



**AUTONOMY AND PERFORMANCE OF STAR RATED HOTELS IN NORTH RIFT REGION, KENYA: MODERATING
ROLE OF DYNAMIC CAPABILITIES**

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ABSTRACT

Global competition poses a challenge to hoteliers forcing them to reposition themselves strategically through entrepreneurial orientation to improve their performance. In Kenya, the performance of hotels continues to worsen courtesy of the poor entrepreneurial orientation (EO) to survive hostile political, social, economic and institutional environment. However, most studies on Dynamic capabilities (DCs) and autonomy have been conducted in developed countries. In this regard, this study was designed to assess the effect of autonomy on performance of star rated hotels in North Rift Region, Kenya: moderating role of dynamic capabilities. The study was grounded on stakeholders' theory. The study adopted explanatory research design based on samples drawn from across the star rated hotels in North Rift Region. The target population was 575 administrative and service employees of star rated hotels. Stratified and simple random sampling technique was adopted besides using Taro Yamane (1967) formula to calculate the sample size of 278 respondents from the target population. Data was collected by use of self-administered structured questionnaire and was analysed by use of both descriptive and inferential statistics using SPSS version 25. The findings showed that autonomy explained a variation of performance of star rated hotels. After the inclusion of dynamic capabilities as a moderator, findings from hierarchical regression analysis showed that there is an increase in variation of performance of star rated hotels as explained by autonomy. The study concludes that dynamic capabilities significantly moderate the effect of autonomy on performance of star rated hotels. This implies that by implementing autonomy alongside DC basing on the stakeholders' theory, the star rated hotels stands to improve on their performance. Therefore, star rated hotels to analyse their strategic orientation and pay more attention in addressing autonomy besides dynamic capabilities for purposes of increasing their performance. This will give the internal stakeholders a greater sense of ownership and control over business operations as a source of opportunities, innovations and competitive advantage. The findings of this study are likely to help the management of star rated hotels and other stakeholders to strengthen autonomy and DC to remain competitive for maximal performance for economic development and realization of Vision 2030.

Key: Autonomy, Business Performance and Dynamic Capabilities

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BACKGROUND

Global competition poses a challenge to hoteliers forcing them to reposition themselves strategically through entrepreneurial orientation to improve their performance. In this regard hotels should invest in entrepreneurial autonomy amongst its staff to promote creativity and participation for business performance. Kakar (2018) opines that autonomy spurs creativity and involvement, which brings a positive impact on team cohesion which translates to organizational performance. Entrepreneurial autonomy plays a pivotal role for achieving strategic advantages and entrepreneurial outcomes (Lumpkin, Cogliser & Schneider, 2009). However, companies are able to sense changes in the market and take opportunities by reconfiguring their resources and competences, which is an expression of the development of their dynamic capabilities (Harreld, O'Reilly III, & Tushman, 2007).

Autonomy is associated with organization freedom and flexibility, which concern to encourage the organizational members to develop entrepreneurial initiative (Johansson, Keränen, Hinterhuber, Liozu, & Andersson, 2015). It also reflects the strong desire of a person to have freedom in the development of an idea and in its implementation (Lumpkin et al., 2009). In general, it means the ability and will to be self-directed in the pursuit of opportunities. In the context of organization, autonomy refers to the relationship between units and sub-units on making decision and goal setting (Morgan, Katsikeas, & Vorhies, 2012). A move towards a more autonomous and empowered work culture may help employees avoid the consequences of powerlessness. Employees who feel they can act with autonomy in their day-to-day work environment tend to have a stronger job performance, higher job satisfaction and greater commitment to the organisation. Nearly half of employees would give upto 20% for greater control over how they work (www.pwc.com., n.d.).

