Business Environmental Forces and Competitive Advantage: An Empirical Study of Meetings, Incentives, Conferences and Exhibitions Facilities in Kenya

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ABSTRACT

Meetings, Incentives, Conferences and Exhibitions (MICE) sector is one of the main contributors of competitiveness across cities and countries. Geographically, Kenya’s vantage position places it as the gateway to East and Central Africa and this has been strengthened by its thriving economy. The MICE sector is considered an economic pillar that boosts the targets envisioned in the Kenya Vision 2030 blueprint. The promotion of the sector through regional markets and appointment of promotional agents for MICE products and services, establishment of a website for promoting services offered in classified MICE facilities, taking part in domestic and international trade fairs, developing marketing resources and monitoring projections on tourist visitation have been undertaken by Kenya Tourism Board. Also, in an effort to expand the sector, 68 international branded hotels were launched in 2019 with an additional 27 expected to penetrate the market by 2024. Despite these initiatives, in the year 2019 MICE sector recorded an insignificant 0.2% increase in revenue, while leisure industry accrued 63.15% in revenue generation. Still in the year 2020, leisure industry accrued revenue of up to 71.56% compared to 0.33% in MICE sector. The gap in proactive marketing of the sector, coupled with bidding and inaccessibility of basic information on the availability of facilities continue to pose a challenge to the expansion of the sector. This research sought to examine the influence that business environmental forces have on competitive advantage of MICE facilities in Kenya, from the lens of Porters Five Forces model of competitive position. The research used explanatory research design anchored on positivist philosophical paradigm. Purposive sampling method was employed and a sample size of 107 drawn from a target population of 496 MICE facilities. Closed-ended questionnaires were utilized during data collection, with key respondents being marketing managers. Data analysis was done using descriptive and inferential statistics. From the analysis, it was established that business environmental forces have a significant direct effect on competitive advantage (β=0.443, p-value <0.05) an indication that MICE facilities are influenced by business environmental forces.

Keywords: Business Environmental Forces, Competitive Advantage, MICE Facilities, Porter’s Five Forces Model

I. INTRODUCTION

The term ‘competitive advantage’, originally derived from the Latin word “competere”, refers to competition amongst firms (Pluninsa et al., 2016). Crouch and Ritchie (1999) and Mazanec and Ring (2011) hold the view that competitive advantage is difficult to conceptualize due to its varied measures. According to Awwad et al. (2013), competitive advantage is a timely means of producing quality products and services with the correct costing, in order to satisfy customer need. Additionally, business environmental forces are external influences outside a firm’s jurisdiction that affect its operations (Jasmi & Fernando, 2018). Further, Frederico (2019) posits that business environmental forces are macro environmental factors affecting a business. With regard to various reviews on elements of the competitive environment, the research looks at business environmental forces from the lens of Porters five forces model of competitive position.

Michael E. Porter developed the Five Forces model of competitive position in 1979. This is a model for assessing and evaluating the position and competitive intensity of an enterprise. Porter’s framework measures the
performance and relevance of a business from a macro environmental perspective and sets to act as an effective tool in evaluating and assessing the position of a business in a dynamic market (Shi et al., 2021). Consequently, the foundation of a business is anchored on the Five Forces model, namely: bargaining power of suppliers and buyers; threat of new entrants; alternative products and services and rivalry by existing competitors. Porter’s Five Forces model hinges on an external evaluation, diverting from SWOT analysis technique and gravitating towards the external business environment. It assumes that similar resources are owned by enterprises within the same industry. Thus, the success of a business relies on accuracy of projections of market structure and signals (Frese et al., 2014; Köseoğlu et al., 2016). Additionally, the model espoused by Porter advocates for strategic alignment of opportunities and threats in an external environment (Porter, 1979). Porter’s model seeks to establish the premise in which environmental forces effect MICE facilities. Accordingly, it was envisaged that business environmental forces would constitute competitive advantage of MICE facilities.

