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Dynamic capability and competitive advantage of event management ventures in Kenya

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ABSTRACT: Event management in the hospitality industry came into being because many corporate firms, families and friends asked hotels to organise their gatherings. For corporate firms, these events are considered training programmes, meetings, or conferences. For families, events include weddings, birthday parties, or even garden parties. When large numbers of people gather for any purpose, it requires proper management. This management of arrangements provided to people is done by the event management team. The hospitality sector includes event management. Hotel event management ensures that any event in the hotel runs smoothly. Event ventures use resources and create economic costs and benefits in equal measure. Apart from the provision of job alternatives, events raise the level of population participation in economic development, generate secondary income, enhance community stability, and are often considered to leave minimal damage to the physical environment. With rising competition in the events management industry, competitive strategies help focus on assessing organisations' strengths, growth opportunities and competitive threats. Traditional competitive advantage models may not be applicable for smaller firms because they assume the existence of scale economies. Yet small firms cannot compete with larger organisations in economies of scale. This article therefore tries to determine the influence of dynamic capabilities on the competitive advantage of event management ventures (EMVs) in selected counties in Kenya. The sample size comprised 230 managers selected through stratified and simple random sampling techniques respectively, and 15 entrepreneurs selected using purposive sampling. The regression analysis revealed that dynamic capabilities ($\beta = 0.295$, $p < 0.001$) significantly influenced the competitive advantage of EMVs. The study recommends that managers should be flexible in the constantly changing environment and adapt their competencies to achieve competitive advantage.

KEYWORDS: capabilities, generic, hospitality industry, integrate, reconfigure

Introduction

The events sector is one of the fastest-growing areas of the tourism industry. The global event management industry is valued in billions of dollars with more than 500 billion US dollars is spent annually on planned events around the world (Wanjiru, 2012). For instance, employment estimates for the industry stand at around 530 000 in the UK, with 15 500 working in business events such as conferences, events and exhibitions (Abson, 2017). In Africa, the event management industry has witnessed rapid growth. In some countries such as South Africa, it is a multi-million-rand industry that is gaining international recognition (Kimani, 2014). Similarly, Wanjiru (2012) notes that events management companies have also been on the rise in Kenya. The event management business has and continues to gain more attention among scholars owing to the exponential growth witnessed in the industry in the recent past (Korir, 2018).

Despite its great potential and the positive impacts events have on a country's economy, they still face challenges like all other industries. Small and medium enterprises or firms such as EMVs face various challenges in their business operating environment (both internal and external). Their success is pegged on beating stiff competition from larger-sized firms, among other challenges, and is a consequence of embracing a mix of strategies, appropriate strategic leadership and appropriate utilisation of available resources to achieve a competitive advantage. Studies have been done on competitive advantage and performance of enterprises in various fields. Wanjiru (2012), in her study on competitive strategies adopted by event management companies in Kenya, did a cross-sectional survey of 30 event management companies. The strategies used were based on Porter's (2008) five forces model that includes: the intensity of rivalry, the threat of substitutes, threats of new entrants, the bargaining power of buyers and supplier power. The findings show that cost leadership and differentiation were the main competitive strategies used in event management companies.

Gitia (2017), on the other hand, conducted a descriptive study on the influence of competitive advantage strategies on the performance of international fast-food franchises in Kenya. The study adopted Porter's generic strategies for competitive advantage, namely differentiation, cost leadership and focus strategies. The findings indicate that the cost leadership strategy was the most significant in enhancing the performance of international fast-food franchises in Kenya. There has, however, been no significant research on the contribution of entrepreneurial capabilities such as networking on the competitive advantage of event management ventures in Kenya. It is thought that traditional competitive advantage models are not completely applicable to smaller firms because they assume the existence of scale economies, and it is recognised that small firms cannot compete with larger organisations in terms of economies of scale.

It is against this background that this study sought to establish the influence of dynamic capability on the competitive advantage of event management ventures (EMVs). According to Chudnovsky (2001), to achieve competitive advantage, large and small firms in developing countries must build and continuously enhance endogenous capabilities. These capabilities can be applied to add value to existing activities to make new products and start new services that can compete in the global economy.

