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MOMBASA COUNTY, KENYA**

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**DYNAMIC CAPABILITIES AND FIRM PERFORMANCE IN TRAVEL AGENCIES AND TOUR OPERATORS IN MOMBASA COUNTY, KENYA**

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**ABSTRACT**

*This study examined the effect of dynamic capabilities on firm performance in travel agencies and tour operators in Mombasa County in Kenya. Specifically, the study examined the effect of dynamic managerial capability and dynamic alliance capability on firm performance in travel agencies and tour operators in Mombasa County in Kenya. The theoretical framework of the study was anchored on the resource-based view theory, dynamic capabilities theory and dynamic managerial capabilities theory. Drawing on the positivist research philosophy, the study utilized the quantitative non-experimental research methodology. The study employed the correlational, cross-sectional survey research design to test non-causal relationships between the study variables. The proportionate stratified random sampling technique was utilized to select a sample size of 29 travel agencies and 86 tour operators from a target population of 40 travel agencies and 121 tour operators in Mombasa County, Kenya. A structured self-administered survey questionnaire was used as the means of collecting primary data. The study utilized a cross-sectional survey-based approach to collect data. The collected data was processed and entered into the statistical package for social sciences (SPSS) version 26 to create a data sheet used for analysis. Data was analyzed using descriptive statistics and inferential statistics. The Pearson's product moment correlation results indicated that dynamic managerial capability and dynamic alliance capability had positive and significant relationship with firm performance in travel agencies and tour operators in Mombasa County in Kenya. A standard multiple linear analyses was conducted with firm performance as the dependent variable and dynamic managerial capability and dynamic alliance capability as predictor variables. The regression results indicated that dynamic managerial capability and dynamic alliance capability had positive and significant effect on firm performance in travel agencies and tour operators in Mombasa County in Kenya. The study recommended that it is imperative for the management to develop dynamic capabilities to foster performance of travel agencies and tour operators. The policy makers should consider initiating policy review to encourage the management to develop dynamic capabilities to foster the performance of travel agencies and tour operators. The study points to several intriguing paths for future research. Future researchers should examine the moderating effect of environmental turbulence on the relationship between dynamic capabilities and firm performance in other sectors or contexts.*

**Key words:** Dynamic Alliance Capability, Dynamic Capabilities, Dynamic Managerial Capability, Firm Performance

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## INTRODUCTION

Travel and tourism sector is an important contributor to the global economy. The World Tourism Organization estimates that for the African continent, travel and tourism contributed US\$ 168.5 billion to the GDP, 24.6 million jobs and a 2.2% GDP growth in 2020 (Hambira, Stone, & Pagiwa, 2022). It is a vital source of income in Kenya contributing 6.1 billion dollars which accounts for 10% of the country's GDP and accounts for more than one million jobs especially in the rural areas (Muragu, Nyadera, & Mbugua, 2021). However, although superior business performance is a central objective of any firm (Walter, 2021), it is impossible to predict the overall losses incurred by the global travel and tourism sector due to the COVID-19 pandemic (Polukhina *et al.*, 2021). The travel and tourism sector suffered a loss of almost US\$4.5 trillion to reach US\$4.7 trillion in 2020, with the 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 (Kurzeja, 2022). Kenya could have already been losing approximately USD\$ 1.5 million in tourism revenue per year as a result of other factors such as global competition, domestic instability, inadequate infrastructure among other reasons (Adundo, 2023; Manoa *et al.*, 2023; Muragu *et al.*, 2023). By August 2020, the travel and tourism sector had lost US\$ 7300 billion in export revenues, eight times the amount lost in 2009 during the global economic and financial crisis (Romeo *et al.*, 2021; Swiatkiewicz, 2021).

Until recently, the tourism industry was treated as the most dynamically developing sector of the economy (Kurzeja, 2022). However, the COVID-19 outbreak has challenged the global tourism economy and has particularly threatened the survival of tourism firms especially in the developing countries (Do, Nguyen, D'Souza, Bui, & Nguyen, 2022). The use of tour operators and travel agents are the two well-known intermediaries in the tourism industry that help distribute information about tourist destination (Kambaga, Mongare, & Muriuki, 2023). However, the

performance of tour operators and travel agents has been on the decline in the recent past (Melubo, 2023). With the COVID-19 crisis, numerous tour operators and travel agents struggled to survive (Chakrabarti & Ekblom, 2023), while some were pushed toward bankruptcy (Chau *et al.*, 2022; González-Torres *et al.*, 2021).

Dynamic capabilities are a growing field of research within the scope of theoretical structures based on resource and strategic management (Dejardin *et al.*, 2023). However, the dynamic capabilities literature has generated a rich but disconnected body of research (Bojesson & Fundin, 2021). Despite the expansive literature on dynamic capabilities, the definition and effects of dynamic capabilities and the role of environmental dynamism are still under discussion (Ferreira, Coelho, & Moutinho, 2020). Multiple conceptualizations of dynamic capabilities are available in the management literature (Saeed, Adiguzel, Shafique, Kalyar, & Abrudan, 2023). The definitions, conceptualizations, and operationalizations of dynamic capabilities are quite diverse in the literature, making it difficult to integrate and compare findings (Raasch *et al.*, 2020; Shah *et al.*, 2023). To date, there is still no consensus on what the concept of dynamic capabilities entails (Mostafiz, Sambasivan, & Goh, 2021). Research on dynamic capabilities is still insufficient to provide evidence for individual interactions, especially from practical applications (Bağış *et al.*, 2022). Although dynamic capabilities play an important role in explaining firm performance outcomes (Jafari, Eslami, & Paulraj, 2022), the empirical evidence is ambiguous (Felsberger, Qaiser, Choudhary, & Reiner, 2022) and inconclusive (Gitau, Nzuki, & Musau, 2022). The findings regarding the effect dynamic capabilities of on firm performance are inconsistent (Tapanainen *et al.*, 2022; Wu *et al.*, 2023).

