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Network Capability Dimension in Minor Event Management Ventures in Kenya

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Abstract
Event Management Ventures (EMVs) play a pivotal role in the hospitality industry and their operations have a potential to contribute to the development of the industry. Whereas studies on network capability as a strategy for improving competitive performance that mainly focus on small micro enterprises and industries such as technology, education, and manufacturing have been done in several continents, few studies seem to have been done on the measurement of network capability in the service sector, particularly in the hospitality sector that subconsciously engages in networking activities. The purpose of this paper was therefore to establish the indicators that can be used to measure network capability dimension in minor event management ventures. In order to achieve this objective, the study adopted scales from Walter et al., (2006) and others developed by the researcher. The results indicated that new dimensions can be used to measure network capability. Based on these results, the study concluded that open communication, partner knowledge, initiating relationships and developing relationships are crucial in measuring network capability.
Key Words: Network Capability, Event Management Ventures, Kenya

1. Introduction

Networking as an entrepreneurial strategy could be vital in the hospitality industry. To benefit from network relationships, a firm might need to have an ability to develop and manage multiple relationships, using appropriate governance mechanisms, sharing routines, and initiating necessary changes in the relationships (Dyer and Singh, 1998). This ability, according to Walter *et al.,* (2006), is referred to as network capability. Walter and his colleagues points out that a firm's network capability consists of four dimensions: first, the ability to coordinate between collaborating firms, secondly, knowledge of their partners, thirdly, initiating relationships skills with other firms and fourthly, internal communication skills. Moreover, Walter *et al.,* (2006), argues that when a venture engages in networks, it should be able to coordinate inter-organisational activities connecting the participating firms into a network of mutually supportive interactions. The general objective of the study was to establish the measurement of network capability dimension in minor event management ventures.

2. Concept of Network Capability

Network Capability refers to the ability to develop and manage multiple relationships, using appropriate governance mechanisms, sharing routines, and initiating necessary changes in the relationships (Dyer and Singh, 1998). The idea of firm capabilities in a network context is given more substance by Walter *et al*., (2003) who conceptualize network capability as a higher order construct and defined it as a firm's ability to develop and utilize inter-organizational relationships. The development of the Network Capability construct is based on the contributions to "alliance capability" (Kale, 2002), "relational capability" (Lorenzoni and Lipparini, 1999) and "network capability" (Anand and Khanna, 2000).

Walter *et al*., (2003) proposed that the network capability construct consists of four latent dimensions: coordination, relational skills, market knowledge and internal communication. Therefore network capability as a composite construct requires a formative measure because it is regarded as a higher order "resource" that increases in magnitude as each of the four components increases. To benefit from network relationships, a firm might need to have an ability to develop and manage multiple relationships, using appropriate governance mechanisms, sharing routines, and initiating necessary changes in the relationships (Dyer and Singh, 1998). This ability is often referred to as network capability (Walter *et al.,* 2006). A firm's network capability therefore consists of the ability to coordinate between collaborating firms, having knowledge of their partners, initiating relationships skills with other firms and internal communication skills.

2.1 Coordination

Coordination between collaborating ventures is a boundary-spanning activity and connects the venture to other ventures to effect mutually supportive interactions. When a venture engages in networks it is required to be able

to coordinate inter-organizational activities connecting the participating firms into a network of mutually supportive interactions (Walter *et al.,* 2006). Thus the firm needs to manage and monitor those partners and activities in order to determine whether there are conflicting or overlapping partners or activities (Kale *et al.,* 2002). If ventures only cooperate with existing and known partners, they could consequently miss the possibility of bringing other new and important partners into the network.

2.2 Relational Skills

Relational Skills are viewed as important to the management of relationships because business relationships are often inter-personal. These may include (again) aspects such as communication ability, extraversion, conflict management skills, empathy, emotional stability, self-reflection, sense of justice, and cooperativeness. Besides, when a venture has business exchanges with its partners, it is required to have good relational skills. Walter *et al.,* (2006) for example state that, 'a manager has to perceive and adapt to a variety of social situations, responding to a broad range of information and social stimuli from inside and outside the organization which constitutes to good relational skills.'

