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ABSTRACT

This study examined the relationship between network governance and competitive advantage of insurance companies in Port Harcourt. The study adopted a cross sectional design which involved managers and supervisors drawn from 10 selected insurance companies in Port Harcourt. Primary data was collected using structured questionnaire. The population of the study was 97 and the entire population was used as a census, hence, there was no sampling. The reliability of the instrument was achieved using the Cronbach Alpha Coefficient with all the items scoring above the 0.70 minimum benchmark. The hypotheses were tested using the Pearson Product Moment Correlation with the aid of the Statistical Package for the Social Sciences version 23.0. The findings of the study revealed that there is a significant relationship between network governance and competitive advantage of insurance companies in Port Harcourt. The study concluded that network governance bears a significant influence on competitive advantage of insurance companies in Port Harcourt. The study recommended that the management of insurance companies should learn how to develop and manage inter-organizational networks in relation with business models and related strategies that are an integrative part of the business strategies of the firm and that define the basic principles of managing networks.

Keywords: *Network Governance, Competitive Advantage, Cost Leadership, Market Focus and Differentiation*

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INTRODUCTION

Most organizations are faced with a dynamic environment. An environment which is competitive by default, which has forced those organizations to overhaul their thinking, reviews their ideas and reassesses their resources as it pertains to the ever changing environment. Organizations need to acquire new skills to develop a strategic vision for the future course of their business. Insurance companies plays a vital role in the Nigerian economy through risk bearing, employment of labour, payment of tax, providing vehicle for investors and other financial investment services, (Hamadu & Mojekwu, 2010).

Insurance companies are competing in a complex and challenging context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use of information technologies (De Nisi & Hamel*,* 2003). Therefore, achieving the desired performance is a major pre-occupation of senior managers in the competitive and slow growth markets, which characterize many businesses today and the sources of competitive advantage have been a major concern for scholars and practitioners (Peteraf, 1993).The intensity of competition in an industry is not a matter of luck. Rather, competition is rooted in underlying industry economics and goes well beyond the established competitors. Not all industries have equal potential. They differ fundamentally in their ultimate profit potential as the collective strength of the forces of competition differs (Woodward, 2008).

Nigeria's insurance sector is still one of the most underdeveloped compared to other sectors (Nweke, 2019). With a population estimated at 196.1 million people, a growing middle class and increased life expectancy rate for Nigerians (54.5 years average for men and women in 2017 from 53.4 years in 2016), and the potential for growth in the sector is significant (Nweke, 2019). At optimal state, industry gross premium should be comparable to overall consumption expenditure in the economy, since insurance is a risk mitigating strategy. Kotler (2000) made it obvious that competitive advantage is an organization's ability to perform in one or more ways that competitors will not and cannot match and is realized by the organization's marketing strategic networking, the implementation of this strategy and the context in which competition unfolds. The target consumers will be the core and center of the organization's marketing strategic networking. The insurance industry has undergone a series of changes through financial reforms, advancement of communication and information technologies, globalization of financial services and economic development. Those changes have had a considerable effect on efficiency, productivity change, market structure and performance in the insurance industry (Frame & White, 2009).

Creating sustainable value for customers and shareholders requires creating effective business networks in today's environment. The rapid wealth growth of emerging global economies is growing increasingly; the basis of competitive advantage is changing from internal capacities to network capabilities. According to Nadkarni and Narayanan (2007) what matters is not a company ownership of hard assets but rather its ability to fully utilize them to capture the worldwide business opportunities. Kotler (2000) made it obvious that competitive advantage is an organization's ability to perform in one or more ways that competitors will not and cannot match and is realized by the organization's marketing strategic networking, the implementation of this strategy and the context in which competition unfolds. The target consumers will be the core and center of the organization's strategic networking. The insurance industry has undergone a series of changes through financial reforms, advancement of communication and information technologies, globalization of financial services and economic development. Those changes have had a considerable effect on efficiency, productivity change, market structure and performance in the insurance industry (Frame & White, 2009).

The importance of networks has increased greatly during the last decades (Hoffmann, 2007). Networks have been widely recognized by both scholars and practitioners as an important form of multi-organizational governance (Provan & Kenis, 2008). Many industries, especially the high-technology industries (Rothaermel & Deeds, 2006), are using the network form of governance to coordinate and commercialize complex products or services in uncertain and competitive environments more than ever (Jones *et al*. 1997; Swaminathan and Moorman, 2009). As a result, firms today are embedded in a dense network of inter-organizational relationships with customers, suppliers, competitors, and complementors (Jones, Hesterley & Borgatti, 1997; Hoffmann, 2007). These relationships are considered to generate significant benefits in terms of industry structure, positioning within an industry, and in the inimitable resources and competencies that are gained (Hung, 2002). The purpose of this study therefore was to examine the relationship between network governance and competitive advantage of insurance companies in Port Harcourt.

