Measuring Performance of Minor Event Management Ventures in

Kenya

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Abstract
This paper examines indicators that measure performance in minor event management ventures (EMVs). This study enhances understanding of performance of minor EMVs and contributes significantly to literature on performance measurement by providing empirical knowledge. 271 entrepreneurs formed the sample for the study which employed descriptive research design. Census sampling was used where all the entrepreneurs in Kisumu, Nairobi and Uasin Gishu counties in Kenya were included in the study. Data was collected using structured questionnaires. Reliability of the indicators was tested using Cronbach's alpha. Exploratory factor analysis grouped the constructs into two components namely financial and non-financial. Confirmatory factor analysis was used to measure the extent to which the observed variables (Financial and Non-financial) explain the unobserved variable (performance). The results showed that both variables adequately explained performance of event management ventures. The study concluded that the balanced scorecard was not suitable in measuring performance of EMVs.
Key Words: Event Management, Kenya, Measurement, Performance, Ventures

1. Introduction

Even though literature on performance is very extensive, Johannessen, Olaisen, and Olsen, (1999) note that there is still a lack in consensus about the meaning of the term hence the concise definition of performance has remained difficult. A wide variety of definitions of firm performance have been proposed in existing literature (Barney, 2002). Nonetheless, some clear definitions of firm performance in the market definition context could be put forward. In some cases, performance measures such as percentage of sales resulting from new products, profitability, capital employed and return on assets (Selvarajan *et al.,* 2007; Hsu *et al.,* 2007) are used. Besides, return on investment, earnings per share and net income after tax can also be used as measures of venture performance (Grossman, 2000).

The question of performance measurement remains crucial both in terms of the performance measurement system as well as the method of performance measurement used. The development and implementation process in the private sector is rather clear. Literature presents a lot of different kinds of process models for the implementation of a performance measurement system (Kaplan & Norton 1996; Neely 1998; Bourne 2000 or Simons 2000). These process models have mainly been developed from the perspective of large companies. In these companies the strategies and objectives are usually clearly defined. Moreover, the ultimate goal of business is unambiguous – it is profitability. In modern companies the stakeholder, and especially the owners, shareholders, are important. Customers are also important and usually clearly defined and recognized. The measurement is often based on adding the value for the customer and increasing the wealth of the owners. In view of this, this study adopted the balanced scorecard in measuring venture performance.

1.1 Performance Measures in Tourism and Hospitality
Goals, as well as performance measures, of small tourism ventures appear to have special features that differentiate them from measures in other sectors and industries (Getz and Carlsen 2000). For example, in rural tourism, performance measures are often related to considerations such as generating jobs for family members, achieving lifestyle goals, and improving and enriching social life as well as personal income (Getz and Carlsen 2000; Lynch 1998).

In an attempt to adopt a multi-dimensional approach for measuring performance of hotel units, Phillips (1996) used three dimensions: (1) effectiveness--including occupancy rate, average room rate, and growth in sales per room; (2) efficiency--including ROI and profit margin; and (3) adaptability--including number of successful new services or products introduced and percentage of sales accounting for new services or products. In a later study, Phillips (1999) argued that the use of quantitative performance measures of occupancy rate, profitability, and ROI in the hotel industry reflects only a limited part of organizational achievements. This view is congruent with Filk

and Ritchie (1991), who in a study on the travel industry argued that it is essential to use both "objective-quantitative" measures and "supplementary-qualitative" measures when measuring service outcomes. Filk and Ritchie (1991) argue that using both types of measures will enable managers to receive information on factors that cannot be measured objectively, such as emotional and other holistic aspects, which contribute to service quality and to the tourist experience. This argument corresponds to the aforementioned idea of simultaneously combining objective and subjective measures, given the assumption that qualitative performance measures are basically subjective in nature (Heide, Gronhaug, and Engset 1999).

