advantage?

1.3 Research Objective

The objective of the study was to determine how core competencies affect competitive advantage in organisations.

1.4 Value of the Study

This study contributes to the resource based theory as it adds a different dimension to the resources that may be put into good use when creating competitive advantage. The resource based theory focuses on the internal strengths but does not focus on the distribution methods that can be employed to maximise on the internal strengths of the organisation.

This study is important for insurance firms because they will be able to identify key competencies, areas for investment and how to improve on the same to achieve a competitive advantage. Insurance managers will gain insight into the competitiveness of their core competences and find ways of how they can redesign the same with a view to achieving competitive advantage by use of their own known core competences. Insurance marketers too will find this study useful as they will be able to identify competitive internal organizational competencies which can aid them to sustain organic growth and ensure maximum retention of customers.

The research will form an invaluable source of reference for the IRA, especially in coming up with policies to guide the industry in the development of good business practices, having healthy competition and good corporate governance. If the industry regulator can focus on what the top companies are doing to remain competitive and profitable then they may impose sound regulations to ensure that business carried out by companies is not merely imitation. They may be able to ensure that all companies focus on what they are most competent at.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. This will involve studying various core competencies employed by different organisations. The concept of core competency will be summarised alongside the concept of competitive advantage. The relationship between the two will also be studied as seen by different researchers. This will lead to the imminent gaps that may have been left and that require to be filled by this research.

2.2 Theoretical Foundation

The theories upon which the study was anchored are resource-based theory and competitive advantage theory. The Resource based theory is necessary as it analyses and interprets internal resources of the organizations and emphasizes resources and capabilities in formulating strategy to achieve sustainable competitive advantages. On the other hand, competitive advantage theory is defined by Michael Porter as the types of competitive advantage an organization can achieve relative to its rivals: lower cost, differentiation and focus. This advantage derives from attribute(s) that allow an organization to outperform its competition, such as superior market position, skills, or resources. In Porter's view, strategic management should be concerned with building and sustaining competitive advantage.

2.2.1 Resource Based View

A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney & Pandian, 1992).

Resource based theory explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific (Barney, 1999). These authors write about the fact that a firm may reach a sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, or copied, and simultaneously, they add value to a firm while being rare. It also highlights the fact that not all resources of a firm may contribute to a firm's sustainable competitive advantage (Grant, 1991, Mahoney & Pandian, 1992).

2.2.2 Competitive Advantage Theory

Porter proposed the theory in 1985. The study of such advantage has attracted profound research interest due to contemporary issues regarding superior performance levels of firms in the present competitive market conditions. "A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player" (Barney, 1991). Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players (Passemard & Calantone, 2000). To gain competitive advantage a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage (Reed & Fillippi, 1990). Superior performance outcomes and superiority in production resources reflects competitive advantage (Day & Wesley, 1988).

Michael Porter defined the three types of competitive advantage an organization can achieve relative to its rivals: lower cost, differentiation and focus. This advantage derives from attribute(s) that allow an organization to outperform its competition, such as superior market position, skills, or resources. In Porter's view, strategic management should be concerned with building and sustaining competitive advantage.

2.3 Core Competencies in Organisations

The core competence of a firm is the firm-specific knowledge system that exerts competitive advantage, which may pertain to a knowledge base, a technological system, a managerial system, and/or a norm and value system (Leonard & Barton, 1992).

Capabilities are characterized by significant barriers to duplication, whether these are in the tacitness inherent in the skills of individuals or groups or in the complexity and specificity of organizational routines. Collis (1994) postulated that capabilities are an important source of advantage. Core competencies are particular strengths which provide the fundamental basis for the provision of added value. They are the collective learning in organizations, and involve how to coordinate diverse production skills and integrate multiple streams of technologies. It is communication, an involvement and a deep commitment to working across organizational boundaries.

A core competency is an organization's strategic strength (Jardon & Martos, 2011). It must be essential to corporate survival, invisible to competitors, difficult to imitate, unique to the corporation, a mix of skills, resources and processes, sustainable over time, greater than the competence of an individual, essential to the development of core products, essential to the strategic vision and decision of the organization, marketable and commercially valuable, and few in number (Tampoe, 1994).

Hamel & Prahalad (1994) went further and categorized core competence into market access competencies which are skills that help place a firm in close proximity to its customers (management of brand, sales and marketing, distribution and logistics, technical support), integrity-related competencies which are the skills that allow a company to do things much more quickly, with greater flexibility or with a higher calibre of reliability than competitors (competencies such as, quality, cycle time management and Just-In-Time) and functionality-related competencies which are skills that enable the company to invest its services or products with unique functionality, which invest the product with distinctive customer benefits, rather than merely making it incrementally better. It is what the organization does best and what it should never outsource. The strategic management classifies core competencies bases as: resource-based, competence-based, and dynamic capability- based (Sanchez, 2004).

Core competences sources can be unique resources which represent inputs into a firm's production process. By themselves, resources do not create a strategic advantage for the firm. Resources are the source of a firm's capabilities. Resources represent inputs such as capital equipment, skills of employees, brand names, finances and talented managers. Resources aid in development of organizational core competencies and unique capabilities.

Key work processes which include any operation through which a set of inputs go through one or more steps resulting in a more valuable set of outputs. Competitive success depends on transforming a company's key processes into strategic capabilities that consistently provide superior value to the customer (Akhavan & Jafari, 2006).

Knowledge Management (KM) System which refers to generally IT based system for managing knowledge in organizations for supporting creation, capture, storage and dissemination of information. The idea of a KM system is to enable employees to have ready access to the organization's documented base of facts, sources of information, and solutions. Knowledge management system as a source of core competence can be expressed as the capability to absorb new technology and in-house technology development (Bozbura, 2007). The capability to absorb new technology includes employee training, forecasting, innovation and technological needs satisfaction (Chong, 2006).

Dynamic capabilities are the firm's ability to utilize its resources effectively. Dynamic capability is the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environment (Teece, Pisano & Shuen, 1997). According to Dosi, Nelson & Winter, (2000) dynamic capabilities are what enable the firm to quickly respond to change and deploy resources accordingly, purposely integrated to achieve a desired end state.

Institutional facilities include both physical assets as well as non-physical "systems" such as the body of rules and regulations governing companies such as: the administrative, financial, and human resource systems, by which highly skilled and specialized professionals are employed, trained, disciplined and advance in their careers.

