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

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ABSTRACT

The underlying objective of the present study was to analyze the effects of the value chain on organization competitive advantage with focus to insurance industry in Kenya. An analysis of value chain is helpful to a firm in the identification of bottlenecks. For easy survival in the market, companies have to have a competitive advantage over others. Like any other service industry, insurance industry functions in a lean, crowded and significantly very competitive industry. The fear of the new businesses that enters the industry is not only high but also unavoidable in the long run, the product offered in the market are not differentiated while all industry participants have a direct through way to the channels of distributions. The ordinary insurance consumer is significantly price sensitive because of the accessibility of the perfect product and service alternatives in the market and inadequate purchasing power possessed by the potential clients. Additionally, information communication technology application which is vital in this sector is underutilized thus low innovation rate in the sectors. Human capital that is required to fill this gap is severely depressing within the market however they are significant for the operation, marketing and sales services unit. This leaves the consumers with only option to buy available products to the known companies in the sector causing the organization that is less competitive to perform dismally due tom lack of competitiveness. This study aimed to find out the effect of value chain on the competitive advantages of the insurance industry in Kenya. This research was based on the Resource-Based Theory, Competitive Advantage. The study focused on four variables, that is, marketing, operations, innovations and human resource management. Descriptive research design was utilized for the research. A total of 55 insurance companies these companies are licensed by Insurance Regulation Authority. The census sampling techniques was utilized in this research since the number of the companies targeted were small and manageable, 2 respondents were targeted in each company. Primary data was adopted in this research where questionnaire was utilized to collect the data. Descriptive statistics was emphasized to therefore analyze the data. To test the relationship between the dependent and independent variable, inferential statistic was utilized to establish the relationship. Quantitative data was presented using tables and figures. It was confirmed that organization competitive advantage and innovation, human resource management, marketing and operation have a positive relationship. The independents variables researched, represent 83.4% to the firm competitiveness as represented by the R^2. Study also found that operation contributes most to organization competitive advantage followed by innovation then marketing while human resource management added less to organization competitive advantage. Study recommends that any institution that aims to be market leader in the market should consider innovation as part of its operation.

Key Words: *value chain, competitive advantage, insurance industry, Kenya*

INTRODUCTION

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

Competitive Advantages

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

According to a study by Porter (1985), an organization has advantages which are considered competitive within the market when it has the capability of outshining its competitors and can survive other external forces. Significance which are considered in terms of the value and the specifications of the products are the two vital components of the ensuring that an organization is in the upper side of competition in the industry structure (Porter, 1985). The basic concept that underlies the main strategies is that, an organization’s advantages which are competitive are at the center of any task that is undertaken, having a competitive advantage requires an organization to make a decision on the kind of the advantages which are competitive it desires to achieve and also the delimitations within where they can achieve it. Rothschild (1984) came with a model that is premised on the accredited and approved methodologies and designs for achieving and to guarantee the advantages which are considered to be competitive within the business operations. The models major concern lies in the strategic analysis as the key towards establishing the advantages which enhances competitiveness.

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

Concept of Value Chain

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

The model of the value chain concept is a helpful analysis apparatus that is utilized to define an organization's main advantages and also the operations or processes with which it can achieve advantages that are considered to be competitive by the means of their own differentiation through majoring on the activities that are concerned with the core capabilities and advantages so as to perform them better as compared to how the competitors do them and therefore achieve the cost advantage through gaining a better knowledge on the expenses and thus trying to reduce then on the value-adding activities (Marsh &Stock, 2006).

Value chain has been known to have an impact on market access because; it determines the main participants and the main firms in the supply chain and enhances a better corresponding with the rules and regulations that applies within the industry (Porter 1985). It is known to be a tool that is used to assess the importance of the client's or customers perceived value. According to a study by the Govindarajan and Shank (1993), the value chain for any organization are the main value-creating operations commencing from the very necessary sources of the raw materials to the end product that is supplied to the receivables of final consumers. This explanation views takes an organization as part of an all-round chain of processes for value creation.

