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EFFECT OF DYNAMIC MANAGERIAL CAPABILITIES ON FIRM PERFORMANCE: EVIDENCE FROM TRAVEL AGENCIES AND TOUR OPERATORS IN KENYA

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ABSTRACT

The purpose of this research was to investigate the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Specifically, the research sought to investigate the effect of managerial human capital capability, managerial social capital capability, and managerial cognition capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Drawing on the resource-based theory, dynamic capabilities theory, and dynamic managerial capabilities theory, the research utilized a positivist research philosophy and a non-experimental research methodology. The research utilized a correlational cross-sectional survey design for testing non causal relationships among variables. Stratified random sampling technique was used to select a sample size of 29 travel agencies and 86 tour operators in Mombasa County, Kenya. A cross-sectional survey-based approach was used to collect primary data gathered using self-administered structured questionnaires delivered through the drop and pick method. Data was processed and entered into the statistical package for social sciences (SPSS) version 26 to create a data sheet to be used for analysis. Data was analyzed using descriptive and inferential statistics. Pearson's product moment correlation analysis was performed to confirm or deny the relationship between the variables. Multiple linear regression analysis was used for hypotheses testing. Results showed that dynamic managerial capabilities had direct positive effect on firm performance. The findings indicated that managerial human capital capability, managerial social capital capability, and managerial cognition capability were able to positively and significantly predict firm performance. Managers and policy makers within the travel and tourism sector should to focus on strengthening dynamic managerial capabilities to improve the performance of travel agencies and tour operators as they recover from the COVID-19 crisis. This research generates novel insights into how dynamic managerial capabilities predict firm performance in the context of travel agencies and tour operators. However, the current research has a number of limitations, some of which offer fruitful avenues for future research. Future research could examine into how dynamic managerial capabilities predict firm performance in other sectors or in other regions.

Key words *Dynamic managerial capability, Dynamic managerial cognition capability, Dynamic managerial human capital capability, Dynamic managerial social capital capability, Firm performance*

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INTRODUCTION

Superior business performance is a central objective of any firm in an unpredictable environment (Walter, 2021). Recent literature posits that the travel and tourism are the significant contributors to a leading sector for job creation, socio-economic and cultural development worldwide (Jehan, Batool, Hayat, & Hussain, 2022; Teshome, Dereje, & Asfaw, 2022). However, it is impossible to predict the overall losses incurred by the global tourism, travel and hospitality sector in the context of the rapid spread of the COVID-19 pandemic (Abbas, Mubeen, Iorember, Raza, & Mamirkulova, 2021; Polukhina *et al.*, 2021). With the COVID-19 crisis, the travel agencies and tour operators have suffered a large volume of economic losses (González-Torres *et al.*, 2021; Kimunio & Maingi, 2022). The World Travel and Tourism Council (WTTC, 2021) reports that the travel and tourism sector suffered a loss of almost US$4.5 trillion to reach US$4.7 trillion in 2020, with 62 million jobs lost and contribution to GDP dropping by a staggering 49.1% compared to 2019; relative to a 3.7% GDP decline of the global economy in 2020 (Mohammed, 2022).

The United Nations World Tourism Organization (UNWTO, 2022) anticipates a 20-30% decline in tourist arrivals, a huge blow for sub-Saharan countries (Hambira, Stone, & Pagiwa, 2021; Musango & Rusibana, 2021) whose economies depend on nature-based tourism (El-Said & Aziz, 2022). Recent research posits that the COVID-19 pandemic has significantly impacted businesses worldwide by lowering demand, impeding operations, stressing supply chains, and limiting access to finance (Krammer, 2022). Scholars aver that in the rapid spread of the COVID-19 crisis has adversely affected travel agents and tour operators (McCabe & Qiao, 2020; Muragu, Nyadera, & Mbugua, 2021), with many struggling to survive (Demir *et al.*, 2021) and some being pushed toward bankruptcy (Didier, Huneeus, Larrain, & Schmukler, 2021; Škare, Soriano, & Porada-Rochoń, 2021).

Interestingly, while many travel agencies and tour operators are struggling to survive (Musango & Rusibana, 2021) with some being pushed toward bankruptcy (Demir *et al.*, 2021), some are thriving (Farmaki, 2021). Recent literature asserts that the answer to the strategic management question on why some firms are successful and others are not successful relies on the wealthy dynamic managerial capabilities (Kevill, Trehan, Harrington, & Kars-Unluoglu, 2021; Majhi, Mukherjee, & Anand, 2021).

In the past few decades, the concept of dynamic managerial capabilities has attracted immense interest from researchers in the field of strategic management (Huynh, Wilden, & Gudergan, 2022). The growing interest in this field is partly attributable to the ever-changing and uncertain business environment that continues to reinforce the need for achieving long-term business success (Vrontis, El Chaarani, El Abiad, El Nemar, & Haddad, 2021), resilience (Roh, Swink, & Kovach, 2022) and superior firm performance (Ferraris *et al.*, 2022). Scholars posit that dynamic managerial capabilities are a form of dynamic capabilities concerned with the role of managers in refreshing and transforming the resource base of the firm so that it maintains and develops its competitive advantage and performance (Hermano, Martin-Cruz, & Pajares, 2022). Prior studies avow that the dynamic managerial capabilities refer to the individual-level capabilities of managers and entrepreneurs to reconfigure a firm's resources and competencies in order to ultimately enhance firm performance (Mostafiz, Sambasivan, Goh, & Shakil, 2021).