The agency theory argues that the actors who engage in opportunistic and self-maximizing behaviors expect to develop autonomy beyond that

the owner provides (Cavanagh, Freeman, Kalfadellis, & Herbert, 2017). Past research has generally confirmed the positive effect of autonomy on firm performance (Lumpkin, Cogliser, & Schneider, 2009). As pointed out by Lumpkin et al. (2009), autonomy in strategic entrepreneurship enables advantage-seeking behaviors by allowing exploration of opportunities (Stevenson & Jarillo, 1990) and redeploying of resources (Zahra, 1993). Lumpkin and Dess (1996), autonomy remain inconclusive on firm performance. Zheng (2018) notes that while autonomy is an essential component of EO, its impact could be diminished or amplified by conditions such as potential slack and environmental dynamism. In this study focused on the effect of autonomy on performance of star rated hotels in North Rift Region, Kenya; the moderating role of dynamic capabilities.

Study Objectives

This study was guided by the following objectives

- To find out the effect of autonomy on the performance of star rated hotels in North Rift Region, Kenya
- To analyse the moderating role of dynamic capabilities on the performance of star rated hotels in North Rift Region, Kenya

LITERATURE REVIEW

Autonomy Dynamic Capabilities and Business Performance

No business organization can operate successfully in isolation without dependence on supportive institutions, variables and factors (Oginni, 2010). In fine, businesses exist and operate within an environment where there is a multifaceted interplay of activities as well as networks of relationship between and among human resources, material resources and other systems. In this regard, there is need for hotels to direct their attention to the environment when formulating strategies to adapt to dynamics in business environment for facilitate survival, growth and profit motives. Continuous improvement of the service provided, enable hotel companies to integrate, reconfigure and constantly

renew their resources and capabilities, as Ali et al. (2020) propound. Acikdilli and Ayhan (2013) notes that an integration of two focal construct dynamic capabilities and entrepreneurial orientation is key to service and product development. Entrepreneurial orientation and Continuous improvement of the service provided, enables hotel companies to integrate, reconfigure and constantly renew their resources and capabilities for improved performance (Ali et al.,2020).

Kusumawardhani, McCarthy and Perera (2012) studied the effect of autonomy on performance of SMEs in Indonesia. They looked at two entrepreneurial orientation dimensions, which included autonomy and innovativeness. Findings from the quantitative data analysis confirmed that autonomy and innovativeness were adopted by Indonesian SMEs. However, these EO dimensions were found to have no significant relationships with firm performance. Qualitative data analysis clarified these findings, indicating that autonomy has not been utilized fully in these companies due to the cultural background of the managers/owners. For innovativeness, the characteristics of the sample industry contributed to the innovation behaviour demonstrated by respondents. However, the study was not conducted in the hospitality sector in the Kenyan content, but in SMEs in Indonesia.

Chang and Wong (2006) empirically tested a managerial discretion model that posited that overall firm performance depended on the degree to which task autonomy, contractual control and management compensation influenced the managerial discretion exercised in international joint ventures (IJVs). With survey data from 136 IJVs in China, the authors identified that relationship between the level of organizational commitment of IJV managers and the exploitation of firm-specific capabilities tended to increase when managers had the necessary levels of discretion. The findings suggested that contractual control did not engender a statistically significant relationship between greater managerial discretion and superior firm performance. The study contributed to strategic

management and managerial capitalism theory in that, as IJV managers gained more managerial discretion, their task autonomy and compensation positively mediated the relationship between this discretion and performance. However, in this study, autonomy was studied as a mediator and not a predictor of firm's performance. Besides, autonomy was studied together with other variables. Unlike this study where autonomy was studied as the only variable predicting performance.

Xiaoyang (2007), studied the relationship between firms' use of incentive compensation and managerial autonomy, as well as how managerial autonomy affects firm performance in China. It developed a simple framework in which the principal employed compensation contract and delegation of authority to balance the trade-off between delegation benefits and agency costs. The study conducted the empirical analysis using investment climate survey data from China. Results showed that general manager's investment decision autonomy dampened, while labour decision autonomy boosted firm performance. However, the study was not conducted in the hospitality industry, limiting the generalization of the findings.