Ambuko (2013) did a research on the factors impacting the value chain and the performance of UAP company insurance South Sudan Limited. With regards to the study, it was found out that, the foundation of competitive advantage is inherent in value chain held by an organization. The study also established that the ordinary value chain as proposed by the

Porter (1998) corresponds and is connected with the insurance service. The concepts of the Value chain are considered to be an important tool that an organization can utilize to be able to understand and then capitalize from the avenues of the competitive advantages within itself. Insurance firms consider value chain as fundamental approaches to conducting internal analysis and examining the respective operations or the functions by which the organization can generate importance and relevance and compete favorably in the industry.

A study by Porter (1998) points out the five primary tasks in an ordinary organization that are part of the organization in the competition processes of any kind of sector. They are concerned with: the inbound logistics, these are considered the operations that relate towards acquiring and maintaining the inputs that will be used in the production processes, it also includes warehousing, scheduling of vehicles and paying back the suppliers.

Insurance Industry in Kenya

Ministry of the Finance is where the insurance sector industry falls in and is deemed to follow all the rules and terms as per the Act of the insurance, Cap 487 and the Kenyan Law as it's registered under it. The only licensed companies operating in Kenya are 2 locally incorporated reinsurance companies and 55 insurance companies as IRA website 2015 indicates. In supplement, there exists the 152 brokers who are licensed, 23 insurance providers concerned with Medicines only (M.I.P.S), 3,650 insurance agents, 19 loss adjusters, and 19 surveyors, 2 agents who are concerned with settling disputes, 5 managers who are concerned with risk management, 111investigators and people who are concerned with accessing the loss and 77 motor assessors.

The contracts, trusts, agency and other laws that govern companies are the ones that the ambit of Insurance companies operates under. The main service providers within the insurance industry includes the companies that are specified with the insurance services, there are also the reinsurance companies the insurance brokers who fall under the intermediaries within that there are also the risk managers, those who adjust the loss among others. Kenyan insurance sector main participants, while general insurance sector industry business with Kenya id driven by the Motor Insurance, Fire Insurance, Aviation, Engineering, Theft, Workmen's Compensation, Liability Insurance and the Personal Accident Insurance among others like them, Marine, and the others considered as the miscellaneous lines (the Insurance Regulatory Authority, 2010).

The generic Life and the Superannuation that in most cases involves the Group Life Insurance and the Deposit control and administration process, such as the Industrial Life and the Bond Investment are lines that drive life insurance sector industry in Kenya (Kenya Insurance Survey, 2004). The financial institutions that are concerned with the banking and the other financial institutions that are considered non-banking are the two main divisions of financial institutions. Accepting of deposits and making of loans is done by the commercial banks as their main role which is the financial institutions that are involved in the banking processes as well. The banks that are involved with the banking, the companies that deals with the insurance, the firms that are concerned with the finances, the companies that are concerned with leasing therefore do make up the non-banking financial institutions. There is convenience, interest incomes, and security when it comes to depositing of funds in the banks. Gaining of additional income is mostly done by non-banking financial institutions as their major role during investments.

STATEMENT OF THE PROBLEM

To be able to outlive the competition within the market and remain a float and generate profits for the firm, any sector participants therefore is required to be resolved and strive to be the most attractive through offering the very distinct and superior quality services in the long run. Today, the consumers in the upmarket are continuously becoming quality conscious in the choice of their products among the rising range of insurance products available (Carrie, 2008). There are significantly very less differentiations for the services which are apparently being provided by the insurance firms in Kenya. This can be witnessed from the several general insurance organizations in Kenya that are dealing in the same insurance products. The regulations are further standardized with strict regulations especially the standard motor insurance services. The standard legal requirement of the beneficiary making payment being the offer is provided makes it limiting. Additionally, the listed risks as they are commonly referred are equally heavily controlled and monitored by the IRA where a separate consultation are made by the member who form part of the AKI panel who are adequately informed with the provision of the regulated and standardized and uniform rates that applies uniformly within the entire insurance sector (Hesterly, 2008). This points to the fact that the sector players are not allowed to charge anything different from what has been provided by the regulating bodies. This therefore leaves them with an option of seeking other alternative avenues for remaining a float and competitive within the market. The insurance firms therefore need to be more innovative to beat the storm. The tools and the strategies applied by the insurance firms are therefore critical for their survival. There are a number of studies which have locally been conducted and that mainly focuses on the other sectors and therefore provides the knowledge gap within the insurance industry. These studies are not limited to; Changwony (2012) who carried a study on the value chain strategies to the stakeholders' critical analysis and the management of the tea trade in Kenya. Wahito (2011) also carried out a research on the Porters value chain models and the advantages which are considered competitive in the oil sectors in Kenya. Odero (2006) researched on the value chain and the competitive advantage in the Banking sector in Kenya and was specifically focused with the corporate banking. Apparently, it is crystal clear following the researches that have been conducted there in the past that, there has not been any exhaustive research done on the value chain on the organization advantages that are deemed to be more competitive and especially so with regards to the Kenyan insurance industry or sector as a whole.