Despite the substantial body of research on dynamic managerial capabilities so far, there is no consensus among scholars on the underpinnings of dynamic managerial capabilities (D'Souza & Fan, 2022; Haapanen, Hurmelinna-Laukkanen, & Puumalainen, 2020). Some studies disaggregate dynamic managerial capabilities into managerial sensing capability, managerial seizing capability, and managerial reconfiguring capability (Haapanen *et al.*, 2020; Vanderstraeten, Loots, Hamelin, & van

Witteloostuijn, 2020; Vrontis *et al.*, 2021). However, numerous studies posit that the dynamic managerial capabilities derive from managerial human capital capability, managerial social capital capability and managerial cognition capability (Donate, Ruiz-Monterrubio, de Pablo, & Peña, 2020; Heubeck & Meckl, 2021; Huynh *et al.*, 2022; Mehta & Ali, 2021; Mostafiz *et al.*, 2021). Thus far, knowledge about the dynamic managerial capabilities in practice has not been fully explored (Mostafiz, Sambasivan, Goh, & Shakil, 2021).

Extant literature asserts that managerial human capital capability, managerial social capital capability, and managerial cognition capability as the three main underpinnings of dynamic managerial capabilities are heterogeneously distributed among managers, and these differences induce differences in outcomes (Mehta & Ali, 2021). Scholars further aver that the three attributes of dynamic managerial capabilities simultaneously complement each other and yield maximum output by performing a variety of strategic actions (Guajardo Treviño, & Zapata Cantú, 2020). Nevertheless, there is a lack of empirically grounded evidence that comprehensively supports these relationships between managerial human capital capability, managerial social capital capability, managerial cognition capability and firm performance in the context of developing countries (Mostafiz, Sambasivan, Goh, & Ahmad, 2021) especially in travel agencies and tour operators in Kenya.

Statement of the Problem

Superior business performance is a central objective of any firm in an unpredictable environment (Walter, 2021). Recent literature posits that dynamic managerial capabilities enable firms to sustain superior performance over time in the dynamic environment (Mostafiz, Hughes, & Ahsan, 2022). However, it is impossible to predict the overall losses incurred by the global tourism, travel and hospitality sector in the context of the rapid spread of the COVID-19 pandemic (Polukhina *et al.*, 2021). Scholars avow that the travel agencies and tour operators have suffered a large volume of economic losses during COVID-19 pandemic (González-Torres *et al.*, 2021; Kimunio & Maingi, 2022). The World Travel and Tourism Council (WTTC, 2021) reports that the travel and tourism sector suffered a loss of almost US$4.5 trillion to reach US$4.7 trillion in 2020, with 62 million jobs lost and contribution to GDP dropping by a staggering 49.1% compared to 2019; relative to a 3.7% GDP decline of the global economy in 2020 (Mohammed, 2022). The United Nations World Tourism Organization (UNWTO, 2022) anticipates a 20-30% decline in tourist arrivals, a huge blow for sub-Saharan countries (Hambira, Stone, & Pagiwa, 2021; Musango & Rusibana, 2021) whose economies depend on nature-based tourism (El-Said & Aziz, 2022). Scholars posit that the Covid-19 pandemic has adversely affected travel agents and tour operators (Muragu *et al.*, 2021), with many struggling to survive (Demir *et al.*, 2021), and some being pushed toward bankruptcy (Didier *et al.*, 2021; Škare *et al.*, 2021).

Interestingly, while many travel agencies and tour operators are struggling to survive (Musango & Rusibana, 2021) with some being pushed toward bankruptcy (Demir *et al.*, 2021), some are thriving (Farmaki, 2021). Recent literature asserts that the answer to the strategic management question on why some firms are successful and others are not successful relies on the wealthy dynamic managerial capabilities (Kevill *et al.*, 2021; Majhi *et al.*, 2021). However, there is a dearth of empirical evidence on the effect of dynamic managerial capabilities on firm performance in the context of developing countries (Mostafiz, Sambasivan, Goh, & Shakil, 2021), especially in Kenya.

There have been a substantial body of research on dynamic managerial capabilities and firm performance in the context of telecommunications sector in Jordan (Awwad *et al.*, 2019), export-manufacturing firms in apparel industry in Bangladesh (Mostafiz *et al.*, 2021), and small and medium sized enterprises in China (Khan *et al.*, 2019; Khan *et al.*, 2020). However, there is a dearth of empirical evidence on the effect of dynamic managerial capabilities on firm performance in the Kenyan context (Kitenga *et al.*, 2020). Researches on dynamic managerial capabilities still have a rather theoretical nature (Mostafiz *et al.*, 2021), with many aspects still unexplored (Tabares-Penagos, 2021).

Despite the substantial body of research on dynamic managerial capabilities so far, there is a lack of consensus on the effect dynamic managerial capabilities on firm performance (Mostafiz, Hughes, & Sambasivan, 2021). Prior studies on the effect dynamic managerial capabilities on firm performance have reported mixed results or inconsistent results (Widianto, Lestari, Adna, Sukoco, & Nasih, 2021). To date, there is a dearth of empirically grounded evidence that comprehensively supports the relationships between managerial human capital capability, managerial social capital capability, managerial cognition capability and firm performance (Mehta & Ali, 2021; Mostafiz, Musteen, Saiyed, & Ahsan, 2022), in the context of travel agencies and tour operators in Kenya. There is a pressing research need to empirically investigate the effect of dynamic managerial capabilities on firm performance to achieve theoretical legitimacy (Mehta & Ali, 2021). Therefore, this research endeavored to fill these research gaps in the context of context of travel agencies and tour operators in a developing country, Kenya.