### Statement of the Problem

Despite the efforts to optimize travel and tourism sector to develop its potential, the decline in tourism revenue receipts is a major concern to the stakeholders in the tourism industry (Halkos &

Ekonomou, 2023; Nyikana & Bama, 2023; Thoya & Wainaina, 2023). The COVID-19 outbreak has challenged the global tourism economy and has particularly threatened the survival of tourism firms in developing countries (Do *et al.*, 2022). It is impossible to predict the overall losses incurred by the global travel and tourism sector due to the COVID-19 pandemic (Polukhina *et al.*, 2021). With the COVID-19 crisis, the travel and tourism sector suffered a loss of almost US\$4.5 trillion to reach US\$4.7 trillion in 2020, with the 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 (Kurzeja, 2022). By August 2020, the travel and tourism sector had lost US\$ 7300 billion in export revenues, eight times the amount lost in 2009 during the global economic and financial crisis (Romeo *et al.*, 2021). Kenya could have already been losing approximately USD\$ 1.5 million in tourism revenue per year as a result of other factors such as global competition, domestic instability, inadequate infrastructure among other reasons (Muragu *et al.*, 2021).

The current tourism challenge is to improve the performance of the industry by increasing the visits of both domestic and foreign tourists (Achmad *et al.*, 2023). Unfortunately, the COVID-19 pandemic particularly threatened the survival of tourism firms especially in the developing countries (Do *et al.*, 2022). With the COVID-19 crisis, the performance of tour operators and travel agents has been on the decline in the recent past (Melubo, 2023). Numerous tour operators and travel agents struggled to survive (Chakrabarti & Ekblom, 2023), while some were pushed toward bankruptcy (Chau *et al.*, 2022; González-Torres *et al.*, 2021). Interestingly, numerous tourism companies went bankrupt or had been struggling to survive, yet others have adapted their strategy and seized the crisis to transform their business for the post-pandemic future (Johann, 2022). Dynamic capabilities enable tourism organizations to manage crises and disasters, yet many do not possess these competencies (Jiang *et al.*, 2023).

The dynamic capabilities are a growing field of research within the scope of theoretical structures based on resource and strategic management (Dejardin *et al.*, 2023). However, the dynamic capabilities literature has generated a rich but disconnected body of research (Bojesson & Fundin, 2021). Multiple conceptualizations of dynamic capabilities are available in the management literature (Saeed *et al.*, 2023). Despite the increasing number of empirical and conceptual papers on dynamic capabilities, there is still no consensus on what the concept of dynamic capabilities entails (Mostafiz *et al.*, 2021). Existent literature posits that the dynamic capabilities play an important role in explaining firm performance outcomes (Jafari *et al.*, 2022). However, the empirical evidence regarding the effect of dynamic capabilities on firm performance is ambiguous (Felsberger *et al.*, 2022) and inconclusive (Gitau *et al.*, 2022; Tapanainen *et al.*, 2022).

### Research Objectives

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

- To determine the effect of dynamic managerial capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya.
- To establish the influence of dynamic alliance capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

The research tested the following hypotheses;

- H<sub>0</sub>1: Dynamic managerial capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.
- H<sub>0</sub>2: Dynamic alliance 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

The resource-based view (RBV) theory (Barney, 1991; Grant, 1991; Penrose, 1959; Peteraf, 1993; Wernerfelt, 1995) highlights the importance of valuable, rare, inimitable, and non-substitutable (VRIN) resources and competency of the firms to achieve competitive advances (Damaraju, Barney, & Dess, 2021). Drawing on the RBV theory, this study examined the effect of dynamic capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The RBV theory suggests that dynamic managerial capabilities form the basis for differential firm performance (Barney 2018; Khan *et al.*, 2020; Huy & Zott, 2019; Mostafiz *et al.*, 2021). 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). The RBV posits that an organization is a set of specific physical assets and human resources and assumes that if these resources are rare, valuable, non-substitutable, and inimitable, it may lead to value creation strategies and sustainable competitive advantage (Suoniemi, Terho, Zablak, Olkkonen, & Straub, 2021). Therefore, the RBV theory (Barney, 2001) is a useful theoretical framework to understand how dynamic capabilities contribute to firm performance (Mostafiz *et al.*, 2021).

There is a rich tradition of research on the RBV theory in the strategic management literature (Badrinarayanan *et al.*, 2019; Suoniemi *et al.*, 2021). However, despite the broad application of the RBV theory in multiple disciplines, it has attracted certain criticisms (Asamoah, Nuertey, Agyei-Owusu, & Akyeh, 2021). The criticisms pertain to the insufficient attention on the role of valuable, rare, inimitable, and no substitutable resources in addressing firm growth, in addition to competitive advantage (Chien & Tsai, 2021). The criticisms relate

to the tautology in the RBV theory given that resources that generate competitive advantage defined by their ability to generate competitive advantage (Utami & Alamanos, 2022). The criticisms pertain to the static nature of the theoretical arguments espoused by the RBV theory (Amoako, Huai Sheng, Dogbe, & Pomegbe, 2021).

#### Dynamic Capabilities Theory

The dynamic capabilities theory (DC) theory (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1990) views dynamic capability as the firm's ability to integrate, build and reconfigure internal and external competencies to address the rapidly changing environments (Bag, Gupta, & Kumar, 2021). The DC theory is considered an extension of the RBV theory (Amar, Syariati, Ridwan, & Parmitasari, 2021; Chien & Tsai, 2021; Mustafa & Scholes, 2022). Drawing on the DC theory, this study examined the effect of dynamic capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The DC theory suggests that the 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 (Hsiao & Tuan, 2023; Mostafiz *et al.*, 2021). The DC theory (Teece *et al.*, 1997) 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).

The DC theory suggests that firms should develop the ability to build, integrate, and reconfigure resources and competencies to achieve competitive advantages (Chien & Tsai, 2021; Ismail, 2022; Omeke, Ngoboka, Nkote, & Kayongo, 2021). The DC theory is concerned with how firms can sustain and enhance their competitive advantage, notably when facing changing environments (Chatterjee, Chaudhuri, & Vrontis, 2021; Mutiso & Karugu,

2021). The DC theory (Harris & Helfat, 2018; Helfat, 2018; Holzmayr & Schmidt, 2020) proposes that managers differ in terms of the dynamic managerial capabilities, and these differences induce differences in performance outcomes (Amar *et al.*, 2021; Hsiao & Tuan, 2023), because these are unevenly distributed among managers (Fatoki, 2021; Mostafiz *et al.*, 2021). The DC theory posits that 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 (Altintas, Ambrosini, & Gudergan, 2022). Therefore, the DC theory is a useful theoretical framework to understand how dynamic managerial capabilities contribute to firm performance.