MAIN OBJECTIVE

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

SPECIFIC OBJECTIVES

1. To find out effect of innovation on competitive advantage in insurance industry in Kenya.
2. To determine how human resource affects competitive advantage in insurance industry in Kenya.
3. To find out effect of marketing on competitive advantage in insurance industry in Kenya.
4. To examine how operations affects competitive advantage in insurance industry in Kenya.

THEORETICAL FRAMEWORK

The Resource-Based View Theory

This theory was upheld for by Wernerfelt during the 1980s (Wernerfelt, 1984). From that point forward it has been broadly utilized in making examination of an association's intensity in the market. This is a vital strategic management theory whose point is to discover the capacities and the assets that a firm has that will empower it have an upper hand over the rivals in the business or market.

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

Walker (2004) pointed that firm should persistently assess its assets, abilities, fitness, and culture among other inside factors. These two arrangements of elements are the structure squares of two principle parts of vital investigation; outside and inward examination separately. Barney and Hesterly (2008) firm should conduct internal and external analysis to assess association's capacities to recognize qualities and shortcomings in its assets, tasks and exercises. The prime target of completing an inner investigation is to empower a firm to see how best to convey its assets, given its outside and inward circumstance.

In a study carried out by Capon (2008), he points out that gaining and retaining or improving competitive advantage requires a firm to carry out different activities. They are required arrange the resources and systems so that they may reduce their cumulative cost or promote the most significant value for a lesser expense. Bigger categories of an organization's capabilities include the owning of assets, for example, physical assets, HR and budgetary asset. Whatever the definition, assets are viewed as resources and ability, or as a capacity or procedure encouraging the seriousness of the assets.

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

The Theory of Competitive Advantage

This theory was upheld by Michael Porter in 1985, it proposes that various nations and even business elements ought to embrace the strategies that will make a high estimation of merchandise and accordingly can be sold at more significant expenses in the market. Doorman (1985) contends that the focal point of every national procedure ought to be toward the development of rofitability. For a nation to have an upper hand the expense of work ought to be low or can be obtained efficiently, he additionally contends that it's anything but an absolute necessity that a nation has adequate normal assets for it to do well financially. He also argues that it is required for a firm to possess a competitive strategy so as they may retain a profitable and a sustainable state in the business.

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

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

Organizational Learning Theory

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

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

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

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

The theory has put forth attempts at elucidating the learning forms basic to affecting learning and achieving upper hand. Learning forms guarantee that an association and representatives consistently make, secure, and move information and use it to adjust to the ever-changing inside and outer condition. It is not only trainings that organizations can achieve this but they can also achieve it by their interactions with other employees as they work. A learning association is developed through a progression of solid advances and broadly appropriated exercises (Sokhanvar, Matthews, and Yarlagadda, 2014).

EMPIRICAL LITERATURE

Innovations and Organization Competitive Advantage

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

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

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

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

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

Human Resource and Organization Competitive Advantage

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

Bartol (1991) affirms that human asset can involve a wellspring of unmistakable ability that shapes a reason for methodology definition and usage. A firm may seek after the separation procedure dependent on imaginativeness of its human asset capital. Another goal of the Human resource is to create an enabling environment that the workers are able to give their best.

Porter defined value chain as being a high-level model that shows how organizations acquire raw materials as inputs, adding value to them through various processes, and selling the finished products to the final end users (Swanepoel, Erasmus & Schenk, 2008).