Research Objectives

The general objective of this study was to investigate the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The specific objectives were;

- To determine the effect of managerial human capital capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya.
- To find out the influence of managerial social capital capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya.
- To assess the effect of managerial cognition capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

This study tested the following null hypotheses:

- $H_0 1$: Managerial human capital capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.
- $H_0 2$: Managerial social capital capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.
- $H_0 3$: Managerial cognition capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

LITERATURE REVIEW

Theoretical Framework

Resource-Based View Theory

Drawing on the resource-based view (RBV) theory, this study seeks to investigate the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The resource-based view (RBV) theory of the firm founded by Penrose (1959), originally proposed by Wernerfelt (1984) and later developed and refined by Barney (1991) among other scholars has found considerable support in the business literature (Barney, Ketchen Jr, & Wright, 2021). The resource-based view (RBV) theory is a managerial framework used to determine the strategic resources a firm can exploit to achieve sustainable competitive advantage (Bhandari, Ranta, & Salo, 2022; Fuller, 2022; Kruesi & Bazelmans, 2022). Many proponents of the resource-based view (RBV) theory (Barney, 1991; Barney 2018; Conner, 1991; Grant, 1991; Penrose, 1959; Peteraf, 1993; Wernerfelt, 1984; Wernerfelt, 1995) argue that competitive advantage is created from resources and capabilities that are owned and

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controlled within a single organization (Akter *et al.*, 2022; Chen *et al.*, 2022). Scholars opine that a major premise of the resource-based theory is that competitive advantage is a function of the resources and capabilities of the firm (Chaudhuri, Subramanian, & Dora, 2022). The RBV theory focuses on the internal strengths and weaknesses of the firm (Hagen, Risselada, Spierings, Weltevreden, & Atzema, 2022). According to the RBV theory, dynamic managerial capability is a valuable, rare and inimitable (or to put correctly, not perfectly imitable) resource which also has to fulfil the O-criterion of the VRIO-framework to generate superior performance.

Over the past twenty years the DC view has gained prominence in the strategic management field as a theoretical perspective from which to explain competitive advantage in turbulent environments (Steininger, Mikalef, Pateli, & Ortiz-de-Guinea, 2022). The RBV theory of the firm argues that if the resources are valuable, rare, inimitable, non-sustainable, and organized (VRIN-O), the relationship between a firm's resources and sustained competitive advantage is possible (Barney *et al.*, 2021). Extant literature posits that the RBV theory of the firm posits that firms gain competitive advantage through bundles of valuable and rare resources and sustain that advantage over time when such resources are difficult to imitate or non-substitutable by competitors (Gupta, Modgil, Gunasekaran, & Bag, 2020; Sharma, Alkatheeri, Jabeen, & Sehrawat, 2022). Based on the RBV theory, scholars argue that dynamic managerial capabilities are valuable intangible resources that enable firms to sustain superior performance over time in the dynamic environment (Mostafiz, 2020; Tabares-Penagos, 2021; Treviño & Cantú, 2020). Scholars posit that according to the RBV theory, dynamic managerial capabilities form the basis for differential firm performance (Mostafiz *et al.*, 2022). In particular, the RBV theory emphasize the role of managerial human, managerial social and managerial cognition capabilities for achieving business objectives and superior firm performance (Khan *et al.*, 2020; Mostafiz *et al.*, 2021).

Therefore, the RBV theory provides a conceptual framework to assess the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

Although the RBV theory of the firm has become one of the most influential and cited theories in the history of management theorizing aspires to explain the internal sources of a firm's sustained competitive advantage (Felsberger *et al.*, 2020; Karim, Nahar, & Demirbag, 2022), the theory has attracted numerous criticisms (Makhloufi, Laghouag, Meirun, & Belaid, 2022). The main criticisms pertain to the assertion that the RBV has no managerial implications, the RBV implies infinite regress, the RBV's applicability is too limited, sustained competitive advantage is not achievable, the value of a resource is too indeterminate to provide a useful theory, VRIN/O is neither necessary nor sufficient, and the definition of resource is unworkable (Lahy, 2020). However, while the first five critiques do not really threaten the RBV theory's status, the last three critiques offer more serious challenges that need to be dealt with if the RBV theory is to realize more fully its potential to explain SCA, especially beyond predictable stable environments (Kruesi & Bazelmans, 2022). Scholars posit that the shortcomings of the RBV theory led to the evolution of the dynamic capabilities theory to deal with the changes occurring in the rapidly in changing environments (Chatterjee, Chaudhuri, & Vrontis, 2021).

Dynamic Capabilities Theory

Drawing on the dynamic capabilities theory (DC) theory, this study seeks to investigate the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The DC theory is an extension of the RBV theory (Chien & Tsai, 2021). Many proponents of the DC theory (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997) aver that the DC theory emerged as both an extension to and a reaction against the inability of the RBV theory (Ferreira, Coelho, & Moutinho, 2020) to interpret the development and redevelopment of resources and capabilities to address rapidly changing environments (Bag, Gupta, & Kumar, 2021). Extant literature posits that Teece *et al.* (1997) proposed DC theory as a means of potentially overcoming some of the weaknesses of the RBV theory by renewing and reconfiguring assets and capabilities of the firm to ensure that they continue to provide benefits and competitive advantage (Makhloufi *et al.*, 2022). Scholars consider the DC theory as extension for RBV to deal with the changes that occur in the highly turbulent environments due to digital technologies (Chatterjee, Chaudhuri, & Vrontis, 2021; Ortiz, García, Gardó, & Vivas, 2021).

The DC theory suggests that firms should develop the ability to build, integrate, and reconfigure resources and competencies to achieve competitive advantages (van de Wetering & Besuyen, 2021). The dynamic capabilities theory describes dynamic capabilities as internalized patterns of organizational activities through which an organization acquires and modifies its operating routines to enhance its effectiveness (Bianchi, Testa, Tessitore, & Iraldo, 2022). According to the DC theory, dynamic managerial capabilities are a form of dynamic capabilities concerned with the role of managers in refreshing and transforming the resource base of the firm so that it maintains and develops its competitive advantage and performance (Hermano *et al.*, 2022). The DC theory addresses the particular shortcomings of the RBV theory (Faroque, Mostafiz, Kuivalainen, & Sundqvist, 2020; Dovbischuk, 2022) as a means for firms to evolve in changing environments and maintain a competitive advantage (Faroque, Mostafiz, Faruq, & Bashar, 2020; van de Wetering & Besuyen, 2021). Therefore, the DC theory concerns the development of strategies for senior managers of successful companies to adapt to radical discontinuous change, while maintaining minimum capability standards to ensure competitive survival (Falahat, Lee, Soto-Acosta, & Ramayah, 2021; Kruesi & Bazelmans, 2022). Drawing on the DC theory, researchers argue that managers differ in terms of the dynamic managerial capabilities (Holzmayer & Schmidt, 2020; Tabares-Penagos, 2021), and these differences induce differences in performance outcomes, because these are unevenly distributed among managers (Khan *et al.*, 2020). Furthermore, scholars avow that according to the DC theory, firms whose managers have superior dynamic managerial capabilities can adapt and change more successfully than firms whose managers have less effective or no dynamic managerial capabilities (Gerulaitiene *et al.*, 2020; Mostafiz *et al.*, 2022).