Kenya as a tourist destination boasts of eight tourist circuits which are: Coastal, Western, South Rift, North Rift, Eastern, Southern, Central and finally - Nairobi. The study targeted classified MICE facilities located in Nairobi and South Rift tourist circuits. Compared to others, these circuits have had an opportunity to host high ranked conferences and events across the globe (Kinyanjui, 2018). Specifically, Nairobi tourist circuit has held conferences such as 28th IEK annual international conference, Blue Economy Conference, ACP-EU Ministerial Conference, United Nations Environment Assembly (UNEA), 10th World Tourism Organization, the Eco-tourism and Sustainable tourism Conference (ESIC), 46th International Society of City and Regional Planners (ISOCARP) Congress and Internet Corporation for Assigned Names and Numbers (ICANN) Conference 2019 (https://kicc.co.ke/events3/past-events). Nairobi circuit is growing as a MICE hub for the African region and continuous to provide customer focussed MICE services (https://inclusiveholidaysafrica.com). Events such as 4th International Construction Research Conference and Exhibition (ICoRCE), 1st Kenya Urban Forum Conference, 41st Water Engineering and Development Conference (WEDC), Nakuru International Investors Conference (NIICO), 14th Biennial International Conference and the 6th African Soil Science Society Conference are some of the international conferences held in South Rift Circuit over the years. Consequently, the circuit has a steady increase in growth in MICE and this has led to infrastructural growth and development. Maingi et al. (2011) consider tourist facilities in Nairobi Circuit as compelling forces supporting growth of MICE sector in Kenya. In line with their view, KICC was classified as a premiere convention facility with ability to accommodate 900 persons, and boasting of being the top facility in South of Sahara and the North of Limpopo (https://kicc.co.ke/events3/past-events). Additionally, the facilities in South Rift circuits also boast of capacity to host all events.

Rwanda and South Africa are among African states that have expanded business tourism through MICE. With the emergence of the African Continental Free Trade Area, intra-regional business activities are expected to escalate economic growth in the continent. Consequently, there has been an upsurge in business for MICE facilities and regional linkages (Verdier, 2019). Likewise, the MICE National Secretariat acknowledged the sector as a key economic pillar that propels the objectives set forth in Kenya’s Vision 2030 blueprint. The segmentation of regional markets, appointment of market representatives, creation of a marketing website, global, national and regional participation in trade fairs, development of marketing materials and monitoring of tourism trends are some of the strategies undertaken to market the MICE sector (Maingi et al., 2011). Despite all these initiatives, the sector continues to perform dismally (Mwita, 2019).

Kenya National Convention Bureau (KNCB) was instated in 2019 to market Kenya as an ideal destination for MICE activities. In an effort to enhance the sector, a total of 68 international branded hotels were launched with an additional 27 expected to penetrate the market by 2024 (Ward, 2019). Despite these undertakings, an insignificant increase in MICE sales was recorded in the year 2019 and 2020 while leisure tourism dominated (Ministry of Tourism and Wildlife, 2019, 2022). In addition, studies on effect of environmental forces on competitive advantage have majorly focused on firms in other industries with few focussing on MICE destinations.

Using a case study of three commercial banks in Ghana, Boafo et al. (2018) examined their environmental force. Primary data was gathered through open ended questionnaires on a sample size of 84 senior cadre staff. t-test and linear regression analysis was used. Outcomes deduced that the environmental forces positively impacted on bank performance. Further, an investigation by Tarig in 2018 focussed on key indicators that drive competition in the oil and gas industry. Tarig’s study further investigated the effect of these indicators on the profit margins of the industry with results indicating a positive effect of environmental forces on the oil and gas industry.

In Kenya, Njuguna (2020) assessed the influence of Five Forces model on strategic planning at Stanbic Bank. Descriptive research design was used to address the research problem. A sample size of 107 participants was derived from a population of 149 employees by means of stratified sampling method. Data was collected by means of questionnaires and analysed using SPSS. Further analysis was done using inferential and descriptive statistics.
Inferential statistics tested correlation and regression so as to establish the relationship existing among variables, while frequency, percentages, averages, and standard deviation were analysed using descriptive statistics. The findings showed that competitive environmental forces positively influenced strategic planning.

In research on the applicability of Five Forces model in entrepreneurial economy, Shi et al. (2021) sought to substantiate its practicability. Senior executives from a number of companies in China were interviewed and findings revealed that business people frequently consider factors such as integration of technology with the Five Forces. These factors lean towards expansion of strategic thinking and take into consideration elements that determine market forces. In order to validate the findings, the questionnaires were amended. Exploratory analysis was used to ascertain the most important elements in the data. Results deduced that the Five Forces were key determinants of business performance.