Dynamic capabilities (DC) are a special type of capability. They help firms achieve new resource (asset) configurations in response to market changes. Dynamic capabilities are those that operate to extend, modify,, or create ordinary capabilities or those that create change. Wheeler (2017) defined organisations' dynamic capabilities as firm processes that use resources, specifically the processes to integrate, reconfigure, gain and release resources to match and even create market change. Dynamic capabilities encompass the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments. Thus, to compete successfully, firms require dynamic capabilities to be able to deploy their available resources in ways that match the firm's market environment and the changes in it (Teece, 2007). Dynamic capabilities enables both the exploitation of existing internal and external firm-specific capabilities and developing new one.

Literature review

Event management in the hospitality industry

Event management is the process of planning, coordinating and executing events. It includes everything from selecting the venue and managing the logistics to ensuring that the event runs smoothly. Event management and planning are essential in the hospitality industry. It allows organisations to coordinate and manage events more efficiently, ensuring that their clients are provided with the best possible experience (Jaroeducation, (2023).

Events and conferences are a huge part of the hospitality industry, and continue to grow. Whether focused on music, sport, learning, or luxury, events around the world generate billions of revenue, changing the way businesses, hospitality organisations and resorts operate. The growth of the events has been fuelled by a number of factors, not least the emergence of dedicated event listings, management and ticketing sites. The sector has also experienced major disruption, with non-traditional venues such as co-working spaces, bars and live webinars increasingly offering flexible hosting options (Talluri & Van Ryzin, 2004).

Meetings, conferences, events and exhibitions are a key driver of tourism destinations across the globe. In the USA, they generate almost one trillion dollars in direct, indirect and induced spending. In Europe, the event industry continues to grow steadily. In Asia, it is booming. As a result, tourist destinations around the world are realising that events are a vital component in attracting holidaymakers. Without them, they are at risk at losing out. Events are important to the hospitality industry because they provide an opportunity to generate revenue and increase brand exposure. Hosting events — such as weddings, conferences, and corporate meetings — allows hotels and other hospitality businesses to showcase their facilities and services to a wider audience, create new business relationships, and retain existing ones. Additionally, events can also provide a boost to the local economy by attracting visitors and generating business for other local establishments (Marx, 2017).

The concept of competitive advantage

According to Ismail et al. (2012), competitive advantage is defined as the presentable values of a firm to customers so that these values outweigh the price the customer pays. Grupe and Axel (2010) defines competitive advantage as a firm's ability to improve its products' quality, reduce costs, or enlarge market share or profit. A firm is said to have competitive advantage when its profit rate is higher than the average rate of the related industry. Competitive advantage is a set of unique features of a firm and its products that the target market perceives as significant and superior to the competition. Competitive advantage is also defined as the increased rate of attractiveness a firm offers compared to competitors from the customers' viewpoint (Keegan, 2007). According to the above glosses of competitive advantage, a direct relation between customers' expected values, values offered by the company and those offered by the competitors determines the dimensions and conditions of competitive advantage. If the values presented by the company are closer to customers' expected values than those offered by competitors, it can be said that the firm has competitive advantage over its competitors in one or more indices. This advantage makes the company superior to its competitors in relation to customers, capturing their hearts.

Competitive advantage using resources

Barney (2007, p. 101) defines resources as "all assets, capabilities, organizational processes, firm attributes, information, and knowledge, controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness". A capability represents "an organizationally embedded, non-transferable, firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm" (Makadok, 2001, p. 389). This study used the term capabilities, which several authors have termed competencies. Capabilities are embedded organisational routines performed well relative to rivals, consisting of knowledge and skills in the firm's human resources, and are distinctive to each firm. While valuable, rare, inimitable and non-substitutable resources may be beneficial, firms also require complementary capabilities that would allow them to successfully deploy resources and create value offerings.

Competitive advantage of EMVs

Competitive advantage can be measured with several dimensions, including market share, profit, growth and duration. Zairi (1996) presented a model to achieve a competitive advantage for small businesses through continuous process improvement. Zairi's model is a two-stage model that provides push and pulls forces. The first set defines the business environment that identifies the demand side of the equation including customers, global markets, shareholders, environment, technology and time. The second stage of the model draws upon the firms' responsiveness to the above push factors, i.e. their strengths and core competencies. Along the same lines, core competencies are the essence in an organisation's competitive advantage. The responsiveness criteria include teamwork, streamlined processes, technology, measurement and a culture of continuous improvement. Jones (2003) develops a conceptual framework for competitive advantage in small firms. To be effective, Jones shows that EMVs must begin with the owner-manager establishing a broad strategic framework. EMVs should also ensure that organisational flexibility is the key source of competitive advantage.