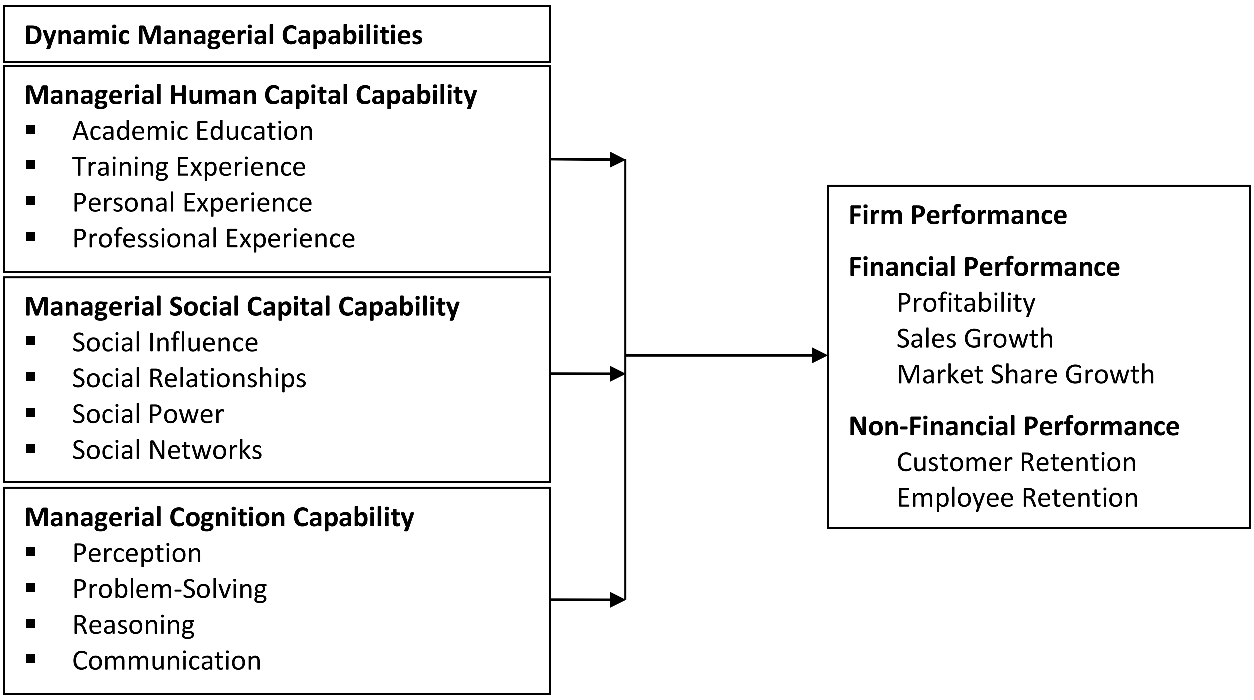
The DC theory has been one of the most influential theories and perspectives in the study of strategic management that attempts to explain, by extending the RBV, the processes through which a firm evolves in changing environments and maintains a competitive edge (Ciampi, Demi, Magrini, Marzi, & Papa, 2021). However, while the DC theory remains very helpful when addressing how to respond to the business changing environment, the theory has attracted certain criticisms (Steininger *et al.*, 2022). The major criticisms of the DC theory pertain to the assertions that the DC are difficult to identify and/or operationalize, and measure empirically, and in some cases, the very capabilities can lead to a core capability becoming core rigidity, and that the DC theory is vague and tautological (Collis, Anand, & Field, 2021).

Dynamic Managerial Capabilities Theory

Drawing on the dynamic managerial capabilities (DMC) theory, this study seeks to investigate the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The DMC theory is an extension of the DCV theory (Kawai, 2022). The proponents of the DMC theory (Adner & Helfat, 2003; Felin & Foss, 2005; Helfat & Martin, 2015; Kawai, 2018a; Kawai, 2018b; Kawai, 2019a; Kawai, 2019b) suggest that differences in DMC are relevant sources of heterogeneity in firm performance under conditions of change (Kawai, 2020).

The DMC theory posits managers differ in terms of the managerial human capital, managerial social capital, and managerial cognition capabilities, because these are unevenly distributed among managers (Khan *et al.*, 2020) and these differences induce differences in performance outcomes (Kawai & Nakamura, 2020; Valente, 2022). Therefore, according to DMC theory it is important to understand the DMCs and their evolution in order to explain capabilities differences among managers and hence sustained firm performance. According to the DMC theory, managerial human capital, managerial social capital, and managerial cognition capabilities are the particular dynamic managerial capabilities of managers and entrepreneurs to reconfigure a firm's resources and competencies in order to ultimately enhance firm performance (Hermano *et al.*, 2022).

The DMC theory postulates that firms whose managers have superior dynamic managerial capabilities can adapt and change more successfully than firms whose managers have less effective or no DMCs, which in turn, has implications for competitive advantage and disadvantage as firms and industries evolve (Kawai, 2019a; Mostafiz *et al.*, 2021). Prior research posits that the DMC theory is a useful theoretical framework to understand how managerial cognition, human capital and social capital as underpinnings of dynamic managerial capabilities, may explicate heterogeneity in managerial decisions, which in turn may lead to variance in business performance (Kawai, 2019b; Valente, 2022). According to the DMC theory, heterogeneity in DMC explains differences in managerial actions and decisions and hence differences in sustained firm performance (Mehta & Ali, 2021). Therefore, the DMC theory is a useful theoretical framework to understand how dynamic managerial capabilities contribute to firm performance in travel agencies and tour operators in Mombasa County, Kenya.