Other researchers have reported an indirect effect of business environmental forces on competitive advantage. For instance, Appiah et al. (2021) investigated the industrial forces on enterprises investment behaviour. The study was conducted in downstream oil and gas industry in Ghana. Questionnaires were employed to collect data from 475 respondents. Cross-sectional survey method with partial least square were used to analyse data. The study outcomes of exploratory factor and multiple regression analysis indicated that investment behaviour was not affected by the Five Forces. Key outcomes also revealed that the owners of enterprises relied on oil and gas for profits, employment, infrastructural development, and linkages.

Elsewhere, for purposes of reviewing the firms’ competitive structure and gaining information for strategic positioning, Chesula and Kirinya (2018) analysed competitive edge of telecommunication sector using the Five Forces model by Porter. The study was conducted in Kenya with an empirical review of industries’ competitive structure. Key information was gathered from marketing managers. In addition, reports from regulatory authority, published information and interviews were analysed. The Five Forces framework was employed to analyse competitive structure of the industry. Both positive and negative effects were recorded after the analysis.

In conclusion, the review of business environmental forces and competitive advantage is equivocal in that some articles have reported positive significant effects, others have reported negative insignificant effects while others have reported partial effects. In addition, the use of similar methodological approaches has raised the issue of generalization in a number of studies. Thus, the study bridges the gap by examining the effect of business environmental forces on competitive advantage of MICE facilities in Kenya from the perspective of Porter’s Five Forces Model of competitive position. The hypothesis of the study was:

\[ H_0: \text{Business Environmental forces have no significant effect on competitive advantage of Meetings, Incentives, Conference and Exhibition facilities in Kenya.} \]

II. METHODOLOGY

2.1 Research Design

The research utilized an explanatory survey research design. This design builds on exploratory and descriptive research and aides in explaining an occurrence. Explanatory survey study also looks at cause-effects and gives reasons in support of or against reasons for the occurrence (Boru, 2018). The design enabled the researcher to discover, test and report any relationship that may have existed among the variables under study. It also addressed the hypothesis under study.

2.2 Study Model

To test the hypothesis the response variable was regressed against the predictor variable as indicated in the below:

\[ \text{BEF}= \beta_0 + \beta_1 \text{CA} + \varepsilon \]

Where: BEF represents Business Environmental Forces, \( \beta_0 \) and \( \beta_1 \) are regression coefficients, CA represents Competitive Advantage and \( \varepsilon \) is the Error term

2.3 Study Area

The research was undertaken in Kenya, specifically in Nairobi and South-Rift circuits. Nairobi circuit covers Nairobi, Kajiado, Kiambu and Machakos Counties, while South-Rift circuit covers Nakuru and Narok counties.
2.4 Target Population

The target population was 496 registered MICE facilities in Nairobi and South Rift circuit (www.tourismregulatoryauthority.go.ke), with key respondents being Marketing Managers. Table 1 presents the distribution units of the MICE establishments.

Table 1
Distribution Units

<table>
<thead>
<tr>
<th>Tourist Circuits</th>
<th>MICE Facilities (Hotels)</th>
<th>Target Population (N)</th>
<th>Sample Size (n)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairobi</td>
<td>5-star</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>4-Star</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>3-Star</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>2-Star</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>1-Star</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Non-star rated Hotels</td>
<td>208</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Conference Centre</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Sub total</strong></td>
<td></td>
<td><strong>268</strong></td>
<td><strong>60</strong></td>
</tr>
<tr>
<td>South-Rift</td>
<td>5-star</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>4-Star</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>3-Star</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>2-Star</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>1-Star</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Non-star rated Hotels</td>
<td>180</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub total</strong></td>
<td></td>
<td><strong>228</strong></td>
<td><strong>47</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>496</strong></td>
<td><strong>107</strong></td>
</tr>
</tbody>
</table>

Source: Tourism Regulatory Authority Data, (2021)

2.5 Sample Size and Sampling Procedure

The study used purposive sampling method to categorize registered MICE facilities and then screened them down to classified MICE facilities. The researcher chose to use classified MICE destinations for purposes of obtaining authentic information as opposed to non-classified MICE facilities. More specifically, five-, four-, three- and two-star MICE facilities were ideal for this study since they offer a range of MICE services and activities as opposed to one-star MICE facilities. The sample size was 107 MICE facilities as presented in Table 1.

Primary data was collected from 107 marketing managers. Closed ended Likert type questionnaire was employed to collect data. 88 of 107 sample participants contributed to the study by filling and returning the questionnaires, yielding a response of 82.24% which is adequate as suggested by Kothari and Gang, (2014).