Although there are undoubtedly many reasons for the intense interest in the DC theory, scholars have criticisms levelled against the theory (Fatoki, 2021; Ismail, 2022). One of the most significant sources of criticism against the DC theory is about, inconsistent definitions, which makes it difficult to understand what they are and how they can be used in actionable decision-making (Mitrega & Choi, 2021; Olutola, Balen, Lotisa, Johnima, & Browndi, 2023). Additionally, another criticism against the DC theory is that the concept is vague and difficult to assess due to its unresolved measurement model (Bag *et al.*, 2021). Furthermore, another criticism against the DC theory is that DCs does not guarantee competitive survival/advantage let alone their sustenance over time (van de Wetering & Besuyen, 2021).

### **Dynamic Managerial Capabilities Theory**

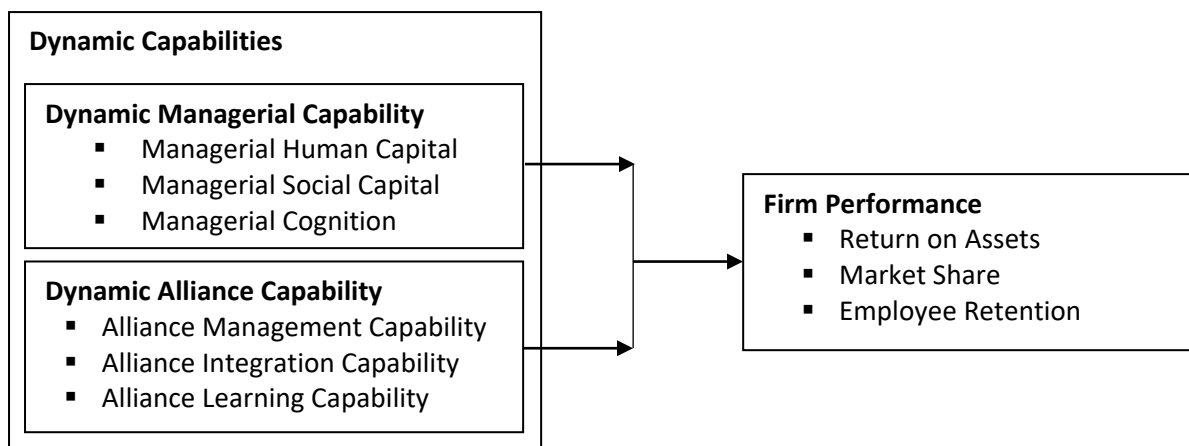
The dynamic managerial capabilities (DMC) theory (Adner & Helfat (2003; Kawai, 2018a; Kawai, 2018b; Kawai, 2019a; Kawai, 2019b) is an extension of the DCV theory, and is an extension of the RBV theory (Mostafiz *et al.*, 2021). Drawing on the DMC theory, this study examined the effect of dynamic managerial capabilities on firm performance in

travel agencies and tour operators in Mombasa County, Kenya. Dynamic managerial capability (DMC) theory offers a useful theoretical lens for analyzing how managers make strategic decisions to build and sustain competitive advantages in dynamic environments (Heubeck, 2023a). Anchored on the DMC theory, previous studies (Mostafiz *et al.*, 2019a; Mostafiz *et al.*, 2019c; Mostafiz *et al.*, 2021) examined the effect of three dynamic managerial capabilities, namely managerial human capital, managerial social capital and managerial cognition on financial and non-financial performance in export-manufacturing firms from the apparel industry in Bangladesh.

The DMC theory (Kawai, 2020) posits that 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, which in turn, has implications for competitive advantage and disadvantage as firms and industries evolve (Heubeck, 2023b). The DMC theory (Harris & Helfat, 2018; Helfat, 2018; Holzmayr & Schmidt, 2020) suggests that managers differ in terms of the dynamic managerial capabilities, and these differences induce differences in performance outcomes (Mostafiz *et al.*, 2021). Therefore, the DMC theory is a useful theoretical framework to understand how dynamic managerial capabilities contribute to firm performance.

### **Conceptual Framework**

A conceptual framework is a graphical representation of the theorized interrelationships of the variables of a study (Topal, Hunt, & Rogers, 2021). The conceptual framework suggests that firm performance is conceptualized as the dependent variable. However, the four dynamic capabilities namely dynamic managerial capability and dynamic alliance capability are conceptualized as the independent variables. Figure 1 presents the conceptual framework.



### Independent Variables

### Dependent Variable

**Figure 1: Conceptual Framework**

### Review of Literature on Study Variables

This section presents a review of literature on the study variables.

#### Dynamic Managerial Capability

The dynamic managerial capabilities are a particular type of dynamic capabilities. Dynamic managerial capabilities are a form of dynamic capabilities concerned with the role of managers in refreshing and transforming the resource base of the organization so that it maintains and develops its competitive advantage and performance (Heubeck, 2023a). The dynamic managerial capabilities are a particular type of dynamic capabilities with which managers build, integrate, and reconfigure organizational resources and competences (Haapanen, Hurmelinna-Laukkanen, & Puumalainen, 2020; Heubeck & Meckl, 2022). Dynamic managerial capabilities refer to the corporate management capability to build, integrate, configure resources, and organizational competencies order to build a company's ability to support heterogeneity in managerial decisions and company performance as responses of changing external conditions (Issah, Anwar, Clauss, & Kraus, 2023; Kryeziu *et al.*, 2024). The dynamic managerial capabilities are a particular type of dynamic capabilities with which managers build, integrate, and reconfigure organizational resources and competences base (Badrinarayanan,

Ramachandran, & Madhavaram, 2019). The dynamic managerial capabilities explain differences in managerial decisions that lead to heterogeneity in firm performance (Altintas *et al.*, 2022). However, despite the advances in research so far, there is no consensus on the dynamic managerial capabilities.