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Review of Literature on Variables

Managerial human capital capability refers to the managers' skills and knowledge, which have been

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shaped by their education, and personal and professional experience (Mostafiz *et al.*, 2021). Researchers opine that managerial human capital capability provides the capacity to identify potential opportunities and consider chances to capture the opportunity (Shela, Ramayah, & Hazlina, 2021) and enable managers to determine what they need to materialize and realize the opportunity in foreign markets (Mehta & Ali, 2021). Scholars also posit that managerial human capital capability is built upon a manager's academic qualification, prior managerial and entrepreneurial experience, and prior training (Khan *et al.*, 2020).

Managerial social capital capability refers to the managers' relationships and connections that can confer some degree of influence, control, and power (Mostafiz *et al.*, 2021). Extant literature posits that managerial social capital capabilities provide managers with conduits for information that may be helpful to sense new opportunities and enable them to seize and reconfigure other resources and capabilities (Khan *et al.*, 2020). Scholars avow that the concept of managerial social capital capability reflects the idea that social ties, for instance, friendships, and social club memberships, and the goodwill that these ties may confer, are transferred to other settings such as work (Mehta & Ali, 2021).

Managerial cognition capability refers to the belief systems, mental models, and interpretive frames used to make decisions (Mehta & Ali, 2021). Research posits that managerial cognition capability helps managers to adapt to international contextual dynamism, reconfigure their mental models, and, thus, sense and seize opportunities (Kawai, 2020). Scholars opine that managerial cognition capability is the mental model, set of beliefs, mindset and the knowledge structure of the managers which are meant to deliver critical strategic decision regarding strategic choices (Khan *et al.*, 2020) to accumulate and process knowledge to achieve superior performance (Kawai, 2022).

Firm performance is a core theme in strategic management research. Scholars opine that firm performance as the firm's ability to increase market share, operate efficiently, and improve services, products, or sales, innovative practices, and overall profit shares (Walter, 2021). Researchers also aver that firm performance is the set of financial and nonfinancial indicators which provide information on the degree of achievement of set goals and objectives (Úbeda-García, Claver-Cortés, Marco-Lajara, & Zaragoza-Sáez, 2021). Extant literature posits that financial performance indicators are expressed in monetary terms, while non-financial performance indicators such as customer retention, employee retention, are not expressed in monetary terms, and are characterized by greater subjectivity in regards to financial measures (Yoo, 2021). Therefore, firm performance as the dependent variable, was measured using financial indicators and non-financial performance indicators.

Empirical Review

Anchored on the DMC theory, Mostafiz *et al.* (2021) empirically investigated the relationships between managerial human capital and international performance in manufacturing firms in apparel industry operating in an emerging economy in Bangladesh. The research utilized a survey-based approach to collect data and structural equation modelling analysis to test the hypothesized model. With an empirical study of 329 export-manufacturing firms, results suggested that the direct effect of managerial human capital on financial and non-financial performances were significant.

Drawing on the RBV theory and DCV theory, Khan *et al.* (2020) empirically investigated the influence of managerial human capital on innovation performance in small and medium sized enterprises in Hefei, Anhui province in China. The study employed a cross-sectional survey research design and structural equation modelling to test the proposed hypotheses. With 429 responses received, results indicated that managerial human capital capability had a positive and significant influence on innovation performance.

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Anchored on the DMC theory, Mostafiz *et al.* (2019b) empirically investigated the relationships between managerial human capital and international performance in manufacturing firms in apparel industry operating in an emerging economy in Bangladesh. The study utilized a survey-based approach to collect data and structural equation modeling analysis to test the hypothesized model. Based on a sample of 365 export-manufacturing firms, results showed that managerial human capital had insignificant impact on financial and non-financial performance.

Drawing on the DMC theory, Mostafiz *et al.* (2021) empirically investigated the relationships between managerial social capital and international performance in manufacturing firms in apparel industry operating in an emerging economy in Bangladesh. The research utilized a survey-based approach to collect data and structural equation modelling analysis to test the hypothesized model. With an empirical study of 329 export-manufacturing firms, results revealed that managerial social capital had a direct significant effect on financial and non-financial performances.

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Anchored on the DMC theory, Mostafiz *et al.* (2021) empirically investigated the relationships between managerial cognition and international performance in manufacturing firms in apparel industry operating in an emerging economy in Bangladesh. The research utilized a survey-based approach to collect data and structural equation modelling analysis to test the hypothesized model. With an empirical study of 329 export-manufacturing firms, results revealed that the direct effect of managerial cognition on non-financial performance was significant, while the direct effect of managerial cognition on financial performance was non-significant.

Drawing on the RBV theory and DCV theory, Khan *et al.* (2020) empirically investigated the influence of managerial cognition on innovation performance in small and medium sized enterprises in Hefei, Anhui province in China. The study employed a cross-sectional survey research design and structural equation modelling to test the proposed hypotheses. With 429 responses received, results indicated that managerial cognition had a positive and significant influence on innovation performance.

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Drawing on DMC theory, Tasheva and Nielsen (2020) examined the role of global managerial cognition in the pursuit of international strategy and superior firm performance in Australia. Results showed that global managerial cognition leads to global asset orchestration, which in turn, results in superior firm performance in a two-stage process. in the first stage, results suggested that global managerial cognition leads companies to adopt global strategies that spread the risk of internationalizations across different entry modes and geographic regions. In the second stage, results indicated that in the second stage, the reconfiguration of global assets positively influences subsequent firm performance and thus mediates the relationship between global managerial cognition and firm performance.

METHODOLOGY

Anchored on the positivist research philosophy, this paper adopted a quantitative non-experimental research methodology in order to statistically test the hypotheses. Drawing on the quantitative non-experimental research methodology, the research utilized a correlational cross-sectional survey research design. The target population consisted of the 40 travel agencies and 121 tour operators in Mombasa County, Kenya. The travel agencies and tour operators were the unit of analysis.