2.3 Partner knowledge

Partner Knowledge enables "situation-specific management" and includes the reduction of transaction costs, solution oriented conflict management, and it stabilizes a firm's position where necessary within a network. Walter *et al*., (2003) argued that this knowledge is a pre-requisite for effective coordination between parties and contributes to the enhancement of internal communication. In addition, the firms need to be aware of potential partners, as well as suppliers, customers, and competitors, and their capabilities, requirements, and trustworthiness (Walter *et al.,* 2006; Gulati, 1999). This awareness is a precondition for enabling effective coordination between business relationships. Finally, having good partner knowledge and initiating new relationships could furthermore avoid a venture from being caught in relationships that do not add to its competitiveness (Walter *et al.,* 2006).

2.4 Internal Communication

True to common belief internal communication is central to a relational perspective. It deals with assimilating and disseminating of up-to-date information on partners and their resources as well as agreements with them to avoid redundant processes, miscommunication, and improve the detection of synergies. Moreover, having good internal communication could be the ultimate ability for the venture to learn and understand how to jointly recognise opportunities and increase both the entrepreneurial strategy and performance. In addition, if a venture wants to obtain efficiency from their networking activities, it needs to be open, responsive and learning within partnerships (ibid). In other words, the venture needs to have internal communication skills in order to integrate and coordinate knowledge throughout the firm and thereby generate feedback from prior as well as ongoing collaboration experiences (Kale *et al.,* 2002). However, internal communication skills might be difficult to practice in ventures, since many of such firms have no more than one or two employees at the beginning. The learning experience thus often resides within the owners or managers of the venture.

3. Methodology

The study adopted an exploratory descriptive survey design and targeted EMVs that engage in event ventures such as outside catering, decorating, event planning, banqueting and conferencing, confectionary and ventures that hire grounds, equipment, furniture, tents and public address systems. Two hundred and seventy one respondents comprising entrepreneurs and/or managers of EMVs participated in this study. Multiple sampling techniques were adopted. First purposive sampling was used to select Kisumu, Nairobi and Uasin Gishu counties in Kenya. Following this, census sampling was undertaken to select the respective respondents. Data was collected using questionnaires that contained both structured and unstructured questions. Reliability of the instruments was tested using Cronbach's Alpha. Exploratory factor analysis was used to establish possible underlying factor structure of the network capability dimension. Descriptive statistics specifically frequencies, mean, standard deviation and variance were used to analyze data with the aid of Statistical Package for Social Science (SPSS 18.0).

3.1 Measurements of Network Capability

Network capability, captured the degree of the firm's ability to develop and utilise inter-organisational relationships. There were 18 items in total within the network capability construct. Twelve of these items were adapted from Walter *et al.,* (2006), and they measured a firm's coordinative skills, relational skills, partner knowledge, and internal communication. The remaining six items were self-developed to capture the venture's ability to recognize and initiate new relationships. The 18 items were categorized into four sub-dimensions: coordination, partner knowledge, relational skills and internal communication skills (table 1).

4. Data Analysis

The respondents were asked to indicate the frequency with which ventures engaged in suggested activities. The measurement scale consisted of eighteen items reflecting ability to develop networks anchored on a 5-point

Likert Scale. The results indicate that most ventures in the study sample have made great strides in trying to open networks. The findings point to among other gains, coordination between ventures, close scrutiny of competing ventures thereby getting to know other ventures markets, strengths and weaknesses, and products/services/procedures. Such knowledge in essence enables ventures to develop and initiate relationships with other service providers on the basis of what each can contribute.

Besides, the values of the skewness and kurtosis portray a normally distributed data. Chi square (χ^2) tests performed on each of the indicators of network capability were all significant at 1% level with p=0.001 showing that there is strong evidence of open communication, partner knowledge, initiating and developing relationships among service providers of event management ventures. The means of the indicators in question exhibited tendency towards networking through network capability dimension which enhances performance of EMVs. .