1.2 The Use of Balanced Score Card (BSC) in Hotels
Kaplan and Norton (1992) introduced a strategic model, the "balanced scorecard" (BSC) which create a more balanced performance measurement for organizations. Kaplan and Norton (1992) argued that performance measurements based on financial measures alone is inadequate in evaluating company's competitive position. Thus the BSC model does not only include financial measures but also other three other non-financial measures, including customers, internal business, and learning and growth perspectives. Later on, Heskett *et al.,* (1994) introduced the "Service Profit Chain" model which links the non-financial with the financial results. Herein, the non-financial measures, which include internal quality, employee satisfaction, employee loyalty, productivity, organizational value, customer satisfaction and customer loyalty) are assumed to result into profitability and growth of an organization.

As mentioned earlier, hotels have mainly relied on traditional performance measurement (Atkinson and Brown, 2001; Phillips, 1999). Even though, most of hotels investment is in tangible assets such as land, building, furniture, fixtures and equipment, the hotels revenue is dependent on intangibles such as quality of staff, location, and customer acceptance. Hence, a single traditional measure such as financial cannot capture the overall performance and the potential of the operations (Teare *et al.,* 2001). Besides financial, the use of BSC can also capture the other aspects of performance such as customer, internal business process, and learning and growth (Kaplan and Norton, 1996). In addition, according to Brander and McDonnell (1995), the use of BSC in the hotel industry may reduce some weaknesses experienced in hotel performance. These weaknesses focus among others, hotels information systems that are deficient in their ability to measure and monitor multiple dimensions of performance, and current performance systems that are unable to deal with human resource issues. In fact, BSC through its multiple dimensions can be used as a strategic management system because it: translates the vision of an organization, communicates and links the vision among top management and lower level employees, facilitates business planning, and provides feedback and learning (Kaplan and Norton, 1996).

The use of BSC in hotels has been reported by few authors such as Denton and White (2000), Frigo (2002), and Evan (2005). Denton and White (2000), for instance investigated the application of BSC in White Lodging Services and found that as the hotel uses revenue per room to assess financial performance, customer satisfaction score to assess customer performance, process audit score to assess internal business performance, and employee retention to assess learning and growth performance of a hotel in their study. Further, Denton and White established that BSC helps the hotel to achieve a greater alignment of hotel's objectives between managers and owners and a higher level of understanding of property managers' regarding owner's long term expectation; and to provide valuable feedback regarding resources and processes needed to achieve the hotel objectives.

Evan (2005) carried out a study on the application of BSC in hotels in the United Kingdom. In his study, Evan used total operating revenues, revenue per room, and costs as measures of financial performance; and customer satisfaction, number of customer complaints, mystery guest, market share, and returning guests as measures of customer performance. In terms of internal business process, measures such as service errors, response to complaints, and, employee turnover were actively assessed by hotels. The final dimension, innovation and learning, were assessed through number of new markets, staff appraisals and target, courses completed, and new improvement. The application of BSC in hotels is appropriate since hotels consist of many different activities such as food (restaurant), maintenance (housekeeping), point-of sales (front office), and receiver (storeroom) which have different cost structures (Paraskevas 2001). These diverse activities make the use of financial measure alone inadequate. In line with Kaplan and Norton's (1992; 2006) suggestion regarding the application of BSC, this study uses the dimensions of the BSC provided by Evan (2005). The main reason is that similar to Evan (2005), this study is also carried out in the hospitality sector.

Therefore, following Kaplan and Norton (1992) and Evan (2005), the venture performance in this study is defined as "the level of venture performance (increase/decrease) in terms of financial, customer, internal business, and

learning and growth perspectives". Financial perspective is the economic consequences of actions taken by the venture, while customer perspective is the consequences of actions taken by the venture to customer and market segments. Internal business is the consequences of action taken to the level of business process of the venture, and learning and growth is the level of change and improvement that has been implemented by the venture. Therefore, this study sought to establish factors that can be used to measure performance in minor event managements ventures.