In contrast, DeVaro (2018) found no significant relationship between autonomy and firm performance by use of structural model of teams, autonomy and financial performance, using a cross section of British establishments. Its findings suggested that team production improved financial performance for the typical establishment but that autonomous teams did no better than closely supervised or non-autonomous teams. It found that unobserved factors increasing the propensity to adopt teams were positively correlated with unobserved determinants of financial performance, and that unobserved factors increased the propensity to grant teams autonomy were negatively correlated with unobserved determinants of financial performance when teams were adopted.

Ong'onge and Awino (2015) studied the effect of autonomy on financial performance of the Kenyan owned commercial state corporations. The study

followed a descriptive survey design with a response rate of 77% that was a total of 24 out of 31 respondents obliged to the research questionnaires. The study findings found that autonomy increased public accountability and consumer satisfaction. The study concluded that the government should give corporations the leeway to make decisions on investment and expansion as well as implementing day-to-day business activities. However, the study was conducted in state cooperation, but not the hospitality sector. Besides, the sample size was too

low, thus cases a type II error may occur, i.e., the null hypothesis is incorrectly accepted and no difference between the study groups is reported. Deeksha, (2022) notes that individuals are more likely to think through new ideas for improvement or discover problems and their solutions with current processes for customer satisfaction.

Conceptual Framework

This study conceptualizes the relationship between autonomy and business performance.

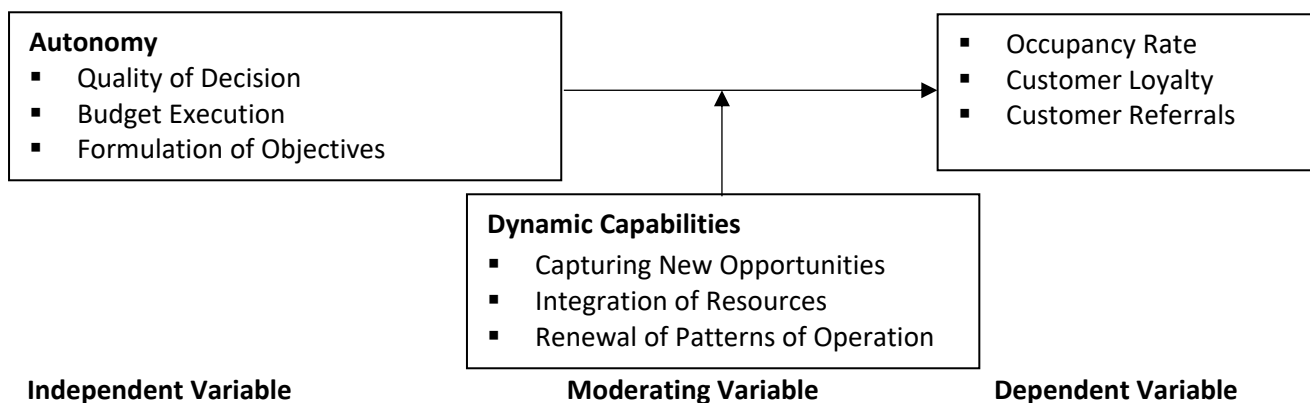


Figure 1: Conceptual Framework

Source Author (2023)

Autonomy refers to the ability to make decisions and to proceed with actions independently, without any restrictions from the organization (Lumpkin & Dess, 1996). Autonomy was measured in terms of quality of decision budget execution and formulation of objectives (Li, Huang, & Tsai, 2009).

METHODOLOGY

Research Philosophy: This study adopted a quantitative approach because it is used in response to relational questions of variables within the research. Quantitative research creates meaning through objectivity uncovered in the collected data (Gunasekare, 2015).

Research Design: This study adopted an explanatory research design. According to Elahi and Dehdashti (2011), the research design is ideal when determining the degree to which variables are associated and making predictions regarding the occurrence of social or physical phenomena.

Target Population: In this study, the target population consisted of employees of star rated hotels in North Rift Region, Kenya. The target population was 585 respondents who were drawn from the star rated hotels in North Rift Region, Kenya. The administrative and service staff were targeted because they are in contact with the clients and understand the entrepreneurial orientation of the hotels as such could give feedback on the causal relationship between the study variables for purposes of generalization.