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

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

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

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

Marketing and Organization Competitive Advantage

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

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

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

Operation and Organization Competitive Advantage

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

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

An organization has advantages that are considered competitive in the market if it has got the capability of outshining its competitors and can survive other external forces. Advantages in terms of Cost and the differentiation of products are the two vital components of the ensuring that an organization is in the upper side of competition in the industry structure (Evans & Wurster, 2000). The basic concept that underlies the main strategies is that, an organization's competitive advantage is at the heart of any task that is undertaken, having a competitive advantage requires an organization to make a decision on the kind of upper hand it wants to accomplish and furthermore the extension inside which they can accomplish it. Rothschild (1984) built up a system that depends on demonstrated and tried methods and ideas for picking up and keeping up the upper hand in business. The structure accentuation lies in the serious examination as the key in deciding an upper hand.

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

Competitive Advantage and Value Chain

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

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

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

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

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

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

RESEARCH METHODOLOGY

Research Design

Cooper and Schindler (2013) considered research design as the approach in which the study is organized. For study to be effective, different designs are used to justify each step in the study. Nyororo (2006) supported that the need for the research design is to ensure that there is clearly understand of the study which ensures that the accuracy of the study is observed. In this study explanation and descriptive approaches were employed to ensure that the interpretation is clear to the reader. In a study where explanatory design is used, probability sampling is better placed to be used in the study since the level of biasness is very low and the data collection process is made easier. To establish the relationship between the variables, descriptive cross-sectional survey design helps to indicate this. Some scholars, such as Kibua and Mwabu (2016) and Ndonga (2016) adopted cross-sectional survey and concluded that method is suitable and reliable for similar studies. Thus, this method was considered best in this study to determine the influence of value chain on organization competitive advantage in insurance industry in Kenya.

Target Population

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

Sampling Technique

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

Data Collection Procedure

Participants were given questionnaire, where they filled the information that the study aimed to investigate. The questions captured information that was intended to test the research hypothesis as well as the research objectives. Qualitative questions provided an opportunity for the respondents to give more insight on the study objectives (Mugenda & Mugenda, 2009). The questionnaire was divided in five sections, where the first section captured general information about the respondents; second section aimed to investigate questions pertaining to innovations, third section captured human resource aspects, while section four and five aimed to investigate information about marketing and operation aspects.

Data Analysis and Presentation

Cleaning of the information was then done that included checking of mistakes. To encourage information passage, the gathered questionnaires were filed and content coded. A measurable examination program was utilized in the investigation of the information. Frequencies and engaging measurements were accomplished for all factors and the information got presented in tables and charts in recurrence structure. Elucidating and inferential insights was utilized. For additional investigation of the information, essential highlights of information gathered were given. Subjective information was organized by destinations of the examination and the reactions dissected in topics and coordinated with the discoveries from quantitative information in conversations. To guarantee further information examination triangulation, different factual techniques were applied including; factor investigation just as clear investigation. The descriptive statistics empowered for the information decrease and synopsis and items of factors investigation so as to offer better understanding with regards to the highlights of the sample. The regression equation is:

$$\mathbf{Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Where: Y is the dependent variable (competitive analysis); $\beta 0$ is the regression; coefficient/constant/Y-intercept; β_1, β_2, β_3 and β_4 are the slopes of the regression equation; X_1 is the innovation; X_2 is the human resource; X_3 is the marketing; X_4 is the operation; ε is the error term

RESEARCH RESULTS

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

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

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

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

Swink and Mabert (2000) human resource functions are important in ensuring that an employee settles in an organization and accepts to give his or her best. HR department ensures that the qualified and right person are designed their duties as per their qualification. The findings on coefficient of correlation established that there was a positive correlation between organization competitive advantage and human resource management with a correlation figure of 0.5210. the study findings conforms to Kaplan and Norton (1992) that the human resource effects enhance the overall performance of a firm so as to develop a stiff competition which cannot be adopted by the competitors. Based on the regression analysis, the study established that a unit increase in HRM will lead to a 0.558increase oforganization competitive advantage. Rayport and Sviokla (1995) pointed that an effective use of the human resources can very much beneficial to a firm, when we compare its costs with the benefits that they bring, we always see that there is a positive impact.

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

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

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

CONCLUSION

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

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

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

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

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

RECOMMENDATION

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

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

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

To marketing, the study recommends that insurance firm that aim to gain competitive advantage should have an effective marketing strategy which is a structure of the market that helps in understanding of the changes. An organization which performs direction to the market needs to have great cognizance on the qualities and shortcomings of the contenders, needs to use the information and necessities to create and actualize methodologies so as to make better client worth and fulfillment.

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

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