However, the unit of observation was the managing directors, because they are presumed to understand their firm performance goals and strategic direction of the tours and travel companies. The sampling frame was the list of the 40 travel agencies and 121 tour operators in Mombasa County, Kenya as per the Tourism Regulatory Authority (2022) database. As the target population was heterogeneous, stratified random sampling technique was used to select a sample size of 115 comprising 29 travel agencies and 86 tour operators in Mombasa County, Kenya. The Yamane (1967)'s formula was used to determine the desired sample size. A self-administered structured questionnaire anchored on a 5-point Likert as the means of collecting primary data. The data collection method was preferred, because it allowed respondents to complete the questionnaires themselves (Saunders & Kulchitsky, 2021). A cross-sectional survey-based approach was used to collect primary data. Through the drop and pick method, the researcher and three research assistants distributed a copy of the self-administered structured survey questionnaire to each of the 115 managing directors of the sampled 29 travel agencies and 86 tour operators in Mombasa County in Kenya.

A pilot study was conducted to ascertain the validity and reliability of the constructed survey questionnaire. The collected data was checked for accuracy, completeness and consistency. The data was coded, edited, and entered into the Statistical Package for Social Sciences (SPSS) version 26 to create a data sheet that was used for analysis. Data obtained were analyzed using descriptive and inferential statistics. Descriptive analysis of the collected data was conducted to compute, summarize the data in respect to each variable, and describe the sample's characteristics. The Pearson's product moment correlation analysis was performed to confirm or deny the relationship between managerial human capital capability, managerial social capital capability, managerial cognition capability, and firm performance. Multiple linear analysis was conducted with managerial human capital capability, managerial social capital capability, and managerial cognition capability predicting firm performance.

The multiple linear regressions model utilized to investigate the investigate the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County in Kenya was specified as:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$ ..... Model 1

Where:
Y = Firm Performance
β_0 = Constant Term

X_1 = Managerial Human Capital Capability

X_2 = Managerial Social Capital Capability

X_3 = Managerial Cognition Capability

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$\beta_1 - \beta_4$ = Regression Coefficients to be estimated

ε = Stochastic Error Term

FINDINGS

A total of 35 survey questionnaires were distributed for the pilot study through the drop and pick method by the researcher to the managing directors of the 9 travel agencies and 26 tour operators in Mombasa County, Kenya. However, only 30 usable survey questionnaires were received. Therefore, the response rate was 86%, which was sufficient for data analysis and reporting purposes.

A total of 115 survey questionnaires were distributed for the main study through the drop and pick method by the researcher to the managing directors of the 29 travel agencies and 86 tour operators in Mombasa County, Kenya. However, only 107 usable survey questionnaires were received. Therefore, the valid response rate was 93%, which in line with Creswell (2020) was sufficient for data analysis and reporting purposes. Table 1 presented the response rate results.

Face validity was ensured by conducting extensive literature survey on the research problem and strengthened by developing the survey questionnaire based on validated scales. The researcher shared the draft survey questionnaire with an expert panel of five judges in the field of strategic management to judge whether, on the face of it, the questionnaire covered and measured the concepts it purported to measure. Results revealed that on the face of it, the draft survey questionnaire covered and measured the concepts it purported to measure. Their feedback related to the wording of some of the statements, the structure, and the layout of the survey questionnaire.

Content validity was ensured by employing adapted scales considered appropriate in previous studies. For content validity test, the researcher shared the draft survey questionnaire with an expert panel of five judges in the field of strategic management to judge whether, in the field of strategic management to judge whether, it measured the concepts it purported to measure and whether the relevant content domain for all the constructs had been covered. Responses provided by the expert panel judges were analyzed to establish the percentage representation using the content validity index. The results showed that the content validity index was 0.938 and the congruency percentage was 93.8%, signifying content validity. Table 1 presented the content validity test results.

Sampling adequacy was measured using both the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity. Sampling adequacy was measured using both the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity. Results showed that the KMO Measure of Sampling Adequacy was 0.826, greater than 0.7, while the Bartlett's Test of Sphericity was significant (Approx. Chi-Square = 517.248; df = 6; $p \leq 0.001$), confirming the appropriateness of the data for factor analysis. Scholars assert that a KMO statistic of greater than 0.7, and an associated Bartlett's p-value of less than or equal to 0.05, and an Anti-image correlation statistic of greater than 0.6 indicates that an adequate correlation exists to justify factor analysis (Hair *et al.*, 2020). Table 1 presented the results of the Kaiser-Meyer-Olkin (KMO) test of Sampling Adequacy and Bartlett's test of Sphericity.

Table 1: KMO Test of Sampling Adequacy and Bartlett's Test of Sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.826
Bartlett's Test of Sphericity	Approx. Chi-Square	517.248
	df	6
	Sig.	0.000

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Correlation Analysis Results

The Pearson's product moment correlation analysis was performed to confirm or deny the relationships between managerial human capital capability, managerial social capital capability, managerial cognition capability and firm performance in travel agencies and tour operators in Mombasa County, Kenya. Results showed that firm performance had a statistically significant moderate positive linear relationship with managerial human capital capability (r = 0.570, p≤ 0.01), managerial social capital capability (r = 0.736, p≤ 0.01), and managerial cognition capability (r = 0.721, p≤ 0.01). Table 2 presented the Pearson's product moment correlation results.