Sample Size: In this study, selection of star rated hotels in North Rift Region was done purposively. From the target population of 575, Taro Yamane, (1967) cited in Adam (2020), sample size formula modified by Kent and Myers (2008) as cited in Etuk and Akpabio (2014) was used to select a sample size of 286 employees as shown below:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = Sample size

N = Population size

e = the error of Sampling

This study allowed the error of sampling of 0.05.

Thus, sample size was 286:

$$n = \frac{575}{1 + 575 \times 0.05^2}$$

= 236

According to this sample size, a non-response rate was considered using the following formula adopted from (Nilima, 2017). The final sample size = Effective sample size / (1- non response rate anticipated).

The study anticipated a non-response rate of 15%, thus the final sample size was calculated as follows; 236/1-0.15= 278

The final sample size was thus 278 respondents.

With Neyman's allocation, the best sample size for cluster *h* would be:

$$n_h = \left(\frac{N_h}{N}\right)n$$

Where;

n_h - The sample size for cluster *h*,

n - Total sample size,

N_h -The population size for cluster *h*,

N - The total population

Table 1: Sample Size

Ratings	Cluster	Category of staff	Target population	Sample Size (Nh)
4 star	Boma Inn Hotel	Administrative staff	5	2
		Service staff	52	25
3 star	Noble Hotel	Administrative staff	7	3
		Service staff	61	30
	Kerio View Lodge	Administrative staff	6	3
		Service staff	45	22
	Samich Resort Elgeyo	Administrative staff	5	2
		Service staff	44	21
Lake Bogoria Spa Resort	Administrative staff	5	2	
	Service staff	42	20	
2 star	Poa Place	Administrative staff	7	3
		Service staff	31	15
	Aturukan Hotel	Administrative staff	5	2
		Service staff	28	14
	Hotel Winstar	Administrative staff	4	2
		Service staff	32	16
	Hotel Comfy	Administrative staff	3	2
		Service staff	22	11
	Star Bucks Hotel	Administrative staff	5	2
		Service staff	32	16
	Hotel Horizon	Administrative staff	4	2
		Service staff	29	14
	Rift Valley Hills Resort	Administrative staff	4	2
		Service staff	34	16
	Queens Garden Hotel	Administrative staff	4	2
		Service staff	22	11
	Kenmosa Resort	Administrative staff	5	2
		Service staff	32	16
TOTAL			575	278

Source: Tourism Regulatory Authority 2015-2018

Data Collection: Quantitative primary data was collected. The data was gathered by structured questionnaire administered on sampled employees and star rated hotel managers. The questionnaire had close-ended questions and items with a 5 Point Likert Scale commonly used in social sciences to measure perceptions, attitudes, values and behavior (Mugenda & Mugenda, 2008). The items adopted a 5 Point Likert Scale with 1 - Strongly disagree, 2 - Disagree, 3 - Undecided, 4 - Agree and 5 - Strongly Agree.

Data Processing and Analysis: Data was analyzed by use of inferential statistics such as simple linear regression and hierarchical regression, ANOVA and Pearson product moment coefficient correlation. Pearson product moment coefficient correlation was used to determine the extent to which EO is correlated with performance of star rated hotels. The test also operates on assumptions that there is linearity of data. Analysis of variance (ANOVA) was used to test the hypotheses.

Equation 1 shows the effect of the X_1 on the performance of star rated hotels, Y.

