STRATEGIC CAPABILITIES AND FIRM PERFORMANCE OF STAR RATED HOTELS IN MOMBASA COUNTY, KENYA

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ABSTRACT

The purpose of the study was to determine the effect of strategic capabilities on firm performance. The study focuses on star rated hotels in Mombasa County. The specific objectives of the study were to establish the effect of network capability, innovation capability, leadership capability and information acquisition capability on organizational performance of hotels. The study was grounded on Resource Based View, Dynamic capabilities theory, theory of performance and Organizational innovation theory. This study used cross-sectional descriptive survey research design. The population of study was all the star rated hotels in Mombasa County. The current study selected 2 Star to 4 Star rated hotels in Mombasa County which are 43 in total. The study adopted stratified random sampling technique. A sample of 120 was chosen by Slovin's formula. Primary data was collected using self-administered questionnaires which was distributed to the respondents and picked later. Pilot test was conducted to measure the validity and reliability of research instruments. Data analysis conducted on the data was descriptive statistics and inferential statistics with the use of Statistical Package for Social Science. The analyzed data was presented by the use of tables and figures. Descriptive statistics results showed that strategic capabilities has significant effect on firm performance. The inferential statistics also revealed that network capabilities, information acquisition capabilities, innovation and leadership capabilities had a positive significant effect on firm performance of star rated hotels. The findings of the correlation analysis results showed that network capabilities, information acquisition capabilities, innovation and leadership capabilities is moderately and positively correlated with firm performance of star rated hotels. The regression analysis finding also showed that network capabilities, information acquisition capabilities, innovation and leadership capabilities had a positive and significant effect on firm performance. The study concludes that the hotels have sought to build strong stakeholder collaborations and that when it comes to problem solving, the star rated hotels promote joint problem solving. Based on the summary of the conclusions, the study recommends that network capabilities has potential to improve firm performance. The star rated hotels should take priority in building relationship with customers and suppliers as well as collaborating with stakeholders.

Key Words: Network capability, Information acquisition, Innovation, Leadership

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INTRODUCTION

Globally the environment of conducting business is metamorphosing rapidly more than ever witnessed. This rapid change is attributable to emergence of novel technologies which disrupt existing technologies (Tajeddini, Altinay, & Ratten, 2017). Faced with this kind of uncertain environment, many established businesses including hotels have become conscious of the need to acquire sustainable competitiveness so as to match and outwit their competitors (El-Baz & Ruel, 2021). Recently, organizations have developed dynamic capabilities in response to intense competitive pressures and dynamic surroundings by integrating, constructing, and reconfiguring internal and external competencies (Leonidou, Fotiadis, & Leonidou, 2019).

Hotels continually need to develop new services to cope with the complexity and rapid changes in business environments (Xinwei et al., 2018). These changes require the ability of organisations to integrate and reconfigure both internal and external resources and skills that are harmony with the business environment to adopt optimal strategies in order to achieve long horizon goals (Adil et al., 2015; O'Reilly & Tushman, 2008). Until 2020, tourism was the world's third largest export industry after chemicals and fuels, and ahead of automotive products and food. However, this strong position of tourism was truncated in 2020 as a result of the global crisis caused by COVID-19 (UNWTO, 2020).

Strategic capabilities is defined as the intricate accumulative knowledge and skills of the organisations which enable them to coordinate their processes and reconfigure their assets to generate economic value and attain sustainable competitive advantage (Day, 2017). Besides Lado et al. (2016) referred to strategic capabilities as the unique internal skills and operations that the organisation owned but not available to its competitors. Moreover, Johnson et al. (2017) argued that strategic capabilities are the specific organisation resources and competencies that

contribute to identifying their appropriate strategies in order to achieve superior performance of the organisation. To determine the strategic capabilities in the organisations, researchers suggested four dimensions according to (Seyhan et al., 2017; Spillan et al., 2018), these dimensions are marketing capability, market linking capability, technology capability, and management capability. While Hao and Song (2016) and Kimosop et al. (2016) added one more dimension is information technology capability in order to measure strategic capabilities. In this research, strategic capabilities are measured by four dimensions (Seyhan et al., 2017; Spillan et al., 2018).

In Netherlands, IKEA's strategic capabilities are their strengths, such as their skilled human resources and their efficient value chain and distribution channels. The company developed strategies to overcome weaknesses and convert them into strengths which the organisation can capitalise on to gain competitive advantage (Del Río-Rama, Álvarez-García, & Oliveira, 2019, Dropulić Ružić, 2017). IKEA simplified its production and sales system, since the customer takes the product off the shelf in the shop and assembles it at home. This results in significant savings on employee wages, coupled with low sales prices and good quality (Wang, Cao, Qin, Zhang, Feng, & Feng, 2019). Consequently, in US, Southwest Airlines is uniquely striving to gain a competitive edge by using secondary airports, providing mid-distance routes, and minimizing the use of the airport's passenger service system, so they can keep their prices low (Gittel, & Rogelio, 2018).