The right people are the most important assets of any organization. Successful organizations of the future will be those, which understand the link between their business results and people. Individuals in the organization are valuable resources as they generate ideas and turn them into actions (Schon, 2003). According to Hamel & Prahalad (1994), core competence is

defined as a bundle of skills and technologies. Skills can often be divided into technical, functional, self-management skills in addition to important personal attributes (hard-working, trustworthy, results-oriented, and decisive). Employees with good problem solving skills that enable them to identify, remedy and resolve business problems. It would be an added value to the company having employees with entrepreneurship skills such as ability to think critically, analyze situations and be able to identify business opportunity. Competence at the level of people is an underlying characteristic which enables them to deliver superior performance in the given job, role or situation.

Strategic focus which is a long-term goal that is ambitious, builds upon and stretches a firm's core competencies, and draws from all levels of the organization. It requires the firm to concentrate on a narrow, exclusive competitive segment (market niche), hoping to achieve a local rather than industry wide competitive advantage. Hamel & Prahalad (1994) declared that strategy needs to be more active and interactive; less arm chair planning was needed. Their most well-known advance was the idea of core competency. They showed how important it was to know the one or two key things that your company does better than the competition. The provision of customer value is a source of SCA; customers' desired value changes, firms should monitor these changes by continuously learning about customers (Hamel & Prahalad, 1994).

2.4. Competitive Advantage in Firms

A Competitive advantage is, in very basic words, a position a firm occupies against its competitors. If a firm possesses resources and capabilities which are superior to those of competitors, then as long as the firm adopts a strategy that utilizes these resources and capabilities effectively and efficiently, it should be possible for it to establish a Competitive

advantage. Every organization is a victim of its own success, so there is a need for diversification, which creates a different mix of talents and capabilities. It must learn how to sustain competitive advantage; it should protect itself from being despoiled and assimilate new sources of technologies, skills and core competencies.

According to Sadler (2003), the sustainability of competitive advantage depends on three major characteristics of resources and capabilities: durability, transferability and replicability. It is arguable to suggest that competitive advantage is at the heart of a firm's performance as it is concerned with the interplay between the types of competitive advantage, cost, differentiation, and the scope of the firm's activities. The value chain plays an important role to diagnose and enhance competitive advantage (Porter, 1985).

A competitive advantage is meaningful if it is related to an attribute valued by the market. Customers need to perceive a consistent difference in important attributes between the producer's products or services and those of its competitors. These differences must relate to some product/delivery attributes which are among the key buying criteria for the market. Product/delivery attributes are those variables that impact the customers' perceptions of the product or service, its usefulness and its availability. Some examples of such attributes are product quality, price and after-sale service. Key buying criteria are those variables and criteria that customers use in making their purchase decisions. They are different for different industries and different market segments (Clulow, Gerstman & Barry, 2003). Gupta et al. (2009) point out that resources alone are frequently not enough to generate competitiveness over other firms.

In creating a competitive advantage, a firm needs the ability to make good use of resources; defined as the capability to handle a given matter, and, as the ability grow over time, to utilize available resources to create new resources, such as skills (through new technology or software application), or to open new doors to the development of new types of product. “A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player” (Clulow et al., 2003).

To acquire competitive advantage in any market, a firm needs to be able to deliver a given set of customer benefits at lower costs than competitors, or provide customers with a bundle of benefits its rivals cannot match. To realize the potential that core competencies create, a company must also have the imagination to envision markets that do not yet exist and the ability to stake them out ahead of competition (Hamel & Prahalad 1994). The basis for competitive advantage is the ability to create knowledge and move it from one part of the organization to another.

2.5. Core Competence and Competitive Advantage in Organisations

In a competitive market environment, there are various strategic tools used by various firms to achieve market leadership position and gain a competitive advantage. Core competencies play a key role to counter competitors’ strategies. How well a company utilizes its core competencies to a large extent determines the eventual organizational performance.

Therefore, an organization should provide a differentiating edge to be competitive. Due to fierce market competition, senior management must understand not only the technologies but also the competencies and motives of competitors. If an organization's capabilities are scarce,

defensible, or hard to imitate, these can form the basis for sustainable competitive advantage and surplus profits. The organizations pick up skills, abilities, and resources that are unique to them, reflecting their particular path through history. These resources and capabilities reflect the unique personalities, experiences, and relationship that exist only in a single organization. Such resources can be the sources of sustainable competitive advantage.

Firms which have 'critical competence' have well-developed methods of continuously improving and upgrading their competencies. Learning is the only sustainable source of advantage, so managers must link their core competence to different types of strategies across time (Ray et al., 2004). Critical competence seeks to identify the unique competencies of a firm through generic procedures. In this sense, though the core competencies of firms are diverse, their critical competence is universal. The ability of a firm to develop its strategic architecture is its 'critical competence' and, this emerges as a prerequisite for achieving sustainable competitive advantage (Hamel & Prahalad, 1994).

A core competency must be continually invested in and upgraded if it is to serve as a source of sustained competitive advantage (Helleloid & Simonin, 2004). Competencies evolve through an iteration of doing, learning and doing some more. Each sequence expands knowledge and enriches core competence. Indeed, one of the shared values of organizations which have maintained long-term competencies is the continuous refinement of their core skills. This process of experimentation and improvement is the key to competitive success Senge (2006).

An organization's competitive advantage potential depends on the value, rareness, and imitability of its resources and capabilities. However, to fully realize this potential, an organization must also be organized to exploit its resources and capabilities. In a dynamic world, only organizations that are able to continually build new strategic assets faster and cheaper than those of their competitors will earn superior returns and create long term competitive advantage. The competitive advantage to which core competencies lead is a function of several forces from both the supply and the demand side (Kak, 2008)

Overall, the responses to changes in the external environment must be formulated based on the totality of the competitive situation. These actions require deep understanding of how the various components of supply and demand relate to the core competence and the competitive advantage it produces. A change in the regulatory environment may significantly affect a firm's ability to bring new products to market. It is the combined impact of the change in technology with all of these other factors which will determine the actual impact of the environmental change on the firm's competitive posture. Therefore, maintaining core competencies requires an understanding of the interaction of a change in one aspect of the environment with other aspects of the organization (Chong, 2006).

Therefore, for sustainable competitive advantage, managers should invest time, effort, and resources in developing their critical competence. The first step towards developing critical competence is to understand that such a competence exists and realize that it makes a difference to the firm's competitive advantage. Organizations are always trying to imitate the actions of other successful organizations (Lippman & Rumelt, 2002).