Table 2: Autonomy

Statement	N	MIN	MAX	SKEW	KURT	M	SD
The hotel is always inclined towards encouraging employees make appropriate decisions	238	1	5	-.954	-.164	3.71	1.292
The hotel regulates working time for employees	238	1	5	-1.033	.247	3.82	1.194
The hotel allows employees to take responsibility for all the decisions they make	238	1	5	-1.104	.991	3.98	1.008
The hotel allows the employees to take responsibility for the results of all their decisions	238	1	5	-.914	.226	3.81	1.068
Possible alternatives and consequences of decisions made by employees are known	238	1	5	-.880	-.412	3.81	1.291
Decisions made by employees yield expected gains	238	1	5	-1.048	.424	4.08	1.015
Decisions made by employees are effectively utilized by the management	238	1	5	-.939	-.095	4.02	1.114
Employees are empowered to make decisions in line with their area of work	238	1	5	-1.186	1.555	4.08	.919
Employees are involved in the budgeting process	238	1	5	.329	-1.307	2.63	1.469
The hotel involves employees in setting the business goals	238	1	5	-.143	-1.401	2.89	1.364

Source: Research study 2023

Key: N = Number, MIN = Minimum, MAX = Maximum, SKEW = Skewness, KURT = Kurtosis, M = Mean, SD= Standard Deviation.

$$Y = \beta_0 + \beta_1 X_1 + \epsilon \dots \dots \dots (1)$$

$$Y = \beta_0 + \beta_1 X_1 + M + \beta_1 X_1 M + \epsilon \dots \dots \dots (2)$$

Where;

Where, Y = Performance of hotels

β_0 = Constant

β_1 = the coefficients of the variables in the model.

X_1 Autonomy

M Dynamic Capabilities

ϵ Error term (the residual error, which is an unmeasured variable)

All the above statistical tests were analyzed using Statistical Package for Social Sciences (SPSS), version 25.

FINDINGS AND DISCUSSION

Autonomy

According to the study findings presented in Table 2, the researcher sought to know the status of autonomy in the star rated hotels in North Rift Region, Kenya.

From the findings, most of the respondents were in agreement with a mean of 3.71 with a skewness of -.954 and kurtosis -.164 which represents a normally distributed response that the hotels are always inclined towards encouraging employees to make appropriate decisions while some were in disagreement and undecided with a standard deviation of 1.292 from the mean (Minimum= 1 Maximum 5). This implied that the star rated hotels in north rift region encourage employees' participation in decision making. The study revealed that majority respondents were in agreement with a mean of 3.82 and standard deviation of 1.194 that their hotels regulate working time for employees (Minimum= 1 Maximum 5). This therefore implies that, the star rated hotels in north rift region, Kenya regulated working time for employees, thus not creating full room for autonomy to the employees in matters working time. The study further revealed that majority of the respondents were in agreement with a mean 3.98 and standard deviation of 1.008 from the mean that they were allowed to take responsibility for all the decisions they make (Minimum= 1 Maximum 5). It can therefore be concluded that star rated hotels in north rift region have encouraged responsible decision making to enhance accountability.

From the findings, majority of the respondents were in agreement with a mean of 3.81 that the hotels allow their employees to evaluate the relevance of their decisions with skewness of -.914, kurtosis of .226 while there was a variation in responses where some were in disagreement and some undecided with a standard deviation of 1.068 from the mean (Minimum= 1 Maximum 5). It implies that the employees of the star rated hotels in north rift have the freedom to evaluate their decisions. Basing on the normally distributed responses with a skewness of -.880 and kurtosis of -.412, majority of the respondents were in agreement with a mean of 3.81 that possible alternatives decisions made by employees are unanimous. However, there was a variation in response with some respondents in disagreement while some undecided with a standard

deviation of 1.291 of the mean. It can therefore be concluded that the star rated hotels in north rift region Kenya allow their employees to make autonomous alternative decisions that are unanimous. The respondents were also in agreement with a mean of 4.08 while few were in disagreement and undecided with a standard deviation of 1.015 from the mean that decisions made by employees yield expected gains (Minimum= 1 Maximum 5). This that the expected gains guide the quality of decisions in star rated hotels. Most of the respondents were also in agreement with a mean 4.02 while some were undecided with a standard deviation of 1.114 from the mean depicting a variation in responses that decisions made by employees are effectively utilized by the management (Minimum= 1 Maximum 5). The management values and implement decisions made by employees.