The dynamic managerial capabilities are a multifaceted construct composed of three interdependent subcomponents, namely managerial human capital, managerial social capital, and managerial cognition. The three interdependent subcomponents of dynamic managerial capabilities are intrinsically interrelated and determine managerial strategic choices, which in turn may lead to differentials in firm performances under conditions of environmental changes (Huy & Zott, 2019; Issah *et al.*, 2023). The dynamic managerial capability theory posits that managers differ in terms of the managerial human capital, managerial social capital, and managerial cognition, these differences induce differences in firm performance outcomes (Heubeck & Meckl, 2022). The extant literature postulates that some managers have more effective dynamic managerial capabilities than others, while some lack dynamic managerial capabilities entirely, because the three dynamic managerial capabilities are unevenly distributed among managers (Correa *et al.*, 2019;

Gerulaitiene, Pundziene, & Kabasinskas, 2024). Therefore, the organizations whose managers have superior dynamic capabilities can adjust their strategy more successfully than the organizations that do not (Ochie, 2019; Yao, Dato'Mansor, BintiGhazali, & Yan, 2024).

### **Dynamic Alliance Capability**

Dynamic alliance capability is the firm's ability to manage, integrate and learn in strategic relationships to achieve mutual benefit (Teece, 2023). An alliance management capability is the firm's ability to capture, share, and store knowledge regarding alliance management and to apply this knowledge in on-going and future alliances (Al-Tabbaa, Nasr, Zahoor, & De Silva, 2023). As an important antecedent of performance, an alliance management capability is the firm's ability to capture, share, store, and apply alliance management knowledge (Lisdiono, Said, Yusoff, Hermawan, & Manan, 2022).

The dynamic alliance capabilities include alliance sensing capabilities, alliance seizing capability and alliance reconfiguring capability. Alliance sensing capability encompasses routines that enable firms to be highly alert to their business environment, including identifying opportunities and threats (Al-Tabbaa *et al.*, 2023). Therefore, the alliance sensing capability is needed to scan the business environment and ecosystem, identify and explore opportunities for potential alliances that can help firms achieve sustainable innovation (Teece, 2023). In contrast, alliance seizing capability enables firms to acquire opportunities by entering potential strategic alliances, preventing the threat of potential competitor alliances (Zahoor, Al-Tabbaa, & Khan, 2023). However, alliance reconfiguring capabilities allow firms to change or modify previous patterns of processes in alliances, renewal and orchestration of resources and structure of alliances (Lisdiono *et al.*, 2022).

The dynamic alliance capabilities influence the ability of firms to create and capture value through alliances and explain performance heterogeneities across alliances and across firms with alliance

activities (Zahra, 2021). By drawing upon the RBV theory, Zahoor *et al.* (2023) recognize that alliance management capability is an appropriate mechanism that explains how a firm effectively manages its resources and capabilities to gain competitive advantages. However, much less effort is made to examine alliance capability under the dynamic capability approach as a key attribute to a firm's success (Duong, 2020; Shi & Jiang, 2023). Despite the managerial relevance of alliance capability, there remain several open questions related to the conceptualization of alliance capabilities, their antecedents, processes and outcomes, and future research needs (Teece, 2023).

### **Firm Performance**

Firm performance, specifically why firms perform differently, is a core theme in strategic management research (Tsou & Chen, 2023). Scholars have defined 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 (Williams, 2020). Previous studies have also defined firm performance as 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). While 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 (Datche, Kising'u, & Kalimbo, 2023; Yoo, 2021).

Firm performance has been recognized as a relevant construct in strategic management research and has been frequently used as a dependent variable (Dovbischuk, 2022; Oudgou, 2021). Although superior business performance is a central objective of any firm in an unpredictable environment (Walter, 2020), attaining superior business performance constitutes a major challenge



for firms, especially in a volatile business environment (Datche *et al.*, 2023). The literature indicates that firm performance is intended to be comparable among different organizations, with financial performance indicators such as revenue, profits, and return on capital, or others such as market share, to name a few (Rodrigues, Ruivo, & Oliveira, 2021; Tsou & Chen, 2023). Scholars opine that such measures of firm performance are commonly associated with a competitive advantage, which is represented through the creation, market value and sustaining of superior performance, when compared to the competition (Cappa, Oriani, Peruffo, & McCarthy, 2021). However, scholars have advocated that effective firm performance evaluation system includes financial and non-financial measures in order to evaluate the real performance, because financial measures only reveal past performance of an organization which may not reflect the present or future state of a firm (Salehi & Arianpoor, 2021). Therefore, firm performance as the dependent variable, will be measured using financial indicators and non-financial performance indicators.

## **Empirical Review**

### **Effect of Dynamic Managerial Capability on Firm Performance**

In the Kenyan context, Kising'u and Mwajambia (2022) examined the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County. The results indicated that managerial human capital capability, managerial social capital capability and managerial cognitive capability had positive and significant effect on firm performance. The findings showed that the dynamic managerial capabilities had positive and significant direct effect on firm performance.

In the Portuguese context, Alves and Carvalho (2023) examined the effect of dynamic managerial capabilities on global performance in microenterprises. The findings showed that dynamic managerial capabilities had insignificant effect on global performance. The results indicated

that operational capabilities had full and significant mediating effect in the relationship between dynamic managerial capabilities and global performance. However, the findings indicated that competitive intensity had insignificant moderating effect in the relationship between dynamic managerial capabilities on global performance.

In the Latin American context, Tabares, Tavera, Álvarez Barrera, and Escobar-Sierra (2023) examined the effect of dynamic managerial capabilities on international performance in Colombia. The findings showed that managerial human capital, managerial social capital, and managerial cognition capabilities had positive and significant effect on international performance. Additionally, the results indicated that international opportunity-driven behavior of individuals significantly and partially mediated the relationship between dynamic managerial capabilities and international performance.

In the Lebanese context, Vrontis, El Charani, El Abiad, El Nemar, and Yassine Haddad (2022) examined the relationship between dynamic managerial capabilities, competitive advantage, financial performance and non-financial performance of healthcare facilities. The findings indicated that dynamic managerial innovative capabilities had positive and significant relationship with competitive advantage and non-financial performance of healthcare sector. However, the results showed that dynamic managerial innovative capabilities had neither significant direct nor significant indirect effect on financial performance during the Covid-19 pandemic period.