2.6 Empirical Studies and Research Gap

Other studies have been done on core competencies and competitive advantage. Marucha (2011) studied core competencies for the Kenyan Insurance industry as a whole. In his study, he found that most companies had various core competencies but do not focus solely on their main one. They mostly follow the environment and competitors' moves. Ilovi (2011) studied how insurance companies gained competitive advantage. The finding was that there was no single strategy and they usually followed Michael Porter's framework. Kilonzi (2007) observed that resource-based strategy was widely used by pharmaceutical companies to achieve competitive advantage.

The foregoing studies tried to focus on how different organisations utilised their core competencies to gain competitive advantage. The focus was mainly on the internal competencies of the organisation. No study has been done on the use of distribution channels as a source of competitive advantage. This study will try and study how CIC General Insurance utilises a unique distribution method to market, distribute and sell its products.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter looks at the research design, techniques of data collection and of data analysis. It discusses the way the study was planned and the procedures and techniques utilised to address the research problem and research question. It also describes the tools used for carrying out the study.

3.2 Research Design

This study was conducted through a case study and it was considered suitable as it allowed an in-depth study of the subject of investigation of core competencies adopted by CIC General Insurance Company Limited. According to Mugenda & Mugenda (2003), a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breadth of the study. The primary purpose of a case study was to determine factors and relationships among the factors that have resulted in the behaviour under study.

Since this study sought to investigate the core competencies adopted by CIC General Insurance Company Limited in Kenya, a case study design was deemed as the best design to fulfil the objective of the study. Donald (2006) notes that a case study seeks to describe a unit in detail with the aim of organising data and looking at the object to be studied as a whole. In addition, case studies are powerful forms of qualitative analysis that involve careful and complete observations of social units.

3.3 Data Collection

The study used both primary and secondary data. Primary data was collected through an interview guide (Appendix II). An interview guide is a set of questions that the interviewer asks when interviewing (Mugenda & Mugenda, 2003). It makes it possible to obtain data required to meet specific objectives of the study.

The interviewees were branch managers at Head Office and Town Office, Operations Managers, Strategy and Development Managers and Business Development Managers at CIC General Insurance Limited. . The interview guide was presented through a face to face interview to ensure that the required information was obtained as per the research objective. Secondary data was obtained from the findings of published annual reports, the company's strategic plan, articles and journals.

3.4 Data Analysis

The data collected was analysed using content analysis since the data collected was qualitative in nature. Content analysis was appropriate because it provided a record of the interview as per the responses given during the interview and did not restrict interviewees to the answers they can provide. It also had the benefit of generating more information which would otherwise not have been obtained when using other methods.

According to Nachmias and Nachmias (1996) content analysis is a technique of making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. Content analysis ensures objectivity, systematic examination of communication in order to break down, identify and analyse the presence or relations of words, word sense, characters, sentence, concepts or common themes (Mito, 2008).

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, results and discussion of the findings. The primary data was collected through personal interview undertaken through interview guides and analysed using content analysis. The information collected was analysed and interpreted in line with the objectives of the study, namely to identify the core competencies used by CIC General Insurance Company Limited in order to gain sustainable competitive advantage in the insurance industry in Kenya. The study went further to analyse the strategy employed for market entry in the new markets in Africa as these strategies were in line with the core competencies utilised in Kenya.

4.2 Background Information

The study initially sought to inquire information on various aspects of the respondents' background. The aspects explored included respondents positions in the organisation as well as their experience based on the number of years while working in the insurance industry. This information aimed at testing the appropriateness of the respondent in answering the questions regarding the core competencies utilised by CIC General Insurance Company Limited.

4.2.1 Position of Sampled respondents

A total of twelve (12) respondents were interviewed. The study targeted managers who were involved in drafting the company's strategic plan for 2014 – 2018. These managers included the Acting Managing Director for CIC General, The General Manager in charge of Strategy,

The Strategy Manager, and Business Development Managers in charge of the S.A.C.C.O. Assurance team, Corporates and in charge of Brokers as well as the relationship managers dealing with S.A.C.C.O.s, churches and schools. All these managers had a clear key performance indicator (K.P.I.) of growing the premium volume while delivering value to the customer. The main driving force for the 2015 strategic plan was to “Profitable growth while Delivering Value to the Customer” To achieve this, all the managers had to ensure that they delivered value in a way no competitor could imitate or duplicate. Of the 12 respondents, six were male and six were female, giving a fifty per cent share of both the sexes as shown in Table 4.1

Table 4.1: Gender of the Respondents

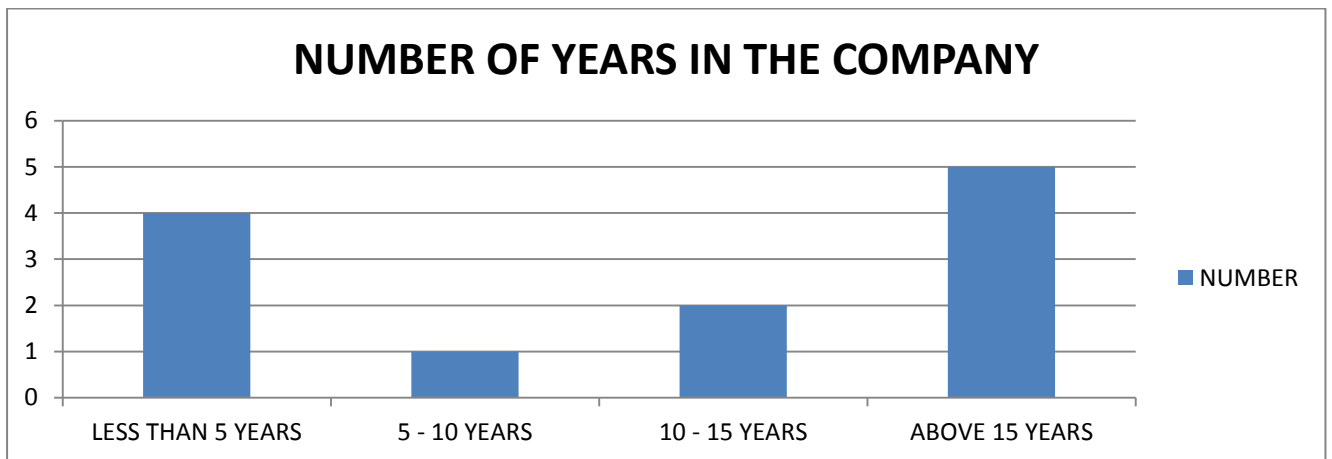
GENDER	NUMBER	PERCENTAGE
Male	6	50%
Female	6	50%

Source: Author, 2015

4.2.2 Managers’ Years of Experience

The study also sought to establish the number of years of experience that the respondents had with CIC General Insurance Company as shown in Figure 4.1. Of the 12 respondents, only 4 had stayed in the company less than 5 years, 1 had stayed for 10 years and the rest had stayed above ten years in the organisation. This meant that the respondents were very knowledgeable on the company and its strategy and transformation over the years.