The findings also showed that majority of the respondents were in agreement with a mean of 4.08 with variation of .919 in responses that employees are empowered to make decisions in line with their area of work. However, the responses were symmetric with skewness of -1.186 and kurtosis of 1.555. Therefore, from the findings, it can be concluded that employees are empowered in their line of duty to make rational decisions. The findings further revealed that the employees are involved in the budgeting process with a majority of the respondents being in disagreement with a mean 2.63 whereas there was a variation in responses some agreeing and undecided with a standard deviation of 1.469 from the mean (Minimum= 1 Maximum 5). It can therefore be concluded that the budgeting process of star rated hotels does not fully involve the employees. In terms of the hotels involving employees in setting their business goals majority of respondents were in disagreement with a mean of 2.89 while there was a variation in responses where some were in agreement and undecided with a standard deviation of 1.364 from the mean (Minimum= 1 Maximum 5). This can be concluded therefore that, star rated hotels involve their

employees in setting business goals. From the findings it can be noted that the hotels in the North Rift Region provides their workers with some work place autonomy. This is evidenced by the fact that majority of employees noted that majority of the hotels are encouraging the employees to make appropriate decisions and take responsibility of such decisions. This confirms the extent of workplace decision which is intent of invoking creativity and innovation amongst the staff for better results. As such, these individuals are more likely to think through new ideas for improvement or discover

problems and their solutions with current processes for customer satisfaction (Deeksha, 2022). This argumentation is affirmed by Ong'onge and Awino (2015) who also noted that autonomy increased public accountability and consumer satisfaction.

Performance of Star Rated Hotels

According to the study findings presented in Table 3, the researcher sought to know the status of performance in the star rated hotels in North Rift Region, Kenya.

Table 3: Performance of Star Rated Hotels

Statement	N	MIN	MAX	SKEW	KURT	M	SD
The occupancy rate has increased in the last few years	238	2	5	-.266	.064	3.96	.512
The hotel room bookings surpass the bed capacity	238	3	5	-.368	.346	4.07	.325
Our hotel does not suffer from high customer complains	238	2	5	-.621	-.270	3.91	.632
Our hotel enjoys high customer loyalty	238	2	5	-.653	.748	4.04	.588
Our hotel consistently meets and exceeds customer expectations that keeps our guests coming back	238	2	5	-.263	.374	3.68	.470
Our service culture has enhanced the hotel image	238	2	5	-.284	-.466	3.88	.549
The refurbished facilities have earned the hotel more customer referrals	238	2	5	-.310	.177	4.05	.497

Source: Research study 2023

Key: N = Number, MIN = Minimum, MAX = Maximum, SKEW = Skewness, KURT = Kurtosis, M = Mean, SD= Standard Deviation.

Majority of the respondents were in agreement with a mean of 3.96 that the occupancy rate of their hotels have increased in the last few years while there was a standard deviation of .512 from the mean with some of the respondents in disagreement and undecided (Minimum= 1, Maximum 5). It can be inferred that through the strategic orientation, star rated hotels have realized high occupancy rates which can be associated with an increase in market share skewness= -.266 Kurtosis= .064. Most of the respondents were in agreement with a mean of 4.07 that the hotel room bookings surpass the bed capacity with a variation of .325 from the mean. It

means that the quality of services offered by the star rated hotels are consistent with emerging market demands thus booking rates surpassing the occupancy capacity (Minimum= 3, Maximum 5). From the findings, majority of respondents were in agreement with a mean 3.91 with variation of .632 from the mean that their hotels do not suffer from high customer where some respondents were in disagreement and some undecided. It implies that the star rated hotels have strived to mitigate customer complaints through effective service loyalty (Minimum= 2, Maximum 5). Majority of the respondents were in agreement with a mean of 4.04

that their hotels enjoy high customer loyalty while some respondents were in disagreement and undecided with a standard deviation of .588 (Minimum= 2, Maximum 5). Therefore, with a skewness= -.653 kurtosis=.758, it can be concluded that star rated hotels have embraced commitment to quality service delivery for sustained customer loyalty.