Table 2: Correlations Results

Variable		X_1	X_2	X_3	Y
Managerial Human Capital Capability (X_1)	Pearson Correlation	1	.478**	.307**	.570**
	Sig. (2-tailed)		.000	.001	.000
	n	107	107	107	107
Managerial Social Capital Capability (X_2)	Pearson Correlation	.478**	1	.538**	.736**
	Sig. (2-tailed)	.000		.000	.000
	n	107	107	107	107
Managerial Cognition Capability (X_3)	Pearson Correlation	.307**	.538**	1	.721**
	Sig. (2-tailed)	.001	.000		.000
	n	107	107	107	107
Firm Performance (Y)	Pearson Correlation	.570**	.736**	.721**	1
	Sig. (2-tailed)	.000	.000	.000	
	n	107	107	107	107

**. Correlation is significant at the 0.01 level (2-tailed).

Multiple Regression Analysis Results

Standard multiple regression analysis was performed with firm performance as the dependent variable and managerial human capital capability, managerial social capital capability, and managerial cognition capability as the predictor variables. The standard multiple regression analysis was performed to test to what extent, if any, the three dynamic managerial capabilities significantly predict firm performance.

Model Summary

From the model summary table, it also clear that the Durbin-Watson test had a value of 2.000, falling within the optimum range of 1.5 to 2.5, evidence that there was no autocorrelation detected in the in the residual values in the datasets (Hair *et al.*, 2020). From the model summary in table, it is also clear that the value of coefficient of correlation (R) was 0.860, while the value of coefficient of determination (R^2) was 0.740, and the value of the adjusted R^2 was 0.732. The results suggested that three dynamic managerial capabilities could predict and explain approximately 73.2% of the variance in the firm performance in travel agencies and tour operators in Mombasa County, Kenya. The results further suggest that the remaining 26.8% of the variance in the firm performance can be explained by other factors that are not in the model. Therefore, future researches should be conducted to discover the other variables that also predict firm performance in travel agencies and tour operators in Mombasa County, Kenya. Based on the ANOVA table results, the Durbin-Watson statistic was 2.000, suggesting that the assumption of autocorrelation was not violated. Table 3 presented the model summary results.

Table 3: Model Summary[b] Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.860[a]	.740	.732	.190	2.000

a. Predictors: (Constant), Managerial cognition capability (X_3), Managerial human capital capability (X_1), Managerial social capital capability (X_2)

b. Dependent Variable: Firm performance (Y)

Analysis of Variance

From the ANOVA (Analysis of Variance) table, it is clear that the overall standard multiple regression model (the model involving constant, managerial human capital capability, managerial social capital capability, and managerial cognition capability), achieved a high degree of fit, as reflected by R = 0.860, R^2 = 0.740, adj. R^2 = 0.732, F (3, 106) = 97.741, p<0.001. Results showed that the model was significant in predicting the relationship between the study variables. Therefore, the null hypothesis was rejected. The results implied that the three dynamic managerial capabilities, namely managerial human capital capability, managerial social capital capability, and managerial cognition capability positively and significantly predicted firm performance in travel agencies and tour operators in Mombasa County, Kenya. Table 4 presents the ANOVA results.

Table 4: ANOVA[a] Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.609	3	3.536	97.741	.000[b]
	Residual	3.727	103	.036		
	Total	14.335	106			

a. Dependent Variable: Firm performance (Y)

b. Predictors: (Constant), Managerial cognition capability (X_3), Managerial human capital capability (X_1), Managerial social capital capability (X_2)

Multiple Regression Coefficients

From the coefficients table results, the tolerance values for managerial human capital capability, managerial social capital capability, and managerial cognition capability were 0.768, 0.602, and 0.707, respectively and were > 0.1, while the Variance Inflation Factor (VIF) values were 1.303, 1.660, and1.414, respectively and were < 10, thus the assumption of absence of multicollinearity was not violated. Table 5 presents the multiple regressions coefficients results.

From the multiple regression coefficients table, it is also clear that the multiple regression model obtained that best predicted firm performance as a linear function of managerial human capital capability, managerial social capital capability, and managerial cognition capability was:

$Y = 1.579 + 0.438\,X_1 + 0.175\,X_2 + 0.519X_3 + 0.407X_4$

The multiple regression model suggests that holding all factors in to account (managerial human capital capability, managerial social capital capability, and managerial cognition capability), constant at zero, firm performance would be 11.519. Besides, the model suggests that a unit increase in managerial human capital capability would lead to 0.150 units increase in firm performance in travel agencies and tour operators in Mombasa County, Kenya. The model also suggests that a unit increase in managerial social capital capability 0.218 units increase in firm performance in travel agencies and tour operators in Mombasa County, Kenya. Furthermore, the model also suggests that a unit increase in managerial cognition capability would lead to 0.237 units increase in firm performance in travel agencies and tour operators in Mombasa County, Kenya.

From the coefficients table, it is also clear that managerial human capital capability had a statistically significant positive effect on firm performance (β = 0.254; t = 4.423 ≥ 1.96; p = 0.001 ≤ 0.05) in travel agencies and tour operators in Mombasa County, Kenya. The findings showed that managerial social capital capability had a statistically significant positive effect on firm performance (β = 0.378; t = 5.847 ≥ 1.96; p = 0.001 ≤ 0.05) in travel agencies and tour operators in Mombasa County, Kenya. The results showed that managerial cognition capability had a statistically significant positive effect on firm performance (β = 0.440; t = 7.359 ≥ 1.96; p = 0.001 ≤ 0.05) in travel agencies and tour operators in Mombasa County, Kenya. Based on the coefficients table results, it is clear that among the three dynamic managerial capabilities, managerial cognition capability was the best predicator of firm performance, followed by managerial social capital capability and managerial human capital capability. Table 5 presented the multiple regressions coefficients results.

Table 5: Multiple Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.579	.138		11.427	.000		
	Managerial Human Capital Capability (X_1)	.150	.034	.254	4.423	.000	.768	1.303
	Managerial Social Capital Capability (X_2)	.218	.037	.378	5.847	.000	.602	1.660
	Managerial Cognition Capability (X_3)	.237	.032	.440	7.359	.000	.707	1.414

a. Dependent Variable: Firm performance (Y)

Hypotheses Test Results

To test the research hypotheses, a standard multiple linear analysis was performed. The research hypotheses were tested at 5% level of significance, α = 0.05, t = 1.960, and 95% confidence level. Therefore, the decision rule was to reject the null hypothesis, H_0i if the P ≤ 0.05, and if otherwise fail to reject the null hypothesis, H_0i if the P > 0.05.