In the context of Germany, Heubeck and Meckl (2022) examined the effect of dynamic managerial capabilities on digital firms' innovativeness. The findings showed that dynamic managerial capabilities had positive and significant effect on digital firms' innovativeness. The results suggested that dynamic managerial capabilities are significant drivers of digital firms' innovativeness that enable firms to sustain superior performance over time in the dynamic environment.

In the Kenyan context, Kitenga *et al.* (2020) examined the effect of dynamic managerial capabilities on sustainable performance of selected manufacturing firms. The findings showed that dynamic managerial capabilities had positive and significant relationship with the performance of food manufacturing firms. The results indicated that dynamic managerial capabilities had positive and significant effect on the performance of selected manufacturing firms.

In the Chinese context, Sebhatu (2021) examined the effect of dynamic managerial capabilities on sustainable performance in manufacturing small and medium-sized enterprises. From the results, managerial networking capability, managerial sensing capability and managerial innovation capability had positive and significant effect on sustainable performance. The findings showed that dynamic managerial capabilities had positive and significant effect on sustainable performance.

In Kenyan context, Mwajambia and Kising'u (2022) examined the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators. The results indicated that managerial human capital capability, managerial social capital capability, managerial foresight capability and managerial cognitive capability had positive and significant effect on firm performance. The findings showed that the dynamic managerial capabilities had positive and significant effect on firm performance.

In Bangladesh context, Mostafiz, Sambasivan, and Goh (2021a) examined the relationship between dynamic managerial capabilities, market orientation and the performance entrepreneurial export manufacturing firms in the apparel industry. From the results, managerial human capital had positive and significant direct effect on financial performance and non-financial performance, but it had insignificant total effect on financial performance and non-financial performance. From the findings, managerial social capital had positive and significant direct effect on financial performance and non-financial performance, and it

had positive and significant total effect on financial performance and non-financial performance. The results showed that while managerial cognition had positive but insignificant direct effect on financial performance, it had positive and significant direct effect on non-financial performance. The findings indicated that managerial cognition had positive and significant total effect on financial performance and non-financial performance. The findings indicated that marketing orientation partially mediates the relationship between dynamic managerial capabilities and firm performance.

In Ugandan context, Ogola, Marjery, and Bagire (2021) examined the relationship between managerial capabilities and strategic business success in the petroleum firms. The results indicated that managerial capabilities had positive and significant relationship with strategic business success. Additionally, the findings showed leadership partially mediated the relationship between managerial capabilities and strategic business success.

### **Effect of Dynamic Alliance Capability on Firm Performance**

In the Indian context, Kotin - Kulkarni and Zamborsky (2023) examined the effect of alliance and acquisition management capabilities on performance outcomes of multinational enterprises (MNEs). Based on 217 Indian MNEs from 19 industries, the findings indicated that alliance and acquisition management capabilities had positive and significant effect on performance outcomes of MNEs. The results showed that alliance and acquisition management capabilities have positive and significant effect on performance outcomes.

In the Kenyan context, Kitenga *et al.* (2020) examined the effect of dynamic alliancing capabilities on sustainable performance of selected manufacturing firms. The results showed that there was a positive and significant relationship between dynamic alliancing capabilities and performance of food manufacturing firms. The findings indicated that dynamic alliancing capabilities had a positive

and significant direct effect on performance of selected manufacturing firms.

In the Australian context, Sakhdari, Burgers, and Davidsson (2023) examined the relationship between alliance portfolio management capabilities, corporate entrepreneurship, and relative firm performance in SMEs. The results indicated that there was a positive and significant relationship between alliance portfolio management capabilities, corporate entrepreneurship and firm performance. The findings showed that alliance portfolio management capabilities had a positive and significant direct effect on firm performance. Moreover, the results indicated that corporate entrepreneurship partially mediates the effects of these dimensions on firm performance.

#### METHODOLOGY

The study employed the correlational, cross-sectional survey research design to test non-causal relationships among variables without controlling any of the variables. The target population consisted of 40 travel agencies and 121 tour operators in Mombasa County, Kenya. The unit of analysis consisted of the travel agency and tour operator, while the unit of observation consisted of the chief executive officer of travel agency and tour operator. The proportionate stratified random sampling technique was utilized to select a sample size of 29 travel agencies and 86 tour operators from a target population of 40 travel agencies and 121 tour operators in Mombasa County, Kenya.

A structured self-administered survey questionnaire was used as the means of collecting primary data, because of its ability to collect a large amount of information in a reasonably quick span of time (Saunders *et al.*, 2023). A pilot study was conducted to ascertain the validity and reliability of the constructed survey questionnaire. The pilot study was performed with pilot trial sample size of 32 tour firms that consisted of 8 travel agencies and 24 tour operators in Mombasa County, Kenya. Data

processing was conducted prior to the data analysis. 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 statistical analysis.

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 descriptive analysis aims at summarizing distributions and describing a set of data on factors of the study (Saunders *et al.*, 2023). The Pearson's product moment correlation analysis was performed to confirm or deny the relationship between the study variables. A standard multiple linear analyses was conducted with firm performance as the dependent variable and dynamic managerial capability and dynamic alliance capability as predictor variables. The standard multiple linear regressions model was specified as:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon \dots\dots\dots \text{Model 1}$$

Where:

Y = Firm Performance

$\beta_0$  = Constant Term

$X_1$  = Dynamic Managerial Capability

$X_2$  = Dynamic Alliance Capability

$\beta_1 - \beta_2$  = Regression Coefficients to be estimated

$\varepsilon$  = Stochastic Error Term

In total, two null hypotheses were tested at 5% level of significance ( $\alpha = 0.05$ ;  $t = 1.960$ ) at a 95% confidence level to statistically help draw acceptable and realistic inferences. Therefore, the decision rule was to reject the null hypothesis  $H_{0i}$  if the  $P \leq 0.05$ , and otherwise fail to reject the null hypothesis  $H_{0i}$  if the  $P > 0.05$ . In hypothesis testing at 5% level of, the decision rule is to reject the null hypothesis  $H_{0i}$  if the  $P \leq 0.05$ , and otherwise fail to reject the null hypothesis  $H_{0i}$  if the  $P > 0.05$  (Saunders *et al.*, 2022). Table 1 presents hypotheses testing procedure.