2. Methods and Materials

Exploratory descriptive survey design was adopted. The target population was minor EMVs that engage in activities such as outside catering, decorations, event planning, banqueting and conferencing, confectionary and hire of grounds, equipment, furniture, tents and public address systems. Two hundred and seventy one entrepreneurs participated in this study. Census sampling was undertaken to select the respective respondents from Kisumu, Nairobi and Uasin Gishu counties in Kenya. Structured questionnaires were used to collect primary data which were tested for reliability using Cronbach's Alpha at 0.7. Normality of the data was tested using skewness and kurtosis. Exploratory factor analysis was used to establish possible underlying factors of the venture performance. Confirmatory factor analysis using AMOS 18 was used to test the relationship between the observed and unobserved variables. Descriptive statistics specifically frequencies, mean and standard deviation were used to present the analyzed data

2.1 Measurement of Venture Performance

The scale was adopted from previous research studies in entrepreneurship and also on the perspectives of Kaplan and Norton (1986) balanced score card, the sub-dimensions of performance included financial, customer, learning and internal business process. Financial perspective was measured using high profit level in relation to expectations; high profit level in relation to competitors and generation of profit year-round. Customer perspective was measured based on increase in customer loyalty; acquisition of new customers and increase in perceived customer satisfaction. Learning and growth perspective was measured based on increase in number of employees; employment of competent personnel and effectively responding to changes in the market. Lastly, internal business process perspective was measured based on new market growth; creation of positive reputation and development of new products.

3. Discussion of Findings

Information on venture performance was collected using a measurement scale consisting of 12-items on performance of EMVs. From the findings, non-financial aspects of performance are experienced by most entrepreneurs which are however crucial for the sustainability of business. On the other hand, financial aspects seem not to have taken the lead which could imply that entrepreneurs of EMVs focus more on non financial aspects which could be an indirect investment towards financial gain.

Chi square (χ^2) tests on each of the indicators of VP were all significant at 1% level with p=0.001 showing that there is strong evidence an effect on non-financial and financial perspectives of EMVs. The means of the indicators in question exhibited tendency towards improved venture performance. Based on the mean score of each item as shown in table 1, respondents agreed to a large extent, that their ventures effectively respond to changes in the market (M=3.80, SD=0.916), create positive reputation (M=3.71, SD=0.939), increase perceived customer satisfaction (M=3.64, SD=0.952), develop new products (M=3.63, SD=0.925), enjoy new market growth (M=3.62, SD=0.894), generate profit year round (M=3.61, SD=0.892) and increase customer loyalty (M=3.57, SD=0.975). On the other hand they indicated that to a moderate extent they acquired new customers (M=3.52, SD=0.894), employed competent personnel (M=3.47, SD=0.999), attained high profit level in relation to expectations and to competitors (M=3.35; 3.22 and SD=0.885; 0.923 respectively) and achieved increase in number of employees (M=3.20, SD=1.043). Results of skewness and kurtosis reflect normal distribution of data are shown on table 1.

3.1 Exploratory Factor Analysis

Venture performance scale comprised of 12 items. Principal components analysis with Varimax rotation extracted two factors from this scale namely non-financial (NOF) and financial (FIN). The two factors explained a total of 70.45% of the variance in the data. Table 2 shows that component Non-financial had 7.080 eigen value and explained 59% of the variance in the data. Financial with 1.373 eigen value explained 11.45% of the variance.

The items that loaded significantly on these factors are presented in table 3. Non-financial loaded six items namely development of new products, generation of profit year round, effectively responding to changes in the market, creation of positive reputation, increase in perceived customer satisfaction and employment of competent personnel. Financial loaded five items namely high profit level in relation to competitors; high profit level in relation to expectations; increase in customer loyalty; acquisition of new customers and new market growth.