The mean response scores presented in Table 1 show that the respondents tended to indicate that they often engaged in ten of the listed activities namely; coordination with other firms (M=3.51, SD=1.128), know other service providers' markets (M=3.67 SD=0.974), know other service providers' products/services/procedures (M=3.68, SD=1.025), develop relations with each service provider based on what they can contribute (M=3.71, SD=1.043), know other service providers' strengths and weaknesses (M=3.55, SD=0.921), build good relations with business service providers (M=3.87, SD=0.853), deal flexibly with other service providers (M=3.76, SD=0.861), open to new relations with new service providers (M=3.77, SD=0.942), and remaining alert to finding new service providers' maintaining relationships (M=3.66, SD=1.005).

Some ventures indicated that on few times they analyzed what they wanted to achieve with other service providers (M=3.47, SD=1.157), discussed with other service providers how to support each other (M=3.34, SD=1.175), have employees develop informal contacts among themselves (M=3.18, SD=1.153), venture managers and employees give feedback to each other (M=3.29, SD=1.112), when errors are made service providers don't blame each other but share responsibility (M=3.02, SD=1.215), ventures solve problems constructively with other service providers (M=3.16, SD=1.166), and service providers support each other in times of crises (M=3.13, SD=1.137). However the ventures indicated that they rarely have meetings between event management service providers (M=2.72, SD=1.291). These results are evidenced by data summarized in table 2.

4.1 Exploratory Factor Analysis

Eighteen items pertaining to Network capability dimensions were subjected to exploratory factor analysis as earlier mentioned. The items were grouped into four factors which were subsequently named as open communication (OPC), partner knowledge (PAK), initiating relationship (INR), and developing relationships (DER). Initially the number of factors to be extracted was not specified, however the eigen values (≥ 1) suggested a total of four factors to be used as network dimension observed variables which explained a total of 64.97% of the variance in the data as shown on table 3. Open communication explained 32.91% of the variance in the data and had a total of 5.925 eigen values. Partner Knowledge explained 18.79% of the variance in the data and had a total of 3.382 eigen values. Initiating Relationships explained 7.072% of the variance in the data and had a total of 1.273 eigen values. Lastly, Developing Relationships explained 6.193% of variance in the data and had a total of 1.115 eigen values.

As shown on table 4 a total of 18 network capability items loaded into four components (OPC, PAK, INR, DER). Six items loaded to open communication, five items loaded to partner knowledge, three items loaded to initiating relationships while four items loaded to developing relationships component. Table 4 shows the items that loaded, significantly to each of the four factors.

4.2 Reliability of Factors

Four components were extracted from network capability namely open communication (OPC), partner knowledge (PAK), initiating relationships (INR) and developing relationships (DER). As shown on table 5, component 1, (OPC) loaded six items to a significant extent, namely (B17, B16, B15, B14, B13). The Cronbach's alpha value for this factor was 0.850, and was therefore considered a reliable measuring instrument for measuring the latent variable network capability. Component 2, (PAK) loaded five items loaded to a significant extent on partner knowledge namely (B4, B2, B1, B5, B3). Table 5 indicates that the instrument was considered reliable for measuring partner knowledge as evidenced by the Cronbach's alpha value of 0.808. Besides, the high values of the item-to-total correlations shown that the items that reflect partner knowledge yield similar results leading to a high level of internal consistency of the measurement instrument. Component 3, (INR) displays the three items namely (B11, B10, B12) that loaded to a significant extent on initiating relations, the Cronbach's alpha, the eigen value and the item-to-total correlations. The Cronbach's alpha value of 0.868 together with the high values of the item total correlation indicate that this factor is a reliable measuring instrument for the construct Network capability. Component 4, (DER) loaded four items to a significant extent on developing relations, namely (B6, B8, B7, B9). The Cronbach's alpha value for this factor was 0.825. All the item-to-total correlations were above 0.75. The factor was therefore deemed a reliable measuring instrument for the construct network capability. Table 5 presents the items measuring network capability, the Cronbach's alpha, the eigen value and the item-to-total correlations.