**Table 1: Hypotheses Testing**

Hypotheses	Model	Hypotheses Testing	Decision Rule
H <sub>01</sub> : Dynamic managerial capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.	$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon$ .... Model 3.1	Multiple regression analysis	H <sub>01</sub> : $\beta_1 = 0$ H <sub>11</sub> : $\beta_1 \neq 0$ If the $P \leq 0.05$ reject the H <sub>01</sub> . If the $P > 0.05$ fail to reject the H <sub>01</sub> .
H <sub>02</sub> : Dynamic alliance capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.			H <sub>02</sub> : $\beta_2 = 0$ H <sub>12</sub> : $\beta_2 \neq 0$ If the $P \leq 0.05$ reject the H <sub>02</sub> . If the $P > 0.05$ fail to reject the H <sub>02</sub> .

**FINDINGS AND DISCUSSIONS****Response Rate**

Out of the 115 survey questionnaires distributed, only 75 usable survey questionnaires were received. Therefore, there was a valid response rate of 65.2%, which in line with Black (2023) was sufficient for data analysis and reporting purposes.

**Correlation Analysis Results**

The Pearson's product moment correlations analysis was performed to confirm or deny the relationships between the study variables. The correlation results indicated that dynamic

managerial capability had moderately strong positive and significant relationship with firm performance ( $r = 0.587$ ,  $p \leq 0.05$ ) in travel agencies and tour operators in Mombasa County, Kenya. The correlation results showed that dynamic alliance capability had a strong positive and significant relationship with firm performance ( $r = 0.739$ ,  $p \leq 0.05$ ) in travel agencies and tour operators in Mombasa County, Kenya. Table 2 presents the Pearson's product moment correlations analysis results.

**Table 2: The Pearson's Product Moment Correlations Results**

Variable		X <sub>1</sub>	X <sub>2</sub>	Y
Dynamic Managerial Capability (X <sub>1</sub> )	Pearson Correlation	1		
	Sig. (2-tailed)			
	n	75		
Dynamic Alliance Capability (X <sub>2</sub> )	Pearson Correlation	.491**	1	
	Sig. (2-tailed)	.000		
	n	75	75	
Firm Performance (Y)	Pearson Correlation	.587**	.739**	1
	Sig. (2-tailed)	.000	.000	
	n	75	75	75

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

**Multiple Linear Regressions Analysis Results**

A standard multiple linear regression analysis was performed with firm performance as the dependent variable and dynamic managerial capability and dynamic alliance capability as the predictor variables.

**Model Summary**

From the model summary in table, it is clear that the value of coefficient of correlation (R) was 0.783, while the value of coefficient of determination (R<sup>2</sup>) was 0.613, while the value of the adjusted R<sup>2</sup> was 0.602. Additionally, the value of the std. error of the

estimate was 0.239 and the value of the Durbin-Watson test was 2.200. The coefficient of correlation (R) value of 0.783 suggest that there was a strong positive correlation between the dynamic capabilities and firm performance in travel agencies and tour operators in Mombasa County, Kenya. The  $R^2$  value of 0.613 suggest that the overall model as a whole (the model involving constant, dynamic managerial capability, and dynamic alliance capability) was able to significantly predict and explain approximately 61.3% of the variance in the firm performance in travel agencies and tour operators in Mombasa County, Kenya.

The Adjusted R Square value of 0.602 suggest that the overall model as a whole (the model involving constant, dynamic managerial capability, and dynamic alliance capability) significantly predicted and explained 60.2% of the variance in the firm performance in travel agencies and tour operators in Mombasa County, Kenya. The std. error of the estimate value of 0.239 suggest that there could be

other factors not included in the model in the current study that could also predict and explain the remaining 39.8% of the variance in the firm performance in travel agencies and tour operators in Mombasa County, Kenya. Therefore, there is in need for future research to discover the other variables not included in the model in the current study that also predict the remaining variance in the firm performance in travel agencies and tour operators in Mombasa County, Kenya. From the model summary table, the Durbin-Watson test statistic had a value of 2.154, falling within the optimum range of 1.5 to 2.5, suggesting that there was no severe autocorrelation detected in the in the residual values in the datasets. Existent literature posits that the Durbin-Watson statistics falling within the optimum range of 1.5 to 2.5 indicates that there is no severe autocorrelation detected in the in the residual values in the datasets (Hair *et al.*, 2021). Table 3 presents the model summary results.

**Table 3: Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.783 <sup>a</sup>	.613	.602	.239	2.154

a. Predictors: (Constant), Dynamic Alliance Capability ( $X_2$ ), Dynamic Managerial Capability ( $X_1$ )

b. Dependent Variable: Firm Performance (Y)

### Analysis of Variance

From the Analysis of Variance (ANOVA) table results, the overall multiple regression model (the model involving constant, dynamic managerial capability and dynamic alliance capability), achieved a high degree of fit, as reflected by  $R = 0.783$ ,  $R^2 = 0.613$ ,  $adj. R^2 = 0.602$ ,  $F(2, 74) = 56.967$ ,  $p < 0.05$ . The results suggested that the model as a whole was able to significantly predict the firm performance in travel agencies and tour operators in Mombasa County, Kenya. The results led to the rejection of the null hypothesis that the linear

combination of predictor variables (dynamic managerial capability and dynamic alliance capability) does not significantly predict the firm performance in travel agencies and tour operators in Mombasa County, Kenya. Therefore, the linear combination of predictor variables (dynamic managerial capability and dynamic alliance capability) significantly predicted firm performance in travel agencies and tour operators in Mombasa County, Kenya. Table 4 presents the standard multiple linear regression's ANOVA results.