3.2 Construct Reliability
Composite reliability was used to measure the reliability of constructs because it offers a more retrospective approach of overall reliability and estimates consistency of constructs including the stability and equivalence of the construct. A value of 0.70 or greater is deemed to be indicative of good reliability (Hair *et al.,* 2006).

Venture performance variables were non-financial (NOF) and financial (FIN) presented in table 4. The initial measuring instrument used twelve items to measure venture performance. Factor 1, non-financial (NOF) was a reliable measuring instrument for venture performance. The Cronbach's alpha coefficient of 0.905 was quite high. In addition, the item-to-total correlation coefficients were also quite strong. This confirms that the instrument was high in internal consistency. Six items (G10, G11, G12, G9, G8, G6) loaded to a significant extent on this factor as shown in table 4. Five items (G2, G1, G3, G4, G5) used to measure venture performance loaded together on factor 2, financial (FIN). The financial factor had a very high Cronbach's alpha coefficient of 0.922 together with equally high item–to– total coefficients. This factor was therefore considered a highly reliable measuring instrument for the latent construct venture performance. Table 4 displays all the indicators that measured venture performance, the Cronbach's alpha coefficient, the eigen value and the item-to-total correlation coefficients.

3.3 Confirmatory Factor Analysis
Confirmatory factor analysis using Analysis of Moment Structure (AMOS 18) was used to test the relationship between venture performance and the observed variables (FIN and NOF). Figure 1 displays the standardized regression weights and the corresponding R^2 values for the common factor of performance and its two corresponding indicators of Non-Financial (NOF) and Financial (FIN). It is evident that the two indicators are almost equally good indicators of performance. The regression weights of 0.50 and 0.47 with corresponding R^2 values of 0.25 and 0.23 imply that performance explains 25% of the variance in non-financial and 23% of the variance in financial.

4. Conclusion
Venture performance which was initially measured using the Balance Score Card's four perspectives (financial, customer focus, internal processing and learning and growth) only retained financial perspective and grouped all the other three into one construct named non-financial. The findings from this study rejected the use of balance scorecard in measuring performance of event management ventures. Consequently, the BSC is not applicable in measuring performance of EMVs since it does not have many departments unlike in hotels. A summary is as shown on table 5.

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	Measurement														
	1		**2**		**3**		**4**		**5**						
	f	%	f	%	F	%	f	%	f	%	M	SD	Skew	Kurt	χ^2
G1:profit in relation to expectations	11	4.1	22	8.1	119	43.9	99	36.5	20	7.4	3.35	.885	-.45	.51	189.64
G2:high profit in relation to competitors	15	5.5	30	11.1	124	45.8	85	31.4	17	6.3	3.22	.923	-.38	.26	172.08
G3: increase in customer loyalty	11	4.1	16	5.9	98	36.2	100	36.9	46	17.0	3.57	.975	-.49	.24	136.69
G4: acquisition of new customers	5	1.8	25	9.2	99	36.5	108	39.9	34	12.5	3.52	.894	-.31	.02	158.35
G5: new market growth	6	2.2	14	5.2	100	36.9	107	39.5	44	16.2	3.62	.894	-.37	.27	164.73
G6:employment of competent personnel	11	4.1	26	9.6	101	37.3	91	33.6	42	15.5	3.47	.999	-.35	-.09	117.24
G7: increase in number of employees	22	8.1	31	11.4	116	42.8	74	27.3	28	10.3	3.20	1.043	-.29	-.14	119.42
G8: increase in customer satisfaction	8	3.0	14	5.2	99	36.5	97	35.8	53	19.6	3.64	.952	-.41	.14	140.05
G9: creation of positive reputation	8	3.0	12	4.4	86	31.7	110	40.6	55	20.3	3.71	.939	-.57	.41	148.35
G10: development of new products	7	2.6	17	6.3	90	33.2	111	41.0	46	17.0	3.63	.925	-.48	.25	151.04
G11: generation of profit year round	6	2.2	14	5.2	104	38.4	104	38.4	43	15.9	3.61	.892	-.33	.25	166.50
G12:responding to market changes	6	2.2	10	3.7	79	29.2	112	41.3	64	23.6	3.80	.916	-.59	.41	153.66