Figure 4.1: Number of Years in the Company



Source: Author, 2015

4.3 The Concept of Strategy

The study sought to establish the Mission and Vision Statements of the CIC Insurance Group Limited. From the findings that study established that the Mission of the CIC Insurance Group Limited was: To provide financial security to the people through the cooperative spirit. On the other hand, The Vision was: To be a world class provider of insurance and other financial services through cooperative spirit. The Mission and Vision statements for the Group trickled down to the relevant subsidiaries. Hence, CIC General followed the Mission and Vision of the Group.

The key factors considered in formulating strategies

The research sought to establish the key factors considered in formulating strategies at CIC Insurance Group Limited. From the findings, the respondents indicated that the key factors considered in formulating strategies included; the company vision, mission, the growth opportunities available for the company in the market, the unexploited market, being a dominant player in the industry.

The other key factors considered in formulating strategies were; CIC unique history of being owned by cooperatives hence it has a special focus on cooperative and ordinary Kenyans, the company being innovative and competitive, the shareholding of the company, its resources which includes people, capital and assets. Other key factors considered in formulating strategies were the market environment, macroeconomic factors and channels of distribution.

Implementing the chosen strategies

The researcher also sought to find out the how the company implemented the chosen strategies. The researched revealed that the company used balance scorecard in implementing the chosen strategies. This meant that once the strategies were set, the work and expectations were trickled down to the most junior staff in the organisation. The company also implemented the chosen strategies by coming up with strategic business units to handle the identified market, opening up more distribution channels including branches, through regional expansion, by establishing strong distribution network through conventional branches, agents and through developing alternative channels like through web based and mobile phone based services.

The implementation of the chosen strategies was also done by innovative solutions for the clients' needs and training of shareholders to own the strategy. It was also conducted through recruiting and training of resource staff to implement the chosen strategies followed by monitoring and evaluation. The implementation of the strategy starts with the top management and trickles down to the other departments. The implementation of the chosen strategies is done through the Group's five year strategic plan.

Person responsible in strategic implementation in the organization

The study sought to establish the persons responsible in strategic implementation in the organization. According to the findings, the strategic implementation in the organization was carried out by the Group C.E.O., Managing Directors and all managers, heads of department, and senior management team. It was the management's job to ensure that the implementation process trickled down to every staff and each member of staff carried out their roles in order to ensure the strategy implementation was successful.

4.4 CIC General's Core Competencies

The core competencies are those unique capabilities, which usually span over multiple products or markets. The respondents listed various core competencies with more than 65% indicating alternative distribution channels, excellent customer service, service flexibility, product differentiation and information management systems as their known core competencies. The other competencies listed with a lower frequency which amounted to a combined 28% response rate considered integrity, strong brand, staff skills and training while the others competencies listed were branch and regional network, time management, risk evaluation and management, prudent and ethical practices, action oriented, speed in settling of claims and issuance of policy documents.

The study also sought to find out the importance the core competencies were to the organisation as a whole. The respondents listed a number of factors. Core competencies enable the company to be more efficient and effective. This means that the company focuses on doing things right, doing the right things and playing to their strengths. By focusing on what your main source of competitive advantage is then it is possible to build up a sound customer base and loyalty. Core competencies also help the company to focus its operations.

This means that more resources and time are dedicated to the company's strength to enable it achieve its strategic plans. The study also found that core competencies help the company to improve its customer service. CIC General's strategic plan for 2015 is "To build profitability through customer satisfaction". Hence, by focusing on core competencies, the organisation is able to build up customer satisfaction either through cost leadership or by having differentiated products. The core competencies also help in employing sound marketing strategies. This is because focus shifts to the proper channels of distribution to reach the intended clients by the masses. CIC General utilises its core competency of marketing through the use of the cooperative movement. By utilising the over 7,000 S.A.C.C.O societies in Kenya, the company is able to gain reach to an untapped market.

The study found that during the strategy planning process, the company's core competencies played a key role. The company's marketing strategy, operations and company structure are tailored to leverage on the cooperative movement. This means that leveraging on the cooperative movement is of crucial importance to the organisation. The company structure focuses on this and has created an entry strategy to the major corporate entities by using their S.A.C.C.O.s as a reference point. By serving the members of the S.A.C.C.O well, CIC General Insurance is able to gain a positive edge in the minds of the corporate heads. This strategy is taken into account when the overall company strategy is being implemented.

This shows that the company is very keen on leveraging on its core competencies. The study showed that a great deal of time, resources and effort is spent on the core competencies. This is because the proper utilisation of the core competencies leads to sustainable competitive advantage. In a highly competitive market, gaining sustainable competitive advantage becomes a basis for an organisation's survival.

4.5 CIC General's Competitive Advantage

The study sought to establish how CIC General Insurance Company Limited created sustainable competitive advantage. The data for this objective was collected by asking respondents the competitive strategies the company had adopted to ensure they remain in business. The findings indicated that there is a blend of Porter's generic competitive strategies adopted by CIC General Insurance. Out of the total 12 respondents in this research, 25% indicated that they used cost advantage strategy while 67% used differentiation strategy. The remaining 8% adopted focus as their competitive strategy as shown in Table 4.2

Table 4.2: Competitive Strategies

Competitive Strategy	Frequency	Percentage %	Cumulative Percentage %
Cost Leadership Strategy	3	25	25
Differentiation Strategy	8	67	92
Focus Strategy	1	8	100
	12	100	

Source: Author, 2015

The study also sought to find out how the company gained competitive advantage on its rivals. The respondents listed competitive strategies from Porter's generic framework. After choosing the competitive strategy to employ, there were a number of factors taken into consideration. The respondents were probed further to explain how the various competitive strategies were utilised.

4.5.1 Cost Leadership Strategy

Cost leadership deals with producing goods or delivering services of high quality but at a lower cost compared to competitors. The insurance industry is heavily regulated by the Insurance Regulatory Authority (I.R.A.). This means that the rates applied to various classes of insurance are standard and pre-determined by a panel of experts who form the rating committee. For large risks, there is a separate committee at the Association of Kenya Insurers (A.K.I.) who decide on the minimum rates that can be charged. This means that to compete on cost, the strategy has to move away from pricing of the services.