2.6 Sample Adequacy Test

Kaiser-Mayor-Oklin (KMO) measures of sampling adequacy and Bartlett’s test of sphericity were employed to determine sample adequacy. 0.6 and above is the general acceptance index of KMO. A KMO value of 0.726 attained (Table 2) is excellent as it exceeds the recommended value of 0.6. Additionally, for the factor analysis to be acceptable, the significance value of Bartlett’s Test of Sphericity should be less than 0.05. Bartlett’s test significance value of 0.000 attained meet the required significance value of less than 0.05 (Hoque et al., 2018). Therefore, the sample was adequate and appropriate.

Table 2
Sample Adequacy Test

<table>
<thead>
<tr>
<th></th>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</th>
<th>.726</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bartlett's Test of Sphericity</td>
<td>Approx. Chi-Square</td>
<td>135.556</td>
</tr>
<tr>
<td></td>
<td>Df</td>
<td>105</td>
</tr>
<tr>
<td></td>
<td>Sig.</td>
<td>.000</td>
</tr>
</tbody>
</table>

2.7 Reliability and Validity of Measures

Construct validity was ensured by variables under study being drawn from relevant literature and theories and a comprehensive review of empirical literature conducted on the variables. Content validity was achieved by ensuring
questions cover all the research objectives. A pilot test confirmed that the questionnaire captured the right set of questions. Cronbach’s alpha (α) coefficient method established the reliability of the instrument, which is considered the most common internal consistency measure (Santos, 1999).

2.8 Statistical Treatment of Data

Both descriptive and inferential statistics were used in data analysis. Descriptive statistics summarized the data on the basis of means, minimum and maximum values and standard deviations as specified in Table 3 below:

Table 3
Descriptive Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Environmental Forces</td>
<td>2.26</td>
<td>4.84</td>
<td>3.474</td>
<td>.53514</td>
</tr>
<tr>
<td>Competitive Advantage</td>
<td>3.00</td>
<td>4.86</td>
<td>3.8779</td>
<td>.43493</td>
</tr>
</tbody>
</table>

Inferential statistics using simple and multiple regression tested hypothesis at α=0.05. Significance of the regression models was tested by means of F – statistic (Blackwell III, 2005; Daoud, 2017). As contended by Greene (2008), the F – statistic states that the joint significance of all explanatory variables is equal to zero. To test hypotheses, $t$ – test was used to test the significance of the regression parameters at 5% significance level using the following test criteria: $H_0$; $β_1 = 0$ and $H_a$: $β_1 ≠ 0$, with $H_0$ being rejected if $β_1 ≠ 0$; p-value $≤$ 0.05.

III. FINDINGS & DISCUSSIONS

To test the hypothesis, a regression model of business environmental forces against competitive advantage was run and the results are shown in Table 4. The hypothesis that business environmental forces have no significant effect on competitive advantage of MICE facilities was rejected. As indicated by the results in Table 4, business environmental forces directly affect competitive position of MICE facilities ($β = 0.443$, p-value $< 0.05$). Variance for business environmental forces accounted for 29.8% of the variance in competitive advantage ($R^{2} = 0.298$). The model had direct significant effect as signified by the significant F-Statistics (F-statistic=36.421, p-value=0.001<0.05).

Table 4
Regression Results of Business Environmental Forces and Competitive Advantage

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Coefficients</th>
<th>Std. Error</th>
<th>T</th>
<th>Sig.</th>
<th>95% CI of β</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>2.338</td>
<td>.258</td>
<td>9.055</td>
<td>.000</td>
<td>1.825-2.851</td>
</tr>
<tr>
<td>Business Environmental Forces</td>
<td>.443</td>
<td>.073</td>
<td>6.035</td>
<td>.000</td>
<td>.297-.589</td>
</tr>
<tr>
<td>Model Summary b</td>
<td>ANOVA b</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$R$</td>
<td>0.545*</td>
<td>MS Regression</td>
<td>4.896</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$R$ Square</td>
<td>0.298</td>
<td>MS Residual</td>
<td>.134</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted $R$ Square</td>
<td>0.289</td>
<td>F Statistic (df1, df2)</td>
<td>36.421 (1, 86)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.E. of Estimate</td>
<td>0.36665</td>
<td>Significance (F Statistic)</td>
<td>0.000*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durbin-Watson</td>
<td>1.970</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Predictors: (Constant), Business Environmental Forces</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Dependent Variable: Competitive Advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