5. Conclusion

The measurement of network capability used in prior research comprised coordination, partner knowledge, relational skills and internal communication skills (Walter *et al.,* 2006). Based on the findings, three indicators from previous studies were modified and consequently namely; open communication, initiating relationships and developing relationships. Partner knowledge was the only indicator that was adopted as used in previous studies. The implication of the modification of indicators of network capability is that the measurement of network capability deviates when used in the hospitality sector.

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Table 1: Measures of Network Capability

Coordination
• We coordinate between other firms
• We analyze what we would like and desire to achieve with each service provider
• We discuss with other service providers how we can support each other
• We develop relations with each service provider based on what they can contribute
Partner Knowledge
• We know other service providers' markets
• We know other service providers products/procedures/services
• We know other service providers' strengths and weaknesses
• Other service providers support us in crisis
Relational Skills
• We build good relationships with business service providers
• We deal flexibly with other service providers
• We are open to new relations with new service providers
• We have the ability to initiate a relationship with new service providers
• We are alert to finding new service providers maintaining relationships
Internal communication skills
• When errors are made, service providers don't blame others but share responsibility
• Our managers and employees give feedback to each other
• We have meetings between event management service providers
• Our employees develop informal contacts among themselves
• We solve problems constructively with other service providers

Source: *Walter et al., (2006) and Researcher (2011)*

Table 2: Indicators of Network Capability

	Measurement												SKEW	KURT
	5		4		3		2		1					
	f	%	*F*	%	*f*	%	*f*	%	*f*	%	M	SD	SE=.148	SE=.295
B1: coordination with other firms	42	15.5	138	50.9	17	6.3	63	23.2	11	4.1	3.51	1.128	-.606	-.753
B2: venture analyses what they want to achieve with each service provider	45	16.6	121	44.6	41	15.1	45	16.6	19	7.0	3.47	1.157	-.619	-.546
B3: ventures know other service providers markets	40	14.8	148	54.6	44	16.2	32	11.8	7	2.6	3.67	.954	-.847	.356
B4: ventures discuss with other SPs how they can support each other	40	14.8	113	41.7	32	11.8	71	26.2	15	5.5	3.34	1.175	-.341	-1.039
B5: ventures know other service providers' products/services/procedures	52	19.2	135	49.8	32	11.8	48	17.7	4	1.5	3.68	1.025	-.647	-.452
B6: ventures develop relations with each SPs based on what they can contribute	58	21.4	129	47.6	39	14.4	37	13.7	8	3.0	3.71	1.043	-.753	-.101
B7: ventures know other service providers strengths and weaknesses	32	11.8	131	48.3	65	24.0	40	14.8	3	1.1	3.55	.921	-.477	-.348
B8: ventures build good relationships with business service providers	55	20.3	152	56.1	40	14.8	22	8.1	2	0.7	3.87	.853	-.831	.669
B9: ventures deal flexibly with other service providers	39	14.4	159	58.7	45	16.6	24	8.9	4	1.5	3.76	.861	-.914	.889
B10: ventures are open to new relations with new SPs	51	18.8	147	54.2	38	14.0	30	11.1	5	1.8	3.77	.942	-.865	.424
B11: ventures initiate a relationship with new service providers	58	21.4	132	48.7	41	15.1	35	12.9	5	1.8	3.75	.994	-.732	-.056
B12: ventures are alert to finding new SPs maintaining relationships	48	17.7	134	49.4	45	16.6	37	13.7	7	2.6	3.66	1.005	-.711	-.077
B13: ventures have meetings between event management service providers	28	10.3	63	23.2	37	13.7	92	33.9	51	18.8	2.72	1.291	.289	-1.134
B14: ventures' employees develop informal contacts among themselves	35	12.9	89	32.8	53	19.6	79	29.2	15	5.5	3.18	1.153	-.074	-1.067
B15: ventures' managers and employees give feedback to each other	33	12.2	103	38.0	61	22.5	58	21.4	16	5.9	3.29	1.112	-.319	-.781
B16: when errors are made SP do not blame each other but share responsibility	31	11.4	82	30.3	46	17.0	85	31.4	27	10.0	3.02	1.215	.014	-1.136
B17: ventures solve problems constructively with other service providers	32	11.8	95	35.1	47	17.3	79	29.2	18	6.6	3.16	1.166	-.122	-1.086
B18: other service providers support us in crisis	22	8.1	110	40.6	40	14.8	80	29.5	19	7.0	3.13	1.137	-.218	-1.099