Dynamic capability and competitive advantage

Dynamic capabilities are the capacity of an organisation to purposefully create, extend, or modify its resource base in a changing environment. They help firms achieve new resource (asset) configurations in response to market changes. Dynamic capability is rooted in the resource-based theory of the organisation (Barney, 2007; Eisenhardt & Graebner, 2007). This means that in dynamic market environments, resources do not persist over time and hence cannot be a source of sustainable competitive advantage. Organisations must therefore continuously attract, strengthen and reconstruct competencies to be on par with the dynamic business environment (Teece, Pisano & Shuen, 2017).

Dynamic capability can be broken into three dimensions: a sensing capability, a learning capability and a reconfiguration capability. These dimensions are adapted from the work of MacInerney-May (2012). According to Teece (2016), the sensing capability constitutes an organisation's ability to notice the changes in the environment based on its current capabilities. That is, the sensing capability has to do with the ability to promptly recognise opportunities in the environment when they present themselves, while also having the means to monitor threats from the environment (Teece, Pisano & Shuen, 2017).

The learning capability, on the other hand, refers to the ability to create, acquire and share knowledge to respond to opportunities and threats from the operating environment (Eisenhardt & Martin, 2007). The reconfiguration capability is the organisation's potential to generate capabilities to integrate current capabilities.

Methodology

The study was undertaken in major towns in selected counties in Kenya with the main justification that most EMVs in the hospitality sector, specifically event planning and management companies, are established in the cities and towns in the counties selected. Descriptive and sequential explanatory research designs were employed for the study. The main target unit for the study comprised entrepreneurs and managers of 310 event management companies in Nairobi ($n = 205$), Nakuru ($n = 40$), Kisumu ($n = 25$) and Uasin Gishu ($n = 40$) counties in Kenya. EMVs offer services such as social and corporate event planning, floral design and décor styling, entertainment and arts, tent and chair hiring, consultancy services, event furniture, flower supply and arrangement, venue hire, outside catering and cake baking.

Purposive sampling was used to select event management companies in the four counties based on their products and services. A stratified sampling technique was then used. Simple random sampling was finally used to obtain the respondents for the study, where all owners and managers of the selected companies were nominated. Entrepreneurs were selected purposively based on the length of existence of their EMVs, with a preference for the older ones. Both primary and secondary data sources were utilised for the study, while questionnaires and interview schedules were used for data collection. Data were collected between the months of August and October 2022. The research instruments were pretested in Nakuru County among 25 managers and entrepreneurs who formed part of the actual sample of the study. Reliability was measured using Cronbach's alpha at a level of 0.7%. Data analysis was done using factor analysis and multiple regression.

Results

Multiple regressions

The multiple regression model summary presented in Table 1 reveals that the coefficient of correlation (r) was positive at 0.717 for *dynamic capabilities*, an indication that these capabilities explained 57.7% of the variance in *competitive advantage* of event management ventures. The actual variance accounted for was 57.4% (adjusted $r^2 = 0.574$). This indicates that 57.4% in *competitive advantage* of event management ventures in Kenya can be influenced by *dynamic capabilities*, leaving 43.6% to be influenced by other factors not captured in this study.

***Analysis of variance* (ANOVA)**

The p-value is <0.001 (i.e. <0.05), which shows that the model is statistically significant in predicting how *dynamic capabilities* affect the *competitive advantage* of event management ventures in Kenya. The results also indicate that the independent variables are predictors of the dependent variable (Table 2).