$H_0$1 predicted that showed that managerial human capital capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Multiple regression results showed that managerial human capital capability had a statistically significant positive effect on firm performance (β = 0.254; t = 4.423 ≥ 1.96; p = 0.001 ≤ 0.05) in travel agencies and tour operators in Mombasa County, Kenya, hence the $H_0$1 was rejected in favor of $H_1$1. Therefore, managerial human capital capability has a significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

$H_0$2 predicted that showed that managerial social capital capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Multiple regression results showed that managerial social capital capability had a statistically significant positive effect on firm performance (β = 0.378; t = 5.847 ≥ 1.96; p = 0.001 ≤ 0.05) in travel agencies and tour operators in Mombasa County, Kenya, hence the $H_0$2 was rejected in favor of $H_1$2. Therefore, managerial social capital capability has a significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

$H_0$3 predicted that showed that managerial cognition capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Multiple regression results showed that managerial cognition capability had a statistically significant positive effect on firm performance ($\beta = 0.440$; $t = 7.359 \geq 1.96$; $p = 0.001 \leq 0.05$) in travel agencies and tour operators in Mombasa County, Kenya, hence the H_03 was rejected in favor of H_13. Therefore, managerial cognition capability has a significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Table 6 presents summary of the hypotheses testing results.

Table 6: Hypotheses Test Results

Hypothesis	β	t	Sig.	Decision
H_01: Managerial human capital capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.	.254	4.423	.000	Reject the H_01
H_02: Managerial social capital capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.	.378	5.847	.000	Reject the H_02
H_03: Managerial cognition capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.	.440	7.359	.000	Reject the H_03

Discussions

The purpose of this quantitative correlational study was to investigate the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Specifically, the research sought to examine the effect of managerial human capital, managerial social capital, and managerial cognition on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The theoretical framework supporting the model of this research was based on the resource-based view theory, the dynamic capabilities theory, and the dynamic managerial capabilities theory. The results showed that the multiple linear regression model (the model involving constant, managerial human capital capability, managerial social capital capability, and managerial cognition capability) as a whole was able to significantly predict firm performance in travel agencies and tour operators in Mombasa County, Kenya.

The results indicated that managerial human capital capability positively and significantly predicted firm performance in travel agencies and tour operators in Mombasa County, Kenya. The results are consistent with previous studies (Awwad *et al.*, 2019; Khan *et al.*, 2019; Mehta & Ali, 2021; Mostafiz *et al.*, 2019a; Mostafiz *et al.*, 2019c; Mostafiz *et al.*, 2021; Tasheva & Nielsen, 2020). However, the findings are inconsistent with Mostafiz *et al.* (2019b)'s research which showed that managerial human capital had an insignificant effect on financial and non-financial performance in garment export-manufacturing firms in Bangladesh. The results indicated that managerial social capital capability positively and significantly predicted firm performance in travel agencies and tour operators in Mombasa County, Kenya. The findings are in harmony with prior empirical studies (Awwad *et al.*, 2019; Khan *et al.*, 2019; Khan *et al.*, 2020; Mostafiz *et al.*, 2019a; Mostafiz *et al.*, 2019c; Mostafiz *et al.*, 2021). The results showed that managerial cognition capability positively and significantly predicted firm performance in travel agencies and tour operators in Mombasa County, Kenya. The findings are in congruence with prior empirical studies (Adna & Sukoco, 2020; Khan *et al.*, 2020; Khan *et al.*, 2019; Mostafiz *et al.*, 2019b; Mostafiz *et al.*, 2019c).

CONCLUSION AND RECOMMENDATIONS

The purpose of this quantitative non-experimental correlational research was to investigate the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators

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in Mombasa County, Kenya. The research found that dynamic managerial capabilities positively and significantly predicted firm performance in travel agencies and tour operators in Mombasa County, Kenya. Specifically, the research sought to examine the effect of managerial human capital, managerial social capital, and managerial cognition on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The research found that managerial human capital, managerial social capital, and managerial cognition positively and significantly predicted firm performance in travel agencies and tour operators in Mombasa County, Kenya.

The purpose of this quantitative non-experimental correlational research was to investigate the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The research concluded that dynamic managerial capabilities positively and significantly predicted firm performance in travel agencies and tour operators in Mombasa County, Kenya. Specifically, the research sought to examine the effect of managerial human capital, managerial social capital, and managerial cognition on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The research concluded that managerial human capital, managerial social capital, and managerial cognition positively and significantly predicted firm performance in travel agencies and tour operators in Mombasa County, Kenya.

From the findings of this research, the research recommends that managers to improve the performance of travel agencies and tour operators as they recover from the COVID-19 crisis.

From the findings of this research, the research recommends that policy makers within the travel and tourism sector should to revise polices so that are more appropriate for the development of dynamic managerial capabilities namely managerial human capital, managerial social capital, and managerial cognition for travel agencies and tour operators to foster firm performance as they recover from the COVID-19 crisis.

Limitations and Future Research

This research paper generates novel insights into how dynamic managerial capabilities predict firm performance. However, the current research has a number of limitations, that need to be taken into consideration.

First, the research was limited to the travel agencies and tour operators in the travel and tours sector in Mombasa County, Kenya. Consequently, caution should be taken when attempting to generalize the results beyond the travel and tours sector or in other regions. Future research could examine into how dynamic managerial capabilities predict firm performance in other sectors or in other regions.

Second, the research was contextually limited to only three dynamic managerial capabilities, namely managerial human capital, managerial social capital, and managerial cognition. Future research could investigate other important dynamic managerial capabilities and their effect on firm performance.

Third, because this research paper relied on a cross-sectional survey design, no inferences about the causality of relationships can be made. Future researchers should consider conducting a longitudinal study on dynamic managerial capabilities and firm performance.

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