The following research questions guided the study:

- What is the relationship between network governance and cost leadership of insurance companies in Port Harcourt?
- What is the relationship between network governance and market focus of insurance companies in Port Harcourt?
- What is the relationship between network governance and differentiation of insurance companies in Port Harcourt?

LITERATURE REVIEW

Resource-Based View Theory

Resource-Based View Theory tries to explain the internal sources of a firm's sustained competitive advantage (Kraaijenbrink, Spender & Groen, 2010). The resource-based strategy paradigm emphasizes distinctive, firm-specific, valuable, imperfectly inimitable and rare resources and capabilities confer competitive advantage on the firm that possesses them (Drucker, 1985). Its innermost proposition is that if a firm is to attain a state of sustainable competitive advantage it must obtain and control valuable, rare, inimitable, and non-substitutable (VRIN) resource and capabilities, plus have the firms in the place that can absorb and apply them. Resources relate to a firms intangible and tangible assets whereas capabilities are the way of accomplishing firm activities, depending on the availability of resources (Barney, 1991).

Simply stated, in order to produce a competitive advantage that is sustainable, firms should base their success in their distinctive competencies which are grounded in their resources and routines. For Menguc and Auh (2006), innovativeness is a rare, valuable and hard-to-copy firm level competence. It is the key driver of innovation in a firm (Damanpour, 1991; Dobni, 2006), and represents a firm's ability to continually develop innovations (Damanpour, 1991; Dobni, 2006; Frame and White, 2008). Fundamentally, innovativeness increases a firm's capacity to innovate (Damanpour, 1991) by encouraging innovative behaviours through strategic practices (Siguaw, Simpson & Enz, 2006). The essence of the argument is that innovativeness is constructed by the purposeful orchestration and strategic application of practices that accumulate bundle and leverage resources (Ireland, Hitt, M. & Sirmon, 2003). In order to create innovativeness a firm must implement strategic practices that enhance their innovativeness competence (that is, strategic practices are the *"how to"* for creating innovativeness).

Network Governance

Governance is a key aspect of interest in research on inter-organizational networks (Provan *et* Fish and

Sydow, 2007). To begin with, Provan, Fish and Sydow (2007) suggest distinguishing a network construct as a perspective from networks as a form of governance. Networks are typically viewed as mechanisms of coordination, or by what has often been referred to as network governance (Grandori & Soda, 1995; Provan and Kenis, 2008). Many scholars (e.g., Park, 1996; Pittaway et al., 2004) however, argue that an institutional arrangement to control and manage inter firm collaboration is a key factor in the success and failure of networks, and that there are different types of networks and governance needs. For example, Provan and Kenis (2008) distinguish between serendipitous networks that develop opportunistically and goal-directed networks that are set up with a specific purpose. According to Provan *et al.* (2007), goal-directed networks must be governed if they are to be effective. Managing relationships is crucial for firms to gain competitive advantage and create value with networks (Ireland *et al.,* 2002) and the care of network relationships should be a priority for management (Jarillo, 1988). However, although relationship management has been shown to affect the network's success (Ireland et al., 2002), network governance theory remains focused on structures and relations and is silent on crucial management practices. Unlike most organizations, networks must be governed without benefit of hierarchy or ownership (Provan & Kenis, 2008).

Network governance is a complex phenomenon that is growing in importance but poorly understood (Jones, Hesterley & Borgatti, 1997). For example, Ritter, Wilkinson & Johnston m(2004) point out that the research focus in inter-organizational networks is shifting from structures and governance to managing business networks and relationships. Networks are a strategic option that firms can use to pool and deploy partners' resources to compete in the marketplace. Provan *et al*. (2007) concur, adding that by discussing governance in terms of what mechanisms are used to govern the network and observe that a fraction of research takes a managerial approach on how to design, manage, and control networks in order to reduce uncertainties and improve competitiveness. Consequently, recent research (see e.g., Young & Dulevicz, 2008; Hoetker & Mellewigt, 2009), conceptualizes network governance from the managerial perspective as the effective and efficient use of the inter-organizational network infrastructure and resources and skills of its members. The ability to govern networks is a dynamic capability that enables a firm to integrate, build and reconfigure internal and external competences to adapt to rapidly changing environments (Rothaermel & Deeds, 2006). To govern the complexity embedded in network relationships so that firms achieve their desired benefits and strategic objectives is a managerially challenging and costly endeavor (White & Lui, 2005) and firms need to possess network capabilities (Kandemir, Yaprak, & Cavusgil, 2006). However, Ritter *et al.* (2004) pose a dilemma: since networks are loosely coupled systems, to what extent are business networks manageable?