TABLE 1: Model summary for dynamic capabilities and competitive advantage of event management ventures

Model	R	R^2	Adjusted R^2	SE
1	0.759[a]	0.577	0.574	0.29149

Predictors: (Constant), competitive advantage

TABLE 2: ANOVA[a]

Model		Sum of squares	df	Mean square	F	p
1	Regression	19.553	1	19.553	230.125	<0.001[b]
	Residual	14.360	169	0.085		
	Total	33.913	170			

[a]Dependent variable: dynamic capability
[b]Predictors: (constant), competitive advantage

Regression coefficients

From the coefficients table (Table 3), the regression model can be derived as follows:

$$Y = 0.662 + 0.938X_3$$

The results in Table 3 indicate that the dynamic capabilities variable has a significant positive effect on competitive advantage of event management ventures in Kenya. Dynamic capability was an influential variable with a regression coefficient of 0.837 ($p < 0.001$). According to this model, when the independent variable values are zero, competitive advantage of event management ventures in Kenya will have a score of 0.662.

Hypothesis testing

H_{01}: Dynamic capability does not influence the competitive advantage of event management ventures in Kenya.

From Table 3, *competitive advantage* ($\beta = 0.837$) was found to be positively related to the *competitive advantage* of event management ventures in Kenya. From the analysis of a *t*-test, the *t*-value was found to be 15.170 and $p < 0.001$. Statistically, this null hypothesis was rejected because $p < 0.05$. Thus, the alternative hypothesis was accepted and found that *dynamic capability* affects the *competitive advantage* of event management ventures in Kenya.

Discussion

The results of the descriptive analysis of dynamic capability show that on sensing capability, most companies are fast to detect a major change in their industry. They are also quick to review the possible impact of changes in the operating environment on customers and they identify new opportunities to serve their clients. In addition, most firms appear to be very good at observing and anticipating technological trends and are highly attuned to the efficiency of their processes, particularly after changing existing capabilities or integrating new ones.

Regarding learning capability, most firms frequently acquire knowledge about technologies and market trends from external sources. They encourage their employees to learn from other branches and when major changes are undertaken, most firms relay this information to all departments quickly. On the reconfiguration capability, most firms are able to effectively transform available knowledge into new resources. Many employees bring about changes that are outside the available capabilities and are confident in their ability to recombine existing capabilities into novel combinations.

These findings imply that EMVs in general are prepared for changes in a dynamic business environment. EMVs are particularly alert to new technological advancements and are willing to go the extra mile to adapt to the new trends to remain competitive in the market. Studies by Teece, Pisano and Shuen (2016) also affirm the need for organizations to continuously attract, strengthen, and reconstruct competencies to be at par with the dynamic business environment.

Exploratory factor analysis extracted 23 items clustered in three factors, namely sensing capability, learning capability and reconfiguration capability. These findings support previous studies that emphasise the need for continuous learning among all individuals in organisations, alertness to the constantly changing business environment and flexibility in adapting to changes.

Multiple regression analysis examining the influence of dynamic capability on the competitive advantage of event management ventures reveal that dynamic capability had a positive and significant influence on competitive advantage of EMVs in Kenya ($\beta = 0.295$, $p < 0.05$). The regression results confirm that dynamic capability is a prerequisite in the ever-changing events sector business environment. The findings agree with these study's findings on the critical role dynamic capabilities play in the quest of businesses like EMVs to attain competitive advantage.

TABLE 3: Regression coefficients[a]

Model		Unstandardised coefficients B	Unstandardised coefficients SE	Standardised coefficients β	*t*	*p*
1	(Constant)	0.662	0.256		2.590	0.010
	Competitive advantage	0.837	0.055	0.759	15.170	<0.001

[a]Dependent variable: networking capability

Conclusion

The following conclusions are made at regarding dynamic capabilities and competitive advantage of EMVs in Kenya. Dynamic capabilities are a critical source of competitive advantage in EMVs if refined and enhanced well. These empirical findings provide several important venture-based implications. First, EMVs can strive to improve dynamic capabilities by providing adequate training programmes related to open communication. Secondly, the findings suggest that a business's ability to enhance its dynamic capabilities can provide a distinct competitive advantage. In other words, EMVs should possess and utilise the dynamic capabilities tactfully to have a competitive advantage in the events market. Investing in the development and strengthening of dynamic capabilities can help businesses remain competitive in the fast-paced and ever-changing business environment. Therefore, EMVs in Kenya should focus on developing dynamic capabilities, regardless of their entrepreneurial orientation, to enhance their competitive advantage. More studies should be done on competitive advantage of SMEs in the hospitality industry as there is scarce literature particularly on SMEs.

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