At CIC General Insurance Limited, cost leadership is achieved through a number of ways. With CIC General's accessibility to a larger number of clientele through the S.A.C.C.O.s, the company is able to use economies of scale. By reaching a larger number of clients, the company is able to minimise its marketing costs by recouping it through the clients' premium.

The company has also employed a number of cost reduction strategies. The marketing budget utilised by most companies is significantly lower at CIC General Insurance. While most companies rely on print and media advertising, CIC General is able to capitalise on one channel that the others cannot use. The company uses the management teams of various S.A.C.C.O.s to do its marketing and aid in recruitment of new clients. This is done in return for a commission which is lower than the market average paid to other intermediaries, namely brokers and agents. This becomes a cost reduction strategy. The company is able to save a lot of money on marketing as well as the commission fees paid to intermediaries.

4.5.2 Differentiation Strategy

Differentiation involves creating a product that is perceived as unique by the customers. The unique features or benefits ought to provide superior value for the customer if this strategy is to be successful. Under differentiation strategy, firms thrive on understanding the unique customer needs and seeking to meet them. Through this strategy, unique service features provide superior value for the customers. Similarly, the firms using this strategy strive to differentiate their services in such a way that the competitors cannot imitate.

The study established an understanding of the differentiation strategy among the respondents owing to the nature of their responses. 67% of the respondents believed this was the main competitive strategy employed by CIC General Insurance. Differentiation strategy involved a number of applications. These include service uniqueness, understanding customer needs, giving superior value to customers, avoiding competitor imitation and using alternative distribution channels.

CIC General Insurance is able to offer unique services to its customers by offering products that very few companies can match. By offering umbrella covers to the Cooperative societies, the company is able to cover a large number of people who were previously without insurance. Once a person is compensated for a loss, then they get to know the value of insurance and become new clients for more covers in the future. This is something that no other company is able to do. CIC General is also the pioneer of micro insurance. The study found that the company has covered most of the micro or “*jua kali*” businesses which were previously seen as uninsurable. The micro businesses were in desperate need of insurance cover and CIC General was able to deliver. This shows that the company was able to understand the customers’ needs and create a solution to their problem. By reaching the large

number of micro businesses as well as the small and medium enterprises (S.M.E.), CIC General has been able to build a large customer base and build loyalty among them as they were there before every company. Competitor attempts to duplicate the strategic business model have been largely unsuccessful.

The study found that the key differentiation strategy utilised by the company was the use of alternative distribution channels. This strategy is key as the company is able to widen its reach to customers in a cost effective way and in a manner that no competitor can imitate or duplicate. The alternative distribution channel is the use of the cooperative societies to gain customers. There are over 7,000 cooperative societies in Kenya. With high interest rates offered by banks, more Kenyans are turning to S.A.C.C.O.s as a means of accessing credit facilities. This means that a large number of the Kenya population belongs to various S.A.C.C.O.s. The study found that CIC General has accessibility to a large percentage of these people through the cooperative movement. The use of the cooperative movement as a distribution and marketing channel is unique to CIC General as it is the only cooperative insurer in Kenya and the largest cooperative insurer in Kenya.

The study also found that CIC General has been a pioneer of innovative products in the insurance industry in Kenya. The company pioneered micro insurance business by offering products such as *Biashara Salama* policy, personal accident covers for *boda boda* riders as well as the business combined policy for small and medium enterprises. The company also has unique products such as the Lady Auto Insurance cover and the Motor Commercial Plus cover which is the main profit generator of the company. The products are unique and created after a lot of research and development. These innovative products strive to give extra value to the customer through additional benefits and are tailor-made to their ever changing needs.

4.5.3 Focus Strategy

In the focus strategy, a firm concentrates on an identified target market and focuses on meeting that market's needs. Focus strategy was the least practiced strategy with a representation of 8% among the surveyed firms. Under this strategy, players concentrate on a specific / niche market with a choice of a narrowly competitive scope within the industry. The study found that CIC General has employed this strategy by tailoring products to fit a certain market segment. The company's flagship product is the CIC Motor Commercial Plus policy. This product was created to cater to the transporters who ferry goods all over the country. Initially, they were regarded as high risk and uninsurable. In the company's 2014 financial statement, the Motor Commercial Plus cover accounted for five hundred million shillings in pre-tax profit. This shows that by choosing the correct market segment, a company can be able to gain an edge over its rivals and achieve sustainable competitive advantage.

4.6 Discussion

The core competence of a firm is the firm-specific knowledge system that exerts competitive advantage, which may pertain to a knowledge base, a technological system, a managerial system, and/or a norm and value system (Leonard and Barton, 1992). A core competency is an organization's strategic strength (Jardon & Martos, 2011). It must be essential to corporate survival, invisible to competitors, difficult to imitate, unique to the corporation, a mix of skills, resources and processes, sustainable over time, greater than the competence of an individual, essential to the development of core products, essential to the strategic vision and decision of the organization, marketable and commercially valuable, and few in number (Tampoe, 1994).

According to Sadler (2003), the sustainability of competitive advantage depends on three major characteristics of resources and capabilities: durability, transferability and replicability. It is arguable to suggest that competitive advantage is at the heart of a firm's performance as it is concerned with the interplay between the types of competitive advantage, cost, differentiation, and the scope of the firm's activities. The value chain plays an important role to diagnose and enhance competitive advantage (Porter, 1985).

A competitive advantage is meaningful if it is related to an attribute valued by the market. Customers need to perceive a consistent difference in important attributes between the producer's products or services and those of its competitors. These differences must relate to some product/delivery attributes which are among the key buying criteria for the market. Product/delivery attributes are those variables that impact the customers' perceptions of the product or service, its usefulness and its availability. Some examples of such attributes are product quality, price and after-sale service. Key buying criteria are those variables and criteria that customers use in making their purchase decisions. They are different for different industries and different market segments (Clulow et al., 2003). Gupta et al. (2009) point out, that resources alone are frequently not enough to generate competitiveness over other firms.

The objective of the study was to find out how CIC General Insurance used its core competencies to achieve sustainable competitive advantage. The study found that the core competencies could be group into three. These include integrity related competencies, functionality related competencies and market access competencies.