Provan *et al.* (2007) identify three distinct forms of governance within networks. Governance, including strategic and operational decisions, may be (1) shared and undertaken collectively; (2) the responsibility of a more powerful "center" (Lorenzoni & Baden-Fuller, 1995), "lead-organization" (Siu & Bao, 2008), or "hub-firm" (Jarillo, 1988), or be (3) coordinated through an organization specifically created to oversee the network. These forms are related to configuration of governance structure and address who is responsible for managing (Provan et al., 2007). Managerial ways may differ because of differences in power, network position and resources. Hence, Young and Dulewicz (2008) wonder what governance mechanisms are shared by actors hoping to influence or manage networks, as they would explain how network behavior can be directed and translated into tangible outcomes such as firm performance. The idea draws upon the notion by, e.g., Rothaermel and Deeds (2006) who suggest that those firms that engage in effective network management should be able to achieve higher benefits from the network. Hagedoorn, Roijakkers, Van Kranenburg (2006) and Swaminathan and Moorman (2009) add that the capability to form and manage networks is relevant in all industries but particularly in rapidly evolving high-tech industries, and that network capabilities indicate the capacity of a firm to act as a strategic player that is capable of creating an efficient network of partnerships. According to Wathne and Heide (2004), the literature on networks proposes governance mechanisms and networking capabilities that predominantly represent either an incentive design or the actor qualification aspect.

Competitive Advantage

The rapid change in the economic and business environment in recent times has lead organizations to strive harder in other to increase the revenue they generate, their market share, and also the quantum of their customers with quality goods and services that satisfy customer's needs. Competition on a global scale has led to changes in technology whereby customers demand for superior products/services at low prices. The escalation in worldwide competition has brought the decline in product life cycle. Emphasis is now being place on the competency of the organization and competitive advantage which is believed to give an edge over other competitors in the industry. Raduan *et al* (2009) relates that "though there are many objectives an organization would want to achieve these days, the two major ones are: (i). to achieve a competitive advantage position and (ii). Enhance their organization's performance in relation to that of their competitors.

According to Barney (1991), when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors, such a firm has competitive advantage. In addition, competitive advantage is an added advantage one organization has over other organizations in the industry. Competitive advantage exist when organizations provide the same value as other competitors to customers at a lower cost(cost advantage) or provide value that exceed those of competing products (differentiation). According to Prahalad & Hamel (1990) the source of the advantage can be something the business does that is distinctive and difficult to replicate, also known as a core competency.

Competitive advantage is at the heart of an organizations performance. It is concerned with the interplay between the types of competitive advantage, i.e., cost and the scope of the organizations activities. The value chain plays an important role in order to diagnose and enhance the competitive advantage. A sustainable competitive advantage creates some barriers that make it difficult to replicate. Without a sustainable competitive advantage, above average performance is usually a sign of harvesting (Porter, 1985). Porter further explains that competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing products that gives the consumer greater benefits and services that justifies a higher price. The idea of creating value gives insight about the sources of competitive advantage.

Measures of Competitive Advantage

Cost Leadership Strategy

This is Porter's generic strategies known as cost leadership (Malburg, 2000). This strategy focuses on gaining competitive advantage by having the lowest cost in the industry (Cross, 1999). In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy

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(Malburg, 2000). The organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage (Malburg, 2000). For an effective cost leadership strategy, a firm must have a large market share (Hyatt, 2001). There are many areas to achieve cost leadership such as mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials (Malburg, 2000).

Lower costs and cost advantages result from process innovations, learning curve benefits, and economics of scale, product designs reducing manufacturing time and costs, and reengineering activities. A low-cost or cost leadership strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors. The firm may have access to raw materials or superior proprietary technology which helps to lower costs. Cost leadership strategy seeks to achieve above-average returns over competitors through low prices by driving all components of activities towards reducing costs. To attain such a relative cost advantage, firms will put considerable effort in controlling and production costs, increasing their capacity utilization, controlling materials supply or product distribution, and minimizing other costs, including R&D and advertising.