Majority of the respondent who were in agreement with a mean of 3.68 with a standard deviation of .470 from the mean that their hotels consistently meet and exceed customer expectations that keeps their guests coming back while other respondents were in disagreement and some undecided (Minimum= 2, Maximum 5). It can be inferred that meeting and exceeding customer expectations is the core of nay business performance and competitiveness. According to the respondents who were in agreement that their service cultures have enhanced the hotels images with a mean of 3.88 and standard deviation of .549 (Minimum= 2, Maximum 5). However, some were in disagreement and undecided. This therefore implies that star rated hotels put the needs of their customers at the forefront of their business operations, thus a positive service culture.

Finally, majority of the respondents were in agreement with a mean of 4.05 that the refurbished facilities have earned the hotel more customer

referrals with a variation of .497 from the mean implying that some of the respondents were in disagreement and some undecided (Minimum= 2, Maximum 5). It therefore implies that star rated hotels renew their operations through appropriate maintenance management strategies for efficient service delivery engendering maximum customer referrals. From the findings its apparent that the entrepreneurial orientation and dynamic capabilities that the star rated hotels in North Rift Region have been incarnate to guarantee them high customer satisfaction and good image. This has also made the hotels witness high levels of customer loyalty. Therefore, to stay afloat in the market they must incessantly embrace entrepreneurial orientation and dynamic capabilities. Entrepreneurial orientation and Continuous improvement of the service provided, enables hotel companies to integrate, reconfigure and constantly renew their resources and capabilities for improved performance (Ali et al.,2020).

Hypothesis testing

Simple linear regression analyses were performed to test the model fit and to establish the predictive power of the study models. This study used simple linear regression models to tests the direct and indirect effects of predictor variables on the predicted variable, performance of star rated hotels in north rift region.

Table 4: Effect of Autonomy on performance of star rated hotels

	Standardized Coefficients		Standardized Coefficients		
	B	Error	Beta	t	Sig.
(Constant)	2.610	.138		18.907	.000
Autonomy	.361	.037	.535	9.728	.000
Model Summary statistics					
R	0.535				
R Square	0.286				
Adjusted R Square	0.238				
Std. Error of the Estimate	0.286				
R Square Change	0.286				
Good of fit statistics					
ANOVA (F stat)	94.632				
ANOAV (F prob)	0.000				

a Dependent Variable: Performance of Star Rated Hotels

The hypothesis of the study stated that autonomy has no statistically significant effect on performance of star rated hotels in north rift region. This was however refuted since autonomy has a positive and significant effect on performance of star rated hotels in north rift region basing on $\beta = 0.361$ ($t = 9.728$; p -value = 0.001 which is less than $\alpha = 0.05$) thus we fail to accept the hypothesis and concluded that autonomy has statistically significant effect on performance of star rated hotels. This suggests that there is up to 0.361 unit increase in performance of star rated hotels, for each unit increase in autonomy. These findings were supported by Yu et al. (2019), Aluisius et al. (2018) and Mworira et al. (2021) who also found a significant effect of autonomy on firm performance. The findings are premised on the stakeholders theory. This implies that by nurturing employee autonomy, the organization benefits from better ideas geared towards improvements in quality of services. Therefore, for high performing organizations, embracing autonomy to cultivate a freedom of creativity within the organizations without restrictions amongs the employees remain inevitable. When employees are given the freedom

associated with autonomy, it positively influences motivation and performance (Guo, Ahmad, Adnan, Scholz, & Naveed, 2021). Employees who feel they have the freedom to make choices in the workplace about how to do their job are happier and more productive thus contributing to heightened organizational performance.

Testing for Moderating effect of dynamic capabilities on the Relationship between Autonomy and Performance of star rated hotels.

Hypothesis two was tested using hierarchical regression. Prior to conducting hierarchical regression analyses, all study variables were standardized as z-scores to test for interaction terms (Carson, et al., 2016). Z-standardization of the variables allow easy interpretation of the interaction effects (Doebler, Doebler, Buczak & Groll, 2022). The second objective of the study was to establish the moderating effect of dynamic capabilities on the effect of autonomy on performance of star rated hotels. The hierarchical regression results are presented in Model 1 to 3 in Table 5.