Integrity related competencies include competencies such as superior quality, just in time management and cycle time management. Core competencies can be linked to sustainable advantage by ensuring there is efficiency and effectiveness in the work process. This leads to superior quality products produced in a cost effective manner (Hamel & Prahalad, 1994)

Functionality related competencies refer to the skills that enable the company to invest its products or services with unique functionality or distinctive customer benefits. This involves being different from the competitors. The functionality related competencies involve a lot of innovative ideas. This means that the competitors are always trying to play catch up with the innovator (Hamel & Prahalad, 1994)

Market access competencies include management of brand, sales and marketing channels, distribution and logistics as well as technical support. By having unique channels of marketing, distribution and logistics, a company is able to create access to a clientele that the competitors cannot be able to reach. This leads to an advantage as a company is able to lock in on its customers and prevent them from being wooed by their rivals. (Hamel & Prahalad, 1994)

Based on the three types of competencies, the study found that CIC General Insurance was able to fully capitalise on two of them to gain sustainable competitive advantage. CIC General has been able to leverage on functionality based competencies by having innovative products. These unique products set the company apart from the rest of the competitors. The study found that the key competency utilised by CIC General to gain competitive advantage involved market access competencies. The key advantage that CIC General possesses that other companies are unable to imitate involves use of the cooperative movement. CIC

General Insurance is able to utilise the over 7,000 S.A.C.C.O.s in Kenya to market and facilitate supply of its various products. This is a unique distribution channel that is only open to CIC General Insurance. This distribution channel is unique, inimitable and creates value to customers. Hence, this is the company's main core competency. By using the unique marketing and distribution channels, the study found that CIC General is able to shield itself from competitors. CIC General insulates itself from competitors by virtue of it being the only cooperative insurer in Kenya. The inimitability of the distribution channel, that is, the use of the co-operative movement becomes a key source of sustainable competitive advantage.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The objective of this study was to ascertain the link between leveraging on core competencies and gaining competitive advantage on competitors at CIC General Insurance Company Limited in Kenya. Based on the findings, this chapter tries to give its recommendations on the gaps in similar research that need to be filled.

5.2 Summary

The objective of the study was to ascertain the link between leveraging on core competencies and gaining competitive advantage on competitors at CIC General Insurance Company Limited in Kenya. The study found that the core competencies could be group into three. These include integrity related competencies, functionality related competencies and market access competencies.

Core competencies contribute significantly to the creation of perceived customer benefits and enables potential access strategies to a wide variety of markets. These enable the company to have a close relationship with its customers. Core competencies involve how to coordinate diverse production skills and integrate multiple streams of technologies which enable insurance companies to straddle a variety of their business functions.

Maintaining core competencies requires an understanding of the interaction of a change in one aspect of the environment with other aspects of the organization. The use of core competences by companies results in sustainability, growth, profit, time advantage, differentiation advantage and cost leadership advantage.

The study found that CIC General Insurance Company had a key core competency that they employed in order to gain sustainable competitive advantage. CIC General is the only cooperative insurer in Kenya. There are over 7,000 S.A.C.C.Os in Kenya. With CIC General having exclusive access to the cooperative movement, they are able to spread their market access further than the competitors. Core competencies could be split into three categories. These include integrity related competencies, functionality related competencies and market access competencies.

Integrity related competencies include competencies such as superior quality, just in time management and cycle time management. Core competencies can be linked to sustainable advantage by ensuring there is efficiency and effectiveness in the work process. This leads to superior quality products produced in a cost effective manner. Functionality related competencies refer to the skills that enable the company to invest its products or services with unique functionality or distinctive customer benefits. This involves being different from the competitors. The functionality related competencies involve a lot of innovative ideas. Market access competencies include management of brand, sales and marketing channels, distribution and logistics as well as technical support. By having unique channels of marketing, distribution and logistics, a company is able to create access to a clientele that the competitors cannot be able to reach. This leads to an advantage as a company is able to lock in on its customers and prevent them from being wooed by their rivals.

CIC General has been able to leverage on the functionality related and market access competencies. By coming up with innovative products such as the CIC Motor Commercial Plus policy, the CIC Lady Auto policy and being the pioneer of micro insurance the company has been able to create unique value to its customers and insuring the previously uninsurable. Small scale traders have taken up insurance and helped the company to increase its market share. The innovative products and the aspect of insuring those who were initially turned away by other insurance companies builds a sense of loyalty to those who take up the insurance cover. The satisfied customers also aid in marketing the company and helping to increase its market share.

Market access competencies are brought about by the utilisation of the 7,000 S.A.C.C.O.s in the marketing and distribution of the company's wide range of products. The use of the cooperative movement is a unique and very rare marketing and distribution channel. This is a channel that cannot be imitated by any of the 46 other insurance companies in Kenya. The S.A.C.C.O.s are usually created by corporate entities. By serving the S.A.C.C.O.s properly, the marketers are able to get an upper hand in selling the company products to the corporate entity as a whole. This is a unique strategy of introduction to large corporate companies.

Michael Porter devised a framework for gaining competitive advantage. He listed three strategies for gaining competitive advantage. These include cost leadership, differentiation strategy and focus strategy. With the insurance industry highly regulated in terms of pricing, it is very difficult to compete on cost. Hence this is not a very viable option in the industry. CIC has used focus strategy to gain an advantage by focusing on the micro businesses in Kenya. This model is very similar to that of Equity Bank in the banking industry. The key

strategy that gives CIC General its competitive advantage is the use of the differentiation strategy. The functionality related and market access competencies are both a form of differentiation strategy. They both involve employing a unique way of doing things that cannot be imitated by competitors. Hence, it was possible to find a link between the use of core competencies and the achievement of sustainable competitive advantage by CIC General Insurance Company.

5.3 Conclusion

The objective of the study was to establish CIC General Insurance's core competencies and to link those competencies to a strategy that can be employed to gain sustainable competitive advantage. The study found that CIC General's key competency was its accessibility to the over 7,000 S.A.C.C.O.s in Kenya. This enables it to have a wider market access in all parts of the country including a unique marketing and distribution channel that is unrivalled by its competitors. This unique attribute of the company brings about a differentiation strategy meaning the company has sole access to that market and insulates itself from the competitors. This allows CIC General to achieve sustainable competitive advantage.

5.4 Recommendations

The study has recommendations on theory, managerial policy as well as managerial practice. This section covers recommendations for the management, the policy makers, the stakeholders, the organization as well as the insurance industry.

5.4.1 Recommendation for Theory

The study was anchored on two theories namely: the resource based theory and the competitive advantage theory. A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney & Pandian, 1992). Resource based theory explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific (Barney, 1999). The resource based theory can be amended to include distribution channels as a unique resource that can be used to gain sustainable advantage as is the case with CIC General Insurance Company Limited.

