



Networking Capability and Competitive Advantage of Event Management Ventures in Kenya

Rebecca Chelagat Cheruon, Jacqueline Korir & Rose Burugu

Moi University, Kenya

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Abstract

With rising competition within the events management industry, competitive strategies help focus on assessing organizations' strengths, growth opportunities, and competitive threats. Traditional competitive advantage models may not wholly be applicable to smaller firms because they assume the existence of scale economies. Yet, small firms cannot compete with larger organizations in economies of scale. The study sought to establish the influence of networking capabilities (NC) on the competitive advantage of Event Management Ventures (EMVs) in selected counties in Kenya. Networking capabilities were categorized into 4 main sub-domains namely: Coordination, internal communication, relational skills, and partner knowledge. The target population comprised 310 managers and 20 entrepreneurs of EMVs from four purposively selected counties, of which 245 were sampled. Statistical Packages for Social Sciences (SPSS) was used for analyzing data. The results indicated that networking capabilities ($\beta=0.197$, $p=0.001$) significantly influenced the competitive advantage of EMVs thus, NC contributes to the competitive advantage of EMVs. Therefore, entrepreneurs and managers should deliberately engage in networking activities and turn those networks into profitable business relationships.

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 as 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, whereby 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 events industry in the recent past (Korir, 2018).

Despite its great potential and the positive impacts events have on a country's economy, faces 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 pegged



on beating stiff competition from larger-sized firms, among other challenges, is a consequence of embracing a mix of strategies, appropriate strategic leadership, and appropriate utilization of available resources to achieve 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 Five Forces model which 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 indicated 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 recognized that small firms cannot compete with larger organizations in terms of economies of scale. Against this backdrop the study sought to establish the influence of networking capability on the competitive advantage of Event Management Ventures (EMVs).

According to Chudnovsky (2016), large and small firms in developing countries must build and continuously enhance endogenous capabilities to transit the high road to competitive advantage. 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. Networking capability represents a firm's ability to develop and utilise inter-organizational relationships to access various resources held by external actors. This capability provides the medium through which firms can acquire external resources and helps maintain long-lasting relations with external actors. Moreover, this social capability can enable small firms to increase the perceived worth of collaboration and reduce the likelihood of opportunistic behavior. In entrepreneurial contexts, networking is generally carried out mainly by the entrepreneur (Evers, 2017b; Evers et al., 2019). Both successful new venture creation and venture growth are seen as facilitated by the social ties of the entrepreneur and the resources these ties give access to (Lechner & Dowling, 2003; Lechner et al., 2019).

The entrepreneur is, therefore, the main networking agent of the firm (Evers et al., 2019). Consequently, this study contends that in EMVs, networking is a function of the entrepreneur and can become a key entrepreneurial competency or capability (Ford & Mouzas, 2013).

The Concept of Competitive Advantage

According to Ismail et al. (2012), competitive advantage is defined as the presentable values of a firm for customers so that these values outweigh the price the customer pays. Grupe (2020) 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 a 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. Competitive advantage is also defined as the increased rate of attractiveness a firm offers compared to competitors



from customers' viewpoints (Keegan, 2020). According to the above definitions 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. Suppose the values presented by the company are closer to customers' expected values than those offered by competitors. In that case, it can be said that the firm has a competitive advantage over its competitors in one or more indices. This advantage makes the company superior to its competitors in proximity to customers and capturing its heart.

Competitive Advantage Using Resources

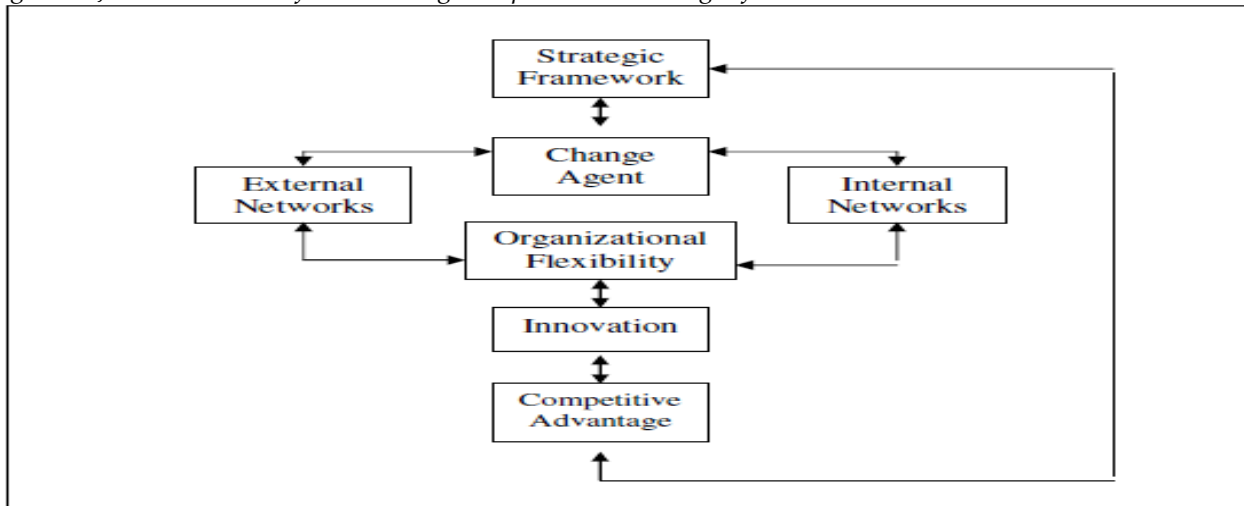
Barney (2001, p. 101) defines *resources* as "all assets, capabilities, organisational processes, firm attributes, information, and knowledge, controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness". A *capability* then represents "an organizationally embedded non-transferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm" (Makadok, 2016, p. 389). For other authors (Hunt, 2016) Johnson *et al.*, 2017), the term *competence* is used to represent the same concept (i.e., capability). For Hunt (2016), competencies enable firms to use resources efficiently and/or effectively and may be regarded as "higher order" resources. The borders between capabilities and competencies are blurring further in current terminology, and the terms are often used interchangeably (Johnson *et al.*, 2017). This study used the term capabilities, which several authors have termed as competencies. Capabilities are embedded organisational routines performed well relative to rivals, consisting of applying knowledge and skills by 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