Note: 1=Never, 2=Rarely, 3=Few Times, 4=Often, 5=Always
Source: *Survey Data (2011)*

	Initial Eigenvalues			Rotation Sums of Squared Loadings		
Component	Total	% of Vari-ance	Cumulative %	Total	% of Variance	Cumulative %
1 OPC	5.925	32.918	32.918	3.521	19.563	19.563
2 PAK	3.382	18.789	51.707	2.922	16.235	35.797
3 INR	1.273	7.072	58.779	2.629	14.606	50.404
4 DER	1.115	6.193	64.972	2.622	14.568	64.972

Table 3: Network Capability Dimension (Total Variances Explained)

Source: *Survey Data (2011)*

Table 4: Rotated Factor Loadings: Network Capability

	Component			
	OPC	PAK	INR	DER
B17: ventures solve problems constructively with other service providers	.836			
B16: when errors are made service providers do not blame each other but share responsibility	.828			
B15: ventures' managers and employees give feedback to each other	.789			
B18: other service providers support us in crisis	.724			
B14: ventures' employees develop informal contacts among themselves	.689			
B13: ventures have meetings between event management service providers	.639			
B4: ventures discuss with other service providers how they can support each other		.804		
B2: venture analyses what they want to achieve with each service provider		.748		
B1: coordination with other firms		.641		
B5: ventures know other service providers' products/services/procedures		.639		
B3: ventures know other service providers markets		.601		
B11: ventures initiate a relationship with new service providers			.821	
B10: ventures are open to new relations with new service providers			.781	
B12: ventures are alert to finding new service providers maintaining relationships			.702	
B6: ventures develop relations with each service provider based on what they can contribute				.730
B8: ventures build good relationships with business service providers				.715
B7: ventures know other service providers strengths and weaknesses				.689
B9: ventures deal flexibly with other service providers				.686

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Table 5: Construct Reliability for indicators of Network Capability

Factor 1: Open communication (OPC) **Eigen Value: 5.925: Cronbach's alpha: 0.850** **ITEM**	**Factor Loading**	**Item Total correlations**
B17: We solve problems constructively with other service providers.	0.836	0.819
B16: When errors are made, service providers don't blame others but share responsibility	0.828	0.808
B15: Our managers and employees give feedback to each other.	0.789	0.778
B18: Other service providers support us in crisis.	0.724	0.717
B14: Our employees develop informal contacts among themselves.	0.689	0.731
B13: We have meetings between event management service providers	0.639	0.692
Factor 2: Partner Knowledge (PAK) **Eigen Value: 3.382: Cronbach's alpha: 0.809** **ITEM**	**Factor Loading**	**Item Total correlations**
B4: We discuss with other service providers how we can support each other.	0.804	0.808
B2: We analyze what we would like and desire to achieve with each service provider	0.748	0.826
B1: We coordinate between other firms	0.641	0.752
B5: We know other service providers products/procedures/services.	0.639	0.690
B3: We know other service providers markets.	0.601	0.675
Factor 3: Initiating Relationships (INR) **Eigen Value: 1.273: Cronbach's alpha: 0.868** **ITEM**	**Factor Loading**	**Item Total correlations**
B1: We have the ability to initiate a relationship with new service providers	0.821	0.914
B10: We are open to new relations with new service providers.	0.781	0.889
B12: We are alert to finding new service providers maintaining relationships	0.702	0.867
Factor 4: Developing Relationships (DER) **Eigen Value: 1.115: Cronbach's alpha: 0.825** **ITEM**	**Factor Loading**	**Item Total correlations**
B6: We develop relations with each service provider based on what they can contribute	0.730	0.827
B8: We build good relationships with other service providers.	0.715	0.820
B7: We know other service providers strengths and weaknesses	0.689	0.766
B9: We deal flexibly with other service providers.	0.686	0.836

Source: *Data analysis (2011)*