5.4.2 Recommendations for Managerial Policy

Foremost, the study found out that the company has been using core competence to achieve competitive advantage. It is therefore recommended that in order to sustain competitive advantage, the company must continually enhance its core competencies and if constant renewal does not take place, other companies will imitate and make the competencies which lead to competitive advantage obsolescence. Therefore, it is important that the strategy based on core competencies keeps evolving.

5.4.3 Recommendations for Managerial Practice

The study established that there are 46 other insurance companies. The companies used different core competence to achieve competitive advantage. It is recommended that the regulator should encourage the insurance players to use their known core competencies to inculcate professionalism in their operations.

This will lead to financial stability and service consistency which will lead to customer satisfaction and mutual benefit for all stakeholders. This will also mean that there will be healthy competition which results a stable economy and avoid the collapse of the companies.

5.5 Limitations of the Study

Limitation is an aspect of research that may influence the results negatively, but over which, the researcher has no control (Mugenda and Mugenda 1999). There were a number of limitations that the researcher encountered. Non response because of fear to reveal detailed information concerning the organization due to fear of exposing the company's key strategic decisions that led to competitive advantage. The researcher foresaw a challenge in collecting the required data from the interviewees. The interviewees feared giving information stating that the information requested may be used against them. It was not easy to convince some of the senior respondents in the company to participate in the study. CIC General Insurance is known to work under very strict confidentiality in order to secure any unauthorized access to information. Most of the respondents agreed to participate on condition that the information was not to be divulged to any other party other than for academic purposes only. To limit the effects of this limitation, the researcher carried with him an introduction letter from the University confirming that the data requested was used for academic purposes only.

There was a lack of co-operation from some of the respondents for fear of victimization from their supervisors. The researcher also foresaw a challenge where the respondents were likely to give the ideal scenario instead of providing the situation the way it was at that time. This affected research findings as it distorted the study findings.

5.6 Suggestions for Further Research

The study was only carried out in CIC General Insurance Limited thus the same study should be carried out in the insurance companies to find out if the identification and employment of core competencies will lead to sustainable competitive advantage. This will help the growth of the industry and help push the insurance penetration to double figure percentage. It is also recommended that the study is replicated for other players in the insurance industry especially insurance brokerage firms which are tasked with the responsibility of distribution of insurance products and aiding in the penetration levels.

REFERENCES

- Akhavan, P., and Jafari, M., (2006), Critical success factors of knowledge management implementation at a national level *The Journal of Information and Knowledge Management Systems* 36(1): 52-66.
- Barnely, J.B & Hesterly W.S. (2008). Strategic management and competitive advantage. Concepts and cases. Upper Saddl River, NJ: Prentice hall Inc.
- Bozbura, F.T., (2007), "Knowledge management practices in Turkish SMEs", *J. Enterprise Info*, 2(2): 209-221.
- Chong, S.C., (2006), KM critical success factors: A comparison of perceived importance versus implementation in Malaysian ICT companies", *Learning Organisation*, 13(3): 230-256.
- Clulow, V., Gerstman, J., and Barry, C. (2003), "The resource-based view and sustainable Competitive advantage: The case of a financial services firm". *Journal of European Industrial Training*, Vol. 27, No.5: 220-232.
- Collis, D.J. (1994), "Research note: How Valuable is Organizational Capabilities?" *Strategic Management Journal*, Vol. 15 No.8, pp.143-53.
- Dosi, G., R. Nelson, S. Winter, eds. (2000), *The Nature and Dynamics of Organizational Capabilities*. Oxford University Press, New York.
- Eris, E. D., & Saatcioglu, O. Y. (2006), A system look for technological innovation: Firm based perspective. European and Mediterranean Conference on Information Systems (EMCIS), July 6-7, Costa Blanca, Alicante, Spain, 1-6.
- Greenley, G.E. (2006), Does strategic planning improve company performance, *Long Range Planning*, Vol. 19 pp.101-9.
- Gupta, S., Woodside, A., Dubelaar, C., and Bradmore, D. (2009), "Diffusing knowledge-based core competencies for leveraging innovation strategies: Modeling outsourcing to knowledge process organizations (KPOs) in pharmaceutical networks". *Industrial Marketing Management*, 38, 219 –227.
- Hamel, G (1994), "The Concept of Core Competence," in Hamel, G and Heene, A (eds.), *Competence-Based Competition*, The Strategic Management Society, Sussex: John Wiley and Sons, 11-33.
- Hamel G. and Prahalad C.K. (1990), "The Core Competence of the Corporation", *Harvard Business Review*, Vol. 68 No.3, pp.79-92.
- Hamel G. and Prahalad C.K. (1991), *Corporate Imagination and Expeditionary Marketing*. *Harvard Business Review*. july-Aug., 81-92.

- Hamel G. and Prahalad C.K. (1994), *Competing for the Future*. Harvard Business School Press. Boston, Massachusetts.
- Helleloid, D and Simonin, B. (2004), "Organizational Learning and a Firm's Core Competence," in Hamel, G and Heene, A (eds.), *Competence-Based Competition*, The Strategic Management Society, Sussex: John Wiley and Sons, 213-238.
- Ilovi, C. (2011), *Sustainable Competitive Advantage of the Insurance Industry in Kenya*, unpublished research proposal.
- Jardon, C., and Martos, M. (2011), Strategic human capital and the performance of public sector organizations. *Scandinavian Journal of Management*, 20, 375-392.
- Johnson G. & Scholes (2002). *Exploring Corporate Strategy*. 6th New Jersey: Prentice Hall, USA.
- Kak, A., (2002), Sustainable Competitive Advantage with Core Competence –A review, *Global Journal of flexible systems management*.
- Kak, A., (2008), Testing the Relationships between Core Competence, Competitive Advantage, and Competitiveness: A Study of Medium Size Firms in India. *International Journal of Global Business and Competitiveness* 2008, Vol. 3, No 1,
- King, A., Fowler S., Zeithaml, C. (2001) *Managing Organisational Competencies for Competitive Advantage: The Middle Management Edge*, Unpublished research proposal
- Lado, A, Wilson M. (1994) *Human resource Systems and Sustained Competitive Advantage: A Competency based Perspective*, Unpublished research proposal
- Lei, D., Hitt, M., & R. Bettis. (1996). Dynamic Core Competences through Meta-Learning and Strategic Context. *Journal of Management*, 22(4), 549-569.
- Leonard-Barton, D (1992), "Core Capabilities and Core Rigidities: A Paradox in Managing New Product Development," *Strategic Management Journal*, 13(5), 111-125.
- Lippman, S. and Rumelt, R., (1982), "Uncertain Limitability: An Analysis of Inter-firm Differences in Efficiency under Competition," *Bell Journal of Economics*, 13(2), 418-438.
- Marucha, J. (2011), *Core Competency and Competitive Advantage of Insurance Firms in Kenya*, Unpublished research proposal
- Mintzberg, H. and Quinn, J. B. (1998), *The Strategy Process. Concepts, Contexts, Cases*. 3rd Edition. USA: Prentice-Hall, Inc.