Firms do not have to sacrifice revenue to be the cost leader since high revenue is achieved through obtaining a large market share (Porter, 1987). Lower prices lead to higher demand and, therefore, to a larger market share (Helms et al., 1997). As a low cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market (Hyatt, 2001). The leader then is somewhat insulated from industry wide price reductions (Malburg, 2000). The cost leadership strategy does have disadvantages. It creates little customer loyalty and if a firm lowers prices too much, it may lose revenues (Cross, 1999).

This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market, (Davidson, 2001). Cost leadership is based on lower overall costs than competitors. Firms that achieve low cost leadership generally make low cost relative to competitors the theme of their business strategy. The firm opens up a sustainable cost advantage over competitors and uses that lower cost as a basis for either under -pricing the competitors and gaining a larger market share at their expense or earning a higher profit margin by selling at the going price.

A low cost leader's basis for competitive advantage is lower overall costs than competitors. This requires the firm to: be better than rivals on efficiency and cost control and continuously seek creative and innovative ways of cutting costs. Successful low cost producers achieve cost advantages by exhaustively pursuing cost savings throughout the activity cost chain. A cost leadership strategy is designed to produce goods or services more cheaply than competitors by stressing efficient scale of operation. When a firm designs, produces, and sells a comparable product more efficiently than its competitors as well as its market scope is industry-wide, it means that the firm is carrying out the cost leadership strategy successfully (Brooks, 1993).

Market Focus Strategy

The focuser's basis for competitive advantage is either lower costs than competitors serving that market segment or an ability to offer niche members something different from competitors. Focusing is based on selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the product or by special attributes that appeal to members, (Stone, 1995). A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes. In the focus strategy, a firm targets a specific segment of the market (Porter, 1996). The firm can choose to focus on a select customer group, product range, geographical area, or service line (Martin, 1999). For example, some service firms focus solely on the service customers (Stone, 1995). Focus also is based on adopting a narrow competitive scope within an industry.

Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy (Porter, 1980) depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms (David, 2000).

Differentiation Strategy

Differentiation strategies are marketing techniques used by a firm to establish strong identity in a specific market; also called segmentation strategy. Using this strategy, a firm will introduce different varieties of the same basic product under the same name into a particular product category and thus cover the range of products available in that category. Differentiation strategy can also be defined as positioning a brand in such a way as to differentiate it from the competition and establish an image that is unique, (Davidow & Uttal, 1989). Differentiation strategy aims to build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service. Differentiation can be based on the product itself, the delivery system, and a broad range of other factors. With these differentiation features, firms provide additional values to customers which will reward them with a premium price.

Differentiation strategy is an approach under which a firm aims to develop and market unique products for different customer segments. Usually employed where a firm has clear competitive advantages, and can sustain an expensive advertising campaign. It is one of three generic marketing strategies that can be adopted by any firm. To maintain this strategy the firm should have: strong research and development skills, strong product engineering skills, strong creativity skills, good cooperation with distribution channels, strong marketing skills, and incentives based largely on subjective measures, be able to communicate the importance of the differentiating product characteristics, stress continuous improvement and innovation and attract highly skilled, creative people (Baum & Oliver, 1992). Research within service sector (Phillips & Peterson, 2001) concludes that product differentiation is a common way of differentiating the firm's offerings from those of its competitors. A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily, (Porter, 1985). Firms that succeed in a differentiation strategy often have access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product and corporate reputation for quality and innovation (Baum & Oliver, 1992).

Relationship between Network Governance and Competitive Advantage

Organizations enter strategic alliances with other enterprises in order to improve their own competitive position using the resources that others possess and/or which can be developed in cooperation with other business subjects. The cooperation between the enterprises creates the new outlook towards the world because it substitutes the enterprise as the basic source of the economic strength. Strategic networking is based on the reciprocity: the partners take over, change or integrate the specific business resources for their own benefit (Cauley de la Sierra, Walker &Kogut, 2004). According to Teece, Pisano &Shuen (1997), there are four potential benefits that international business may realize from strategic networking and include ease of market entry, shared risks, shared knowledge and expertise and improved synergy.