Competition can be measured according to several dimensions, including market share, profit, growth, and duration. Zairi (2015) presented a model to achieve a competitive advantage for small businesses through continuous process improvement. Zairi's model is a two-staged model that provides push and pull 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- their strengths and core competencies. Along the same lines, core competencies are the essence of formulating an organisation's competitive advantage. The responsiveness criteria include teamwork, streamlined processes, technology, measurement, and a culture of continuous improvement. Jones (2017) develops a conceptual framework for the competitive advantage in small firms. To be effective, Jones shows that EMVs must begin with the owner-manager establishing a broad strategic framework for the firm. EMVs should also ensure that organisational flexibility is the key source of competitive advantage for most EMVs. Jones (2017) argues that the best measure of competitive advantage for EMVs is value-added rather than profit, return on investment or market share. This is illustrated in figure 1.



Figure 1: Jones Framework for Achieving Competitive Advantage of EMVs



Source: Jones, 2017

Networking Capability and Competitive Advantage

Networking capability is the ability of firm actors to build, manage, and leverage network relationships (Mu and Di Benedetto, 2019, p. 4). Networking is “an activity in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their surroundings” (Carson et al., 2014, p. 201). Networking is inexpensive to win and keep customers (Coviello and Munro, 2014). It allows for sharing expertise and resources, leading to better marketing processes, internal growth and development, and market expansion (Chaston, 2016). In small firms, the entrepreneur is often the primary resource on which all other resources are composed. The entrepreneur is, therefore, the main networking agent of the firm (Evers et al., 2019). Consequently, this study contends that in EMVs, networking is a function of the entrepreneur and can become a key entrepreneurial competency or capability (Ford and Mouzas, 2020). Network ties and relationships can provide motivation, support, and engagement. Networking can lead to increased cooperation between market actors, resulting in new contacts and new business partners and associates, pooling resources and talents together and leading to results that otherwise would not be possible (Dean *et al.*, 2016). Moreover, firms with networking capability can acquire a strategic position in the network, which can help them draw information and learn from various partners. Thus, the ability of the firm to manage and gain from collaborations can become a valuable attribute that could help the small firm achieve a competitive advantage. Mitrega *et al.* (2012) found that networking capability is a key asset for a company's competitive advantage.

Methodology (Materials and methods)

The study was undertaken in major towns within 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 within Nairobi (205), Nakuru (40), Kisumu (25) and Uasin Gishu (40) counties in Kenya.



EMVs offer social and corporate event planning, floral design and décor styling, entertainment and arts, tents and chairs 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 on the event management companies listed. Simple random sampling was finally used to obtain the respondents for the study, whereby 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 old ventures. Both primary and secondary data sources were utilised for the study, while questionnaires and interview schedules were used for data collection. Data was collected between the months of August and October 2022. The research instruments were pre-tested 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 regressions model summary in Table 1 revealed that the coefficient of correlation (R) was positive at 0.717 for Networking Capabilities, indicating that networking capabilities explained 51.5% of the variance in competitive advantage of event management ventures. The actual variance was 51.2% (Adjusted R² = 0.512). This indicates that 51.2% of the competitive advantage of event management ventures in Kenya can be influenced by networking capabilities, leaving 48.8% influenced by other factors not captured in this study.