**Table 4: ANOVA<sup>a</sup> Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.519	2	3.260	56.967	.000 <sup>b</sup>
	Residual	4.120	72	.057		
	Total	10.639	74			

a. Dependent Variable: Firm Performance (Y)

b. Predictors: (Constant), Dynamic Alliance Capability ( $X_2$ ), Dynamic Managerial Capability ( $X_1$ )

### Multiple Regression Coefficients

From the coefficients table, when the unstandardized regression coefficients (B) were substituted to the multiple regression model specified for the study, the final predictive equation was:

$$Y = 1.886 + 0.178X_1 + 0.344X_2$$

The final predictive equation suggested that holding all factors in to account constant (dynamic managerial capability and dynamic alliance capability), constant at zero, the firm performance in travel agencies and tour operators in Mombasa County, Kenya would be 1.886. The final predictive equation postulated that with all other factors held constant, a unit increase in dynamic managerial capability would lead to 0.178 unit increase in the firm performance in travel agencies and tour operators in Mombasa County, Kenya. The final predictive equation suggested that with all other factors held constant, a unit increase in dynamic

alliance capability would lead to 0.344 unit increase in the firm performance in travel agencies and tour operators in Mombasa County, Kenya. Based on the magnitude of the unstandardized regression coefficients (B) of the independent variables, dynamic alliance capability was the best predictor of the value of in the firm performance in travel agencies and tour operators in Mombasa County, Kenya.

The regression results indicated that dynamic managerial capability had a positive and significant effect on firm performance ( $\beta_1 = 0.295$ ;  $t = 3.507$ ;  $p \leq 0.05$ ) in travel agencies and tour operators in Mombasa County, Kenya. The regression results indicated that dynamic alliance capability had a positive and significant effect on firm performance ( $\beta_2 = 0.594$ ;  $t = 7.061$ ;  $p \leq 0.05$ ) in travel agencies and tour operators in Mombasa County, Kenya. Table 5 presents the multiple regressions coefficients results.

**Table 5: The Multiple Regressions Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.886	.191		9.851	.000		
	Dynamic Managerial Capability (X <sub>1</sub> )	.178	.051	.295	3.507	.001	.759	1.318
	Dynamic Alliance Capability (X <sub>2</sub> )	.344	.049	.594	7.061	.000	.560	1.787

a. Dependent Variable: Firm Performance (Y)

### Hypotheses Test Results

In total, two null hypotheses were tested at 95% confidence level,  $\alpha = 0.05$ , and  $t = 1.960$  to statistically help draw acceptable and realistic inferences. Therefore, the decision rule was to reject the null hypothesis  $H_0j$  if the  $P \leq 0.05$ , and otherwise fail to reject the null hypothesis  $H_0j$  if the  $P > 0.05$ . In hypotheses testing at 5% level of significance ( $\alpha = 0.05$ ) and 95% confidence level, the decision rule is to reject the null hypothesis  $H_0j$  if the  $P \leq 0.05$ , and otherwise fail to reject the null hypothesis  $H_0j$  if the  $P > 0.05$  (Bell *et al.*, 2022).

### Hypothesis One Test Results

The first null hypothesis ( $H_01$ ) predicted that showed that dynamic managerial capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The decision rule was to reject the null hypothesis  $H_01$  if the  $\beta_1 \neq 0$ ,  $t \geq 1.960$ ,  $P \leq 0.05$ , and otherwise fail to reject the null hypothesis  $H_01$  if the  $\beta_1 = 0$ ,  $t < 1.960$ ,  $P > 0.05$ . The standard multiple regression results showed that dynamic managerial capability had a positive and significant effect on firm performance ( $\beta_1 = 0.295$ ;  $t = 3.507$ ;  $p \leq 0.05$ ) in travel agencies and tour operators in Mombasa County, Kenya. Consequently, the  $H_01$  was rejected, providing the empirical support for  $H_11$ . Therefore,

conclusion was made that dynamic managerial capability has a significant effect on performance of travel agencies and tour operators in Mombasa County, Kenya.

### Hypothesis Two Test Results

The second null hypothesis ( $H_{02}$ ) predicted that dynamic alliance capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The decision rule was to reject the null hypothesis  $H_{02}$  if the  $\beta_2 \neq 0$ ,  $t \geq 1.960$ ,  $P \leq 0.05$ , and otherwise fail to reject the null hypothesis  $H_{02}$  if the  $\beta_2 = 0$ ,  $t < 1.960$ ,  $P >$

0.05. The standard multiple regression results showed that dynamic alliance capability had a positive and significant effect on firm performance ( $\beta_2 = 0.594$ ;  $t = 7.061$ ;  $p \leq 0.05$ ) in travel agencies and tour operators in Mombasa County, Kenya. Consequently, the  $H_{02}$  was rejected, providing the empirical support for  $H_{12}$ . Therefore, conclusion was made that dynamic alliance capability has a significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Table 6 presents the hypotheses test results.

**Table 6: Hypotheses Test Results**

Hypothesis	$\beta$	t	Sig.	Decision
$H_{01}$ : Dynamic managerial capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.	.295	3.507	.001	Reject the $H_{01}$
$H_{02}$ : Dynamic alliance capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.	.594	7.061	.000	Reject the $H_{02}$

### Discussions of Key Findings

This section presents a discussion of the key findings of the study. The general objective of this quantitative non-experimental correlational study was to examine the effect of dynamic capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Specifically, the study examined the effect of dynamic managerial capability, dynamic alliance capability, dynamic adaptive capability, and dynamic marketing capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The Pearson's product moment correlations analysis results indicated that there was a strong positive and significant relationship between dynamic capabilities and firm performance in travel agencies and tour operators in Mombasa County, Kenya. The regression results showed that dynamic capabilities had positive and significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The results were consistent with the findings of past studies (Dejardin *et al.*, 2023; Heaton & Makarevich, 2022; Hermano *et al.*, 2022; Martins, 2023; Mugambi,

2021; Wamalwa, 2022) which revealed direct significant effect of dynamic capabilities on firm performance.