- Mugenda, O.M., & Mugenda, A.G. (2003). *Research Methods: Quantitative & Qualitative Approaches*. Acts Press. Nairobi. Kenya.
- Ngugi, P.K., (2011), *Strategic capabilities for competitive advantage in British broadcasting corporation – global news, Africa*. Unpublished MBA Project: School of Business, University of Nairobi.
- Papula, J. and Volna, J. (2013) *Core Competence for Sustainable Competitive Advantage*, unpublished research proposal
- Pearce, J.A. & Robinson, R.B. (2007). *Strategic Management: Implementation and Control*, 3rd edition, Boston: Richard D. Irwin McGraw-Hill, USA
- Porter M.E. (1985), *Competitive Advantage: Creating and Sustaining Superior Performance*. The Free Press, New York.
- Sadler, P. (2003), “Strategic Management”, 2nd Ed., Kogan Page, London.
- Porter M. E. (2004). *Competitive Advantage, Creating and Sustaining superior Performance*, The Free Press New York
- Quinn C. N., (1993). *Strategy Detection in Graphic Interfaces*, The World Conference on Artificial Intelligence in Education
- Sanchez, R. (2004), "Understanding Competence-based Management: Identifying and Managing Five Modes of Competence". *Journal of Business Research*, 57(5), pp.518-32.
- Senge, P. (2006), "The Leaders' New Work: Building Learning Organizations", *Sloan Management Review*, Vol. 32 No.1, pp.7-23.
- Schon, D.A. (2003), *The Reflective Practitioner: How Professionals Think in Action*. Basic Books New York.
- Tampoe, M., (1994), *Exploiting the Core Competencies of your Organisation*. *Long Range Planning*, 27 (4), 66–77.
- Teece, D.J., Pisano, G., Shuen, A. (1997), "Dynamic Capabilities and Strategic Management". *Strategic Management Journal*, 18(7), pp.509-33.
- Thompson, A., and Strickland, A. (2003), *Strategic Management Concepts and Cases*, 11th ed., McGraw-Hill/Irwin, Boston MA,
- Wanyanga, C.M., (1997), *Utilization of organization’s capabilities as an operation strategy in the hotel industry in Kenya*. Unpublished MBA Project: School of Business, University of Nairobi.

www.slideshare.net

www.wikipedia.org

APPENDIX I

LETTER OF INTRODUCTION

Dear Sir/Madam,

**RE: MASTER OF BUSINESS ADMINISTRATION (M.B.A.) -STRATEGIC
MANAGEMENT RESEARCH PROJECT**

I am a postgraduate student at the University of Nairobi pursuing a degree in Master of Business Administration where I am specializing in Strategic Management. Currently I am carrying out a research project which is a requirement for the fulfilment of Part II for the Award of M.B.A. degree.

The research is to establish how insurance firms in Kenya use core competencies as a strategic tool to achieve sustainable competitive advantage. In this regard, I kindly request you to assist in completing the research questionnaire. I also take this opportunity to commit and guarantee that the information collected/obtained from you is only for academic purposes and the same will be treated with utmost confidentiality. Your assistance will be highly appreciated.

Yours faithfully,

BENSON WAIBOCHI NDERITU

STUDENT REG. NO. D61/71102/2014

APPENDIX II
INTERVIEW GUIDE

Background Information

1. What is your title and responsibilities in the company?
2. How many years of experience do you have with CIC General Insurance Limited?

The Concept of Strategy

3. What are the Mission and Vision Statements of CIC General Insurance Limited?
4. What key factors were considered in formulating your company's strategy?
5. How does your company go about implementing the chosen strategies?
6. Who is responsible for strategic implementation in your organization?

Core Competencies and Competitive Advantage

7. What do you consider as your company's competencies?
8. How are the core competencies important to your organization?
9. Are the core competencies taken into account when developing your company's strategy?
10. To what extent does the company allocate time, effort and resources to leveraging on the core competencies?
11. Does your organization have competitive advantage on its competitors?
12. How does the company gain competitive advantage on its rivals?
13. To what extent does your company use core competencies to gain sustainable competitive advantage?
14. How would you rate the use of the cooperative movement in strategy development?
15. How does being a cooperative insurance company aid CIC General Insurance?

APPENDIX III: List of Licensed Insurance Companies

	Name
1	APA Insurance Limited
2	Africa Merchant Assurance Company Limited
3	Apollo Life Assurance Limited
4	British-American Insurance Company (K) Limited,
5	Cannon Assurance Limited
6	CFC Life Assurance Limited
7	Chartis Kenya Insurance Company Limited
8	CIC General Insurance Limited
9	CIC Life Assurance Limited
10	Concord Insurance Company Limited
11	Corporate Insurance Company Limited
12	Directline Assurance Company Limited
13	Fidelity Shield Insurance Company Limited
14	First Assurance Company Limited
15	GA Insurance Limited
16	Gateway Insurance Company Limited
17	Geminia Insurance Company Limited
18	Heritage Insurance Company Limited
19	ICEA LION General Insurance Company Limited
20	ICEA Life Assurance Company Limited
21	Intra Africa Assurance Company Limited
22	Invesco Assurance Company Limited
23	Jubilee Insurance Company Limited
24	Kenindia Assurance Company Limited
25	Kenya Orient Insurance Limited

26	Kenyan Alliance Insurance Company Limited
27	Madison Insurance Company Kenya Limited
28	Mayfair Insurance Company Limited
29	Mercantile Insurance Company Limited
30	Metropolitan Life Kenya Limited
31	Occidental Insurance Company Limited
32	Old Mutual Life Assurance Company Limited
33	Pacis Insurance Company Limited
34	Pan Africa Life Assurance Limited
35	Phoenix of East Africa Assurance Company Limited
37	Pioneer Assurance Company Limited
38	REAL Insurance Company Limited
39	Shield Assurance Company Limited
40	Takaful Insurance of Africa
41	Tausi Assurance Company Limited
42	Trident Insurance Company Limited
43	UAP General Insurance Company Limited
44	UAP Life Assurance Company Limited
45	Xplico Insurance Company Limited
46	Resolution Insurance Company Limited
47	AAR Insurance Company Limited

Source: www.ira.go.ke, 2015