Table 1: Model Summary for Networking Capabilities and Competitive Advantage of Event Management Ventures

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.717 ^a	.515	.512	.35808

Analysis of Variance (ANOVA)

The p-value is 0.000 which is < 0.05 shows that the model is statistically significant in predicting how Networking Capabilities affects competitive advantage of event management ventures in Kenya. The results also indicate that the independent variable is a predictor of the dependent variable as shown in Table 2 below:

Table 2: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.987	1	22.987	179.275	.000 ^b
	Residual	21.670	169	.128		
	Total	44.657	170			

a. Dependent Variable: Networking Capability

b. Predictors: (Constant), Competitive Advantage

Regression Coefficients

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



$$Y = .294 + .907X_1$$

The results in table 3 indicate that networking capabilities variable have a significant positive effect on competitive advantage of event management ventures in Kenya. Networking Capability was an influential variable is with a regression coefficient of 0.907 (p-value = 0.000. According to this model when the independent variables values are zero, competitive advantage of event management ventures in Kenya will have a score of .294.

Table 3: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.294	.314		.936	.351
	Competitive Advantage	.907	.068	.717	13.389	.000

a. Dependent Variable: Networking Capability

Hypothesis testing

H₀₁: Networking capability does not influence the competitive advantage of Event Management Ventures in Kenya.

From Table 3 above, Competitive Advantage ($\beta = 0.907$) was positively related to the competitive advantage of event management ventures in Kenya. From the t-test analysis, the t-t-value was 13.389 and the ρ -value was 0.000. Statistically, this null hypothesis was rejected because $\rho < 0.05$. Thus, the alternative hypothesis was accepted, and it deduced that Networking Capability affects the competitive advantage of event management ventures (EMVs) in Kenya.

Discussion

Results of the descriptive analysis show that there is coordination amongst EMVs and the EMVs have developed relations with one another based on what they contribute. Additionally, it was noted that there is a significant level of support and cooperation among EMVs, particularly in times of crisis. Moreover, the results indicate that EMVs know about the products and services their partner EMVs offer. Regarding social competence, most firms can develop a relationship with new and related EMVs, they are open to new relationships, endeavour to build good relationships with other EMVs and are alert to finding new business partners and maintaining relationships.

The implications of these results are that networking is a critical component of the successful operation of an EMV and that, if harnessed well, it can be a source of competitive advantage for a firm. Chaston (2013) argues that networking allows for sharing expertise and resources, leading to better marketing processes, internal growth and development, and market expansion. The findings agree with previous studies on the importance of networking capability in hospitality SMEs like EMVs. For example, Coviello and Munro (2014) affirmed that networking positively relates to organisational growth and may provide a base for competitive advantage.

Exploratory factor analysis extracted thirteen components, namely coordination, relationships, support in a crisis, knowledge of strengths and weaknesses of others, products knowledge, market knowledge, ability to develop relationships, openness to new relations, endeavour to build relationships, alertness to new business partners, providing feedback, problem-solving, and responsibility.



These findings indicate that networking capability is about pursuing relationships, making them, and maintaining these relationships. To be competitive in the market, EMVs must flex their networking muscles, especially with significant and profitable persons and entities. Additionally, EMVs must be aware of what their competitors offer regarding products and services and their strengths and weaknesses and continually pay attention to potential business partnerships to pursue.

Multiple regression analysis examining the influence of networking capability on the competitive advantage of Event Management Ventures revealed that networking capability had a positive and significant influence on the competitive advantage of EMVs in Kenya ($B=0.197$, $p<0.05$). The regression results confirmed that networking capability is core in the competitive running of an EMV. A manager, entrepreneur, or owner of an EMV must possess networking skills to survive in the competitive business environment. These results imply that networking is a key component of the successful operation of an EMV and that, if harnessed well, it can be a source of competitive advantage for a firm. Chaston (2016) argues that networking allows for sharing expertise and resources, leading to better marketing processes, internal growth and development, and market expansion. The findings agree with previous studies on the importance of networking capability in hospitality SMEs like EMVs. For example, Coviello and Munro (2014) affirmed that networking positively relates to organisational growth and may provide a base for competitive advantage.

Conclusion

Following the findings above, the following conclusions regarding networking capabilities and competitive advantage of EMVs in Kenya were arrived at. Networking capabilities are a source of competitive advantage in EMVs if cultivated and enhanced well in organisations. These empirical findings provide several important venture management implications. First, EMVs can strive to improve NC by providing adequate training programs related to open communication. Entrepreneurs should strive to initiate and develop relationships with other partners to enable them to acquire and integrate different sources and types of knowledge to be shared and transferred from one venture to another. With proper networking, entrepreneurs can use and apply the knowledge to improve efficiency within their ventures. Second, it is essential for EMVs to appreciate that VP can be measured in financial terms and non-financially. The findings also underscored the importance of investing in employee training and development programs to improve networking skills and capabilities, which can ultimately translate into a competitive advantage for the business. Furthermore, more studies should be done on the competitive advantage of SMEs in the Hospitality Industry as there is scarce literature, particularly on SMEs in the Hospitality Industry.

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