Risk sharing is another common rationale for undertaking a cooperative arrangement (Velex, 2006). When a market has just opened up, or when there is much uncertainty and instability in a particular market, sharing risks becomes particularly important since competitive nature of business makes it difficult for business entering a new market or launching a new product, and forming a strategic alliance is one way to reduce or control a firm‘s risks. According to Box and Miller (2011) most firms are competent in some areas and lack expertise in other areas; as such, forming a strategic alliance can allow ready access to knowledge and expertise in an area that a company lacks. The information, knowledge and expertise that a firm gains can be used, not just in the joint venture project, but for other projects and purposes. The expertise and knowledge can range from learning to deal with government regulations, production knowledge, or learning how to acquire resources. Thus a learning organization is a growing organization.

According to Potter (2000), the term ‘Strategic’ under strategic network has time dimension and to the importance and impact on members. With regard to time, strategic networks are generally designed with a long time perspective. The analysis of cluster conditions indicates that the membership composition chosen for a strategic network will have a decisive impact on potential relationship types. When resources are complementary, the bringing together of firms with no or weak previous ties may result in forming supplier-buyer relationship and extended network horizons. In strategic networks made up of firms with similar resources the member firms will rather already have overlapping network horizon the member firms will already have overlapping network horizons and only through observations and comparing that competence development may take place.

Synergy and competitive advantage is yet another advantage that strategic business networking process will yield to the business partners (Timmons & Spinelli, 2004). As compared to entering a market alone, forming a strategic alliance becomes a way to decrease the risk of market entry, international expansion, research and development etc. Competition becomes more effective when partners leverage off each other's strengths, bringing synergy into the process that would be hard to achieve if attempting to enter a new market or industry alone. In retail, entering a new market is an expensive and time consuming process. Forming strategic alliances with an established company with a good reputation can help create favorable brand image and efficient distribution networks. Even established reputable companies need to introduce new brands to market. In most of the times, smaller companies can achieve speed to market quicker than bigger, more established companies (Timmons & Spinelli, 2004). Leveraging off the alliance will help to capture the shelf space which is vital for the success of any brand.

From the foregoing arguments, the following hypotheses were stated:

H_{o1}: There is no significant relationship between network governance and cost leadership of insurance companies in Port Harcourt.

H_{o2}: There is no significant relationship between network governance and market focus of insurance companies in Port Harcourt

H_{o3}: There is no significant relationship between network governance and differentiation of insurance companies in Port Harcourt.

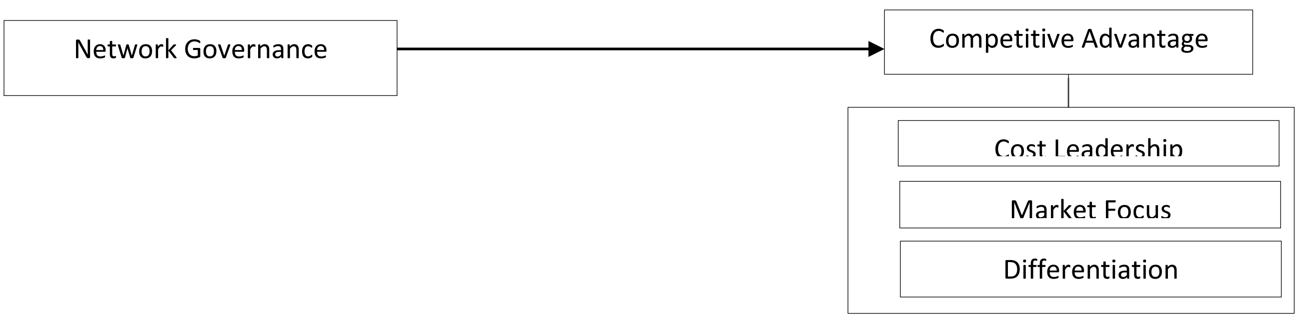

Figure 1: Conceptual framework for the hypothesized relationship network governance and competitive advantage

Source: Author's Desk Research, 2019

METHODOLOGY

The study adopted a cross sectional design that solicited responses from employees of 10 insurance companies in Port Harcourt. The population of the study was made up of managers and supervisors drawn from the 10 selected insurance companies in Port Harcourt. The population of the study was 97 and the entire population was used as a census. After data cleaning, only data of 86 respondents were finally used for data analysis. The hypotheses were tested using the Pearson Product Moment Correlation. The reliability of the instrument was achieved using the Cronbach Alpha Coefficient with the aid of the Statistical Package for the Social Sciences version 23.0.