Table 5: Hierarchical regression results for Moderating effect of Dynamic capabilities on the effect of Autonomy on performance of star rated hotels

	Model 1 B(sig)	Model 2 B(sig)	Model 3 B(sig)
(Constant)	2.610(.000) **	3.585(.000) **	3.593(.000) **
Zscore: Aut	.361(.000) **	.097(.000) **	.095 (.000) **
Zscore(DC)		.260(.000) **	.260(.000) **
Zscore(A*DC)			.064(.030) **
Model statistics			
R	0.535	.853	.857
R Square	0.286	.728	.731
Adjusted R Square	0.238	.726	.729
Std. Error of the Estimate	0.286	.177	.157
R Square Change	0.286	.442	.003
Good of fit statistics			
ANOVA (F stat)	94.632	314.901	209.187
ANOAV (F prob)	0.000	0.000	0.000

a Dependent Variable: Zscore (Performance of star rated hotels)

**p<.01, *p.05

KEY: A= Autonomy and DC= Dynamic Capabilities

Source: Research Data (2023)

Dynamic capabilities positively influence firm performance in multiple ways; they match the resource base with changing environments, create market change, support both the resource-picking and capability-building rent-generating mechanisms (Al Wali, Muthueloo, Ping, & Bataineh, 2020).

H₀₂ indicated that dynamic capabilities have no statistically significant effect on the effect of autonomy on performance of star rated hotels in North Rift Region ($\beta = 0.064$; $F = 209.187$; $p < .05$). The null hypothesis was thus rejected. This was also confirmed by $R^2\Delta$ of .003 which indicated that dynamic capabilities moderate the effect of autonomy on performance of star rated hotels in North Rift Region, Kenya. Therefore, the performance of the star rated hotels is seen to be dependent on the level of autonomy exhibited by the employees. But the link between autonomy and performance of hotels is seen to be moderated by dynamic capabilities. Therefore, the more the degree of freedom of employees in combining and organizing resources the higher the performance of the business. However, the efficiency of combining and organizing resources in the face of competition is more potentiated by the dynamic capabilities of the entrepreneur. This is much premised on the dynamic capability theory and contingency theory. In this regard autonomy and dynamic capabilities remain quite essential for star rated hotels to perform. The hotels like any other business ought to have the autonomy to be innovative, generate new ideas, improve existing ones, and keep an eye out for new business prospects (Mathafena & Msimango-Galawe, 2022).

CONCLUSION

According to the findings of the study, having decisional freedom with regard to what, how, and when venture related work will be done, including

setting the strategic direction of the firm significantly affects the performance of the star rated hotels. Finally, autonomy significantly affects performance of star rated hotels. Therefore, most hotels allow employees to take responsibility for the results of all their decisions. Employees are empowered to make decisions in line with their area of work. However, the employees from the hotels decry being involved in the budgeting process. Albeit, star rated hotels should involve employees in setting the business goals. Based on the stakeholders theory, by nurturing employee autonomy, the organization benefits from better ideas geared towards improvements in quality of services in the interest of stakeholders. The shareholders should provide adequate resources for the employees to autonomously make decisions to meet the needs of the customers. In addition, the hotels should effectively involve employees in setting their business goals and in the budgeting process. This will give employees a greater sense of ownership and control over the resulting budget which is a source of opportunities, innovations and competitive advantage. The study also concludes that dynamic capabilities significantly moderate the effect of autonomy on performance of star rated hotels. Autonomy significantly influences firm performance through mediating effect of pricing capability. This implies that by implementing autonomy alongside DC basing on the stakeholders' theory, the star rated hotels stand to improve on their performance. Therefore, star rated hotels to analyse their strategic orientation and pay more attention in addressing autonomy besides dynamic capabilities for purposes of increasing their performance. This will give the internal stakeholders a greater sense of ownership and control over business operations as a source of opportunities, innovations and competitive advantage.

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