### Effect of Dynamic Managerial Capability on Firm Performance

The first specific objective was to determine the effect of dynamic managerial capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The first null hypothesis ( $H_{01}$ ) predicted that dynamic managerial capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The Pearson's correlation results indicated that there was a moderately strong positive and significant relationship between dynamic managerial capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The regression results showed that dynamic managerial capability had a positive and significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Therefore, the  $H_{01}$  was rejected, providing the empirical support for  $H_{11}$ . Subsequently, conclusion was

made that dynamic managerial capability has a significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The findings are in line with the results of previous studies that revealed significant effect of dynamic managerial capabilities on firm performance (Kising'u & Mwajambia, 2022; Mostafiz *et al.*, 2021a; Mwajambia & Kising'u, 2022; Sebhatu, 2021; Tabares *et al.*, 2023). However, the results are inconsistent with findings of prior research that revealed insignificant effect of dynamic managerial capabilities on firm performance (Alves and Carvalho, 2023).

### **Effect of Dynamic Alliance Capability on Firm Performance**

The second specific objective was to establish the influence of dynamic alliance capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The second null hypothesis ( $H_{02}$ ) predicted that dynamic alliance capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The Pearson's correlation results indicated that dynamic alliance capability had a strong positive and significant relationship with the firm performance in travel agencies and tour operators in Mombasa County, Kenya. The regression results showed that dynamic alliance capability had a positive and significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Therefore, the  $H_{02}$  was rejected, providing the empirical support for  $H_{12}$ . Consequently, conclusion was made that dynamic alliance capability has a significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The findings are in harmony with the results of past studies (Kitenga *et al.*, 2020; Kotin - Kulkarni & Zamborsky, 2023; Sakhdari *et al.*, 2023) which indicated that dynamic alliance capability has a positive and significant effect on firm performance.

### **SUMMARY**

The purpose of this study was to investigate the effect of dynamic capabilities on firm performance

in travel agencies and tour operators in Mombasa County, Kenya. Specifically, the study examined the effect of dynamic managerial capability, dynamic alliance capability, dynamic adaptive capability, and dynamic marketing capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The theoretical framework was anchored on the agency, stewardship, and stakeholder theories. The study utilized the correlation, cross-sectional survey research design to test noncausal relationships among the study variables.

The first specific objective was to examine of dynamic managerial capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The first null hypothesis ( $H_{01}$ ) predicted that showed that dynamic managerial capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The Pearson's correlation results indicated that dynamic managerial capability had a moderately strong positive and significant relationship with firm performance in travel agencies and tour operators in Mombasa County, Kenya. The regression results showed that dynamic managerial capability had a positive and significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Therefore, the  $H_{01}$  was rejected, providing the empirical support for  $H_{11}$ . Subsequently, conclusion was made that dynamic managerial capability has a significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

The second specific objective was to establish the effect of dynamic alliance capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The second null hypothesis ( $H_{02}$ ) predicted that dynamic alliance capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The Pearson's correlation results indicated that dynamic alliance capability had a strong positive and significant



relationship with firm performance in travel agencies and tour operators in Mombasa County, Kenya. The regression results showed that dynamic alliance capability had a positive and significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Consequently, the  $H_02$  was rejected, providing the empirical support for  $H_12$ . Therefore, conclusion was made that dynamic alliance capability has a significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

## CONCLUSIONS

The purpose of this study was to examine the effect of dynamic capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Specifically, the study examined the effect of dynamic managerial capability, dynamic alliance capability, dynamic adaptive capability, and dynamic marketing capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The Pearson's correlations results indicated that the dynamic capabilities had positive and significant relationship with firm performance in travel agencies and tour operators in Mombasa County, Kenya. The regression results showed that of travel dynamic capabilities had positive and significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Therefore, the conclusion was that dynamic capabilities significantly predict firm performance in travel agencies and tour operators in Mombasa County, Kenya.

The first specific objective was to examine of dynamic managerial capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The first null hypothesis ( $H_01$ ) predicted that showed that dynamic managerial capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The Pearson's correlation results indicated that dynamic managerial capability had a moderately strong positive and significant relationship with firm

performance in travel agencies and tour operators in Mombasa County, Kenya. The regression results showed that dynamic managerial capability had a positive and significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Therefore, the  $H_01$  was rejected, providing the empirical support for  $H_11$ . Subsequently, the first conclusion was that dynamic managerial capability has a significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

The second specific objective was to establish the effect of dynamic alliance capability on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The second null hypothesis ( $H_02$ ) predicted that dynamic alliance capability has no significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. The Pearson's correlation results indicated that dynamic alliance capability had a strong positive and significant relationship with firm performance in travel agencies and tour operators in Mombasa County, Kenya. The regression results showed that dynamic alliance capability had a positive and significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya. Consequently, the  $H_02$  was rejected, providing the empirical support for  $H_12$ . Therefore, the second conclusion was that dynamic alliance capability has a significant effect on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

## RECOMMENDATIONS

The study provides important managerial recommendations, policy recommendations and areas for future research.

The study provides significant managerial recommendations. The study recommends that it is imperative for the management to strengthen their dynamic capabilities to foster firm performance in travel agencies and tour operators in Mombasa County, Kenya. First, the management should

consider strengthening the dynamic managerial capability to foster the performance of travel agencies and tour operators in Mombasa County, Kenya. Second, the management should consider enhancing the dynamic alliance capability to foster the performance of travel agencies and tour operators in Mombasa County, Kenya.

The study provides important policy recommendations. The policy makers should consider initiating policy review to encourage the stakeholders within the travel and tourism industry to develop the dynamic capabilities to foster the performance of travel agencies and tour operators in Kenya. First, policy makers should consider initiating policy review to encourage stakeholders within the travel and tourism industry to develop dynamic managerial capability to foster the performance of travel agencies and tour operators in Kenya. Second, policy makers should initiate

policy review to inspire stakeholders within the travel and tourism industry to develop dynamic alliance capability to foster the performance of travel agencies and tour operators in Kenya.

#### **Areas for Future Research**

The study points to several intriguing paths for future research. First, future researchers should consider examining the effect of dynamic capabilities on the performance of travel agencies and tour operators in other regions or contexts. Second, future researchers should consider utilizing the longitudinal survey to examine the effect of dynamic capabilities and firm performance over a period to time. Third, future researchers should consider examining the moderating effect of environmental turbulence on the relationship between dynamic capabilities and firm performance in other sectors or contexts.

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