DATA ANALISIS AND RESULTS

Bivariate Analysis

The test of hypotheses was based on Pearson Product Moment Correlation. The level of significance 0.05 was adopted as a criterion for the probability of accepting the null hypothesis in ($p > 0.05$) or rejecting the null hypothesis in ($p < 0.05$).

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Table 1: **Correlations for Network Governance and Competitive Advantage**

		Network Governance	Cost Leadership	Market Focus	Differentiation
Network Governance	Pearson Correlation	1	.732**	.461**	.822**
	Sig. (2-tailed)		.000	.000	.000
	N	86	86	86	86
Cost Leadership	Pearson Correlation	.732**	1	.824**	.620**
	Sig. (2-tailed)	.000		.000	.000
	N	86	86	86	86
MarketFocus	Pearson Correlation	.461**	.824**	1	.500**
	Sig. (2-tailed)	.000	.000		.000
	N	86	86	86	86
Differentiation	Pearson Correlation	.822**	.620**	.500**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	86	86	86	86

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data , 2019 (SPSS output, version 23.0)

Table 1 illustrates the test for the three previously postulated bivariate hypothetical statements.

H_{O1}: There is no significant relationship between network governance and cost leadership of insurance companies in Port Harcourt.

The correlation coefficient (r) showed that there is a significant and positive relationship between network governance and cost leadership. The *rho* value 0.732 indicated this relationship and it is significant at p 0.000<0.05. The correlation coefficient represented a high correlation indicating a strong relationship. Therefore, based on empirical findings the null hypothesis earlier stated was hereby rejected and the alternate upheld. Thus, there is a significant relationship between network governance and cost leadership of insurance companies in Port Harcourt.

H_{O2}: There is no significant relationship between network governance and market focus of insurance companies in Port Harcourt.

The correlation coefficient (r) showed that there is a significant and positive relationship between network governance and market focus. The *rho* value 0.461 indicated this relationship and it is significant at p 0.000<0.05. The correlation coefficient represented a moderate relationship. Therefore, based on empirical findings the null hypothesis earlier stated was hereby rejected and the alternate upheld. Thus, there is a significant relationship between network governance and market focus of insurance companies in Port Harcourt.

H_{O3}: There is no significant relationship between network governance and differentiation of insurance companies in Port Harcourt.

The correlation coefficient (r) showed that there is a significant and positive relationship between network governance and differentiation. The *rho* value 0.822 indicated this relationship and it is significant at p 0.000<0.05. The correlation coefficient represented a very strong relationship. Therefore, based on empirical findings the null hypothesis earlier stated was hereby rejected and the alternate upheld. Thus, there is a significant relationship between network governance and differentiation of insurance companies in Port Harcourt.

DISCUSSION OF FINDINGS

The study examined the relationship between network governance and competitive advantage of insurance companies in Port Harcourt. The study findings revealed that there is positive relationship between network governance and competitive advantage of insurance companies in Port Harcourt. The P-value (0.00) is less than the level of significance at (0.05). This finding agrees with many scholars (Pittaway, Robertson, Munir, Denyer & Neely, 2004b) that argued that an institutional arrangement to control and manage inter firm collaboration is a key factor in the success and failure of networks, and that there are different types of networks and governance needs. For example, Provan and Kenis (2008) distinguish between serendipitous networks that develop opportunistically and goal-directed networks that are set up with a specific purpose. According to Provan et al. (2007), goal-directed networks must be governed if they are to be effective. Managing relationships is crucial for firms to gain competitive advantage and create value with networks (Ireland et al., 2002) and the care of network relationships should be a priority for management (Jarillo, 1988). However, although relationship management has been shown to affect the network's success (Ireland et al., 2002), network governance theory remains focused on structures and relations and is silent on crucial management practices. Unlike most organizations, networks must be governed without benefit of hierarchy or ownership (Provan & Kenis, 2008).

CONCLUSION AND RECOMMENDATION

From the data generated and analyzed, it was empirically discovered that a strong positive and significant relationship between network governance and competitive advantage of insurance companies in Port Harcourt. Based on results and the findings of the present study, the study concludes that network governance increases cost leadership, market focus and differentiation of insurance companies in Port Harcourt.

The study thus recommended that the management of insurance companies should learn how to develop and manage inter-organizational networks in relation with business models and related strategies that are an integrative part of the business strategies of the firm and that define the basic principles of managing networks.

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