Table 1: Indicators of Venture Performance
Note: N=271; 1=No Extent; 2=Small Extent; 3=Medium Extent; 4=Large Extent; 5=Very Large Extent

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1 NOF	7.080	59.002	59.002	4.453	37.106	37.106
2 FIN	1.373	11.445	70.447	4.001	33.341	70.447
Extraction Method: Principal Component Analysis.						

Table 2: Total Variance Explained

	Component	
	Non Financial	Financial
G10: development of new products	.863	
G11: generation of profit year round	.807	
G12:effectively responding to changes in the market	.806	
G9: creation of positive reputation	.769	
G8: increase in perceived customer satisfaction	.710	
G6: employment of competent personnel	.604	
G2: high profit level in relation to competitors		.917
G1 high profit level in relation to expectations		.861
G3: increase in customer loyalty		.800
G4: acquisition of new customers		.723
G5: new market growth		.633
G7: increase in number of employees		

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Table 3: Rotated Factor Loadings for Venture performance

Factor 1: Non-Financial (NOF), Eigen value: 7.080, Cronbach's alpha: 0.905		
ITEM	**Factor Loading**	**Item–to-total correlation**
G10: Development of new products	0.863	0.858
G11: Generation of profit year round	0.807	0.849
G12: Effectively responding to changes in the market	0.806	0.790
G9: Creation of positive reputation	0.769	0.841
G8: Increase in perceived customer satisfaction	0.710	0.849
G6: Employment of competent personnel	0.604	0.760
Factor 2: Financial (FIN), Eigen value: 1.373, Cronbach's alpha: 0.922		
G2: High profit level in relation to our competitors	0.917	0.867
G1: High profit level in relation to our expectation	0.861	0.861
G3: Increases in customer loyalty	0.800	0.916
G4: Acquisition of new customers	0.723	0.875
G5: New market growth	0.633	0.844

Table 4: Construct Reliability indicators for Venture Performance

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Construct based on literature Review	Study Findings	Action
o Financial o Customer o Internal Process o Learning Perspective	✓ Non-Financial (NOF)* ✓ Financial (FIN)	- BSC perspectives were rejected by the study hence, BSC is not applicable in measuring performance of EMVs but can be used in hotels - Two constructs were adapted to measure performance i.e. Non-financial and Financial

Table 5: Recommended constructs for measuring performance in Event Management Ventures
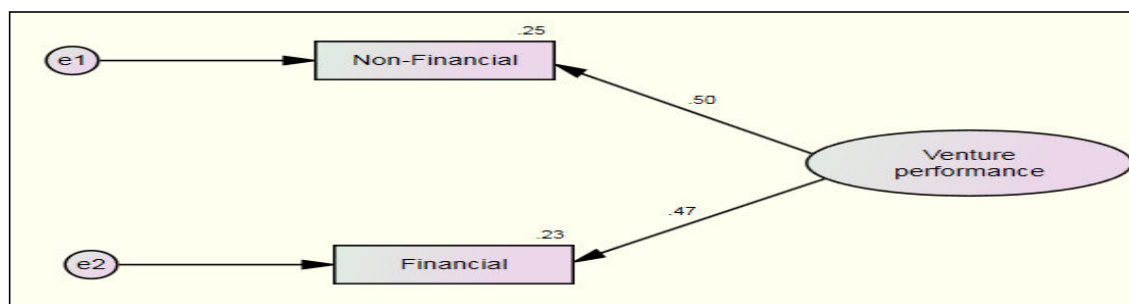
Confirmatory Factor Analysis - Venture Performance

Figure 1: Source of data is data Analysis

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