These results confirm Mahat and Goedegebure (2016) findings which concluded that, significant environmental forces drive and shape strategic thinking of institutions which in turn aides in effective utilization of available resources. Additionally, Takata (2016) findings also revealed that the forces form drivers of performance. Further this study findings concurred with a study conducted in Ghana, by Boafo (2018) that performance of banks was enhanced by business environmental forces which consequently affected profitability. Further, Mohamed and Omwenga (2018), while evaluating the influence of business environmental forces on strategic performance in manufacturing firms, findings showed a positive influence.
Elsewhere, Tarig (2018) while investigating the competitive strength of oil and gas industry using Five Forces model, revealed that business environmental forces influenced the competitive strength of the industry. Kaikai (2018) on the other hand assessed the level of competitive advantage in South Sudan’s mobile telephony sector with the aid of Porters Five Forces model. Results revealed the influence business environmental forces have on mobile telephony sector and were in conformity with the study of Oliandes et al. (2018) which found out that business environmental forces play a major role in the hospitality industry. Moreover, Mahat (2019) and Bunei (2020) established how far the business environmental forces could impact management operations. From the findings it was established that the environmental forces positively affected management operations. On the other hand, Qosasi et al. (2019) argue that IT capacity could build competitive edge with the integration of entrepreneurial conversion and Porters’ Five Forces. Likewise, the assessment of business environmental forces on performance by Hussein and Muchemi (2019) and Mugo (2020) revealed a positive influence. Further, a study by Njuguna (2020) established that strategic planning was influenced by business environmental forces.

Additionally, a study done on commercial banks confirmed that business environmental forces influenced the operations of commercial banks (Bunei, 2020). Elsewhere, Abinsay (2020) recommendations highlighted the need to persuade farmers shift from conventional agriculture to organic farming by first assessing the environmental forces. This would in turn help increase organic farming. Wanyonyi (2021) on the other hand examined the effect Porter’s Five Forces would have on agro business performance. Findings showed that the Five Forces had positive significant effects on competitive strategies. Wildt et al. (2022) study on the other hand revealed the importance of environmental forces in identifying structural differences between markets. In addition, Sign et al. (2022) in their study, examined the influence of spatial clustering on competitiveness of port logistics firms from business environmental forces standpoint. Their results indicated that spatial clustering increased competitiveness of port logistics firms an indication that the business environmental forces impacted on firms’ logistics.

Other studies had an inverse opinion on the effect business environmental forces have on competitive advantage. Findings by Chesula and Kiriinya (2018) revealed a partial influence of environmental forces on key industry players. Conversely, Goyal (2020) did a critical systematic analysis of environmental forces. Findings revealed the merits and demerits of the forces which did not indicate the influence or effect the forces had on performance of firms. Appiah et al. (2021) study investigated the effect of environmental forces on financial behaviour of SMEs. From the findings, a partial effect of the environmental forces on investment behaviour was reported.

The Five Forces model by Porter determines how much power competitors wield in a dynamic business environment. Also, it is a useful tool in establishing the competitive power that an organisation may strive to seize. This study confirms that business environmental forces significantly impact on competitive advantage, thus threat of new entrant, rivalry within existing competitors, buyer power, supplier power and threat of substitute products or services help assess and evaluate the competitive intensity of MICE facilities.

IV. CONCLUSIONS & RECOMMENDATIONS

4.1 Conclusions

The findings of this study reveal that business environmental forces directly influence on the competitive advantage of MICE facilities. This is an indication that business environmental forces influence competitive advantage of MICE facilities. These findings also give credence to Porters Five Forces model of competitive position as it establishes where power lies within MICE facilities. It is also an indication that the Five Forces framework can be used to gauge the competitive strength of a MICE destination.

4.2 Recommendations

Other than the variables examined, the study suggests the need to examine additional elements that may contribute to sustainable growth of MICE facilities.

Further, the pilot research was based only on the sample of 107 MICE destinations. This was a relatively small sample size thus limiting the presented findings. Larger sample of MICE destinations followed-up with a longitudinal research framework could further explore the role of business environmental forces and competitive advantage and thus draw more conclusions. Besides, the cross-sectional study also presents an idea for a specific period with no suggestion on the order of events. The outcome of this research is therefore not definite and hence does not illustrate results for subsequent years and need confirmation over time.
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