In Kenya, hotel industry relies heavily on tourism which recorded growth of 3.9 percent from 2.02 million arrivals in 2018 to 2.05 million tourist arrivals in 2019. In addition, Kenya domestic tourism recorded growth of 9.03 percent in 2019 (Standard Media, 2020). However, this growth trend has been drastically reversed by emergence of COVID 19 and intense competitions from international players. The last 13 months have recorded a decline in the hotel sector performance

represented by occupancy level decline and hotel revenues and service

In Mombasa, hotels have posted decline in hotel revenues and low hotel occupancy level in the same period leading to the closure of some hotels. Further, the situation has been exacerbated by increased inter hotel competitions in the local market and threats of emerging hospitality markets like Rwanda and Tanzania. The hotel industry relies heavily on tourism which recorded growth of 3.9 percent from 2.02 million arrivals in 2018 to 2.05 million tourist arrivals in 2019. In addition, Kenya domestic tourism recorded growth of 9.03 percent in 2019 (Standard Media, 2020). However, this growth trend has been drastically reversed by intense competitions from international players. The last 13 months have recorded a decline in the hotel sector performance represented by occupancy level decline and hotel revenues and service demand declined with CAGRS of 7.8%, 5.8% and 10.3%, respectively (Cytonn report, 2020). A report of Kenya Tourism Federation (KTF) has shown that many Coast hotels have recorded occupancy rate of below 10 percent in 2020 making most of the hotels to close shops. This has forced the remaining hoteliers to rethink their business models and reposition themselves in the global market by incorporating principles of quality management as a guiding philosophy for their operations (Cytonn report, 2020). Hotel sector is the most competitive in the hospitality industry and it is faced with constant loop of transformation (Gallouj & Weinstein, 2017) which calls for strategic capabilities deployment.

Statement of the Problem

Contextually, the hotel industry in Kenya, which relies exclusively on tourist arrivals, has recorded adverse performance. A report of Kenya Tourism Federation (KTF) has shown that many hotels at the Kenyan Coast have recorded occupancy rate of below 10 percent in 2023 making most of the hotels to close shops. Further, according to KNBS (2023) the hotel sector in Mombasa has reported a decline of 4.2 percent in performance. In summary, the last

13 months have recorded a decline in the hotel sector performance represented by occupancy level decline and hotel revenues and service demand declined with CAGRS of 7.8%, 5.8% and 10.3%, respectively (Cytonn report, 2024). This calls for a need to investigate whether hotels can adopt strategic capabilities to improve their performance in the face of these adversities.

While there is a great deal of empirical literature on strategic capabilities, there is comparatively less analysis of the actual relationships between specific strategic capabilities indicators and organizational performance (e.g. Alan, Vanya, Peter, Pirrie, Damien, 2018). The effects of network, information acquisition, innovation and managerial capabilities on hotel performance has scantly been observed and documented in practical and theoretical research studies. For instance, Brusset and Teller (2017) and Liu and Lee (2018) argue that integration capability has significantly affected supply chain resilience. However, the study present contextual gaps as it looked at supply chain resilience and not hotel performance. A study by Abou Kamar, Albadry, Sheikhelsouk, Ali Al-Abyadh, and Alsetoohy, (2023) researched on dynamic capabilities influence on the operational performance of hotel food supply chains. However, the study target variable was operational performance and not performance which is broad in scope. Therefore, the current study sought to fill the established knowledge gaps by empirically examining the association between strategic capabilities and firm performance in star rated hotels in Mombasa County.

Research Objectives

The general objective of the study was to investigate the effect of strategic capabilities on firm performance of star rated hotels in Mombasa County, Kenya. The study was uided by the following specific objectives:

- To examine the effect of network capability on firm performance of star rated hotels in Mombasa County, Kenya.

- To determine the effect of information acquisition capability on firm performance of star rated hotels in Mombasa County, Kenya.
- To establish the effect of innovation capability on firm performance of star rated hotels in Mombasa County, Kenya.
- To determine the effect of leadership capabilities on firm performance of star rated hotels in Mombasa County, Kenya.

Research Hypotheses

- H_{01} Network capability has no significant effect on firm performance of star rated hotels in Mombasa County, Kenya.
- H_{02} Information acquisition capability has no significant effect on firm performance of star rated hotels in Mombasa County, Kenya.
- H_{03} Innovation capability has no significant effect on firm performance of star rated hotels in Mombasa County, Kenya.
- H_{04} Leadership capabilities has no significant effect on firm performance of star rated hotels in Mombasa County, Kenya.

LITERATURE REVIEW

Resource Based Theory

From the resource-based theory (RBT) of the firm by Barney, 1991, there are companies in the same industry with different profitability levels due to the specific characteristics and internal factors of each company. The RBT firm emphasizes this set of internal resources and the capabilities that allow the company to obtain higher levels of profitability than its rivals. The RBT assumes that resources and capabilities are heterogeneous among companies in the long term and can be a source of competitive advantage (Priem & Butler, 2011).

This model underlines the importance of firm internal resources in order to reach a competitive advantage; indeed "a holder of a resource is able to maintain a relative position vis-à-vis other holders and third persons, as long as these act rationally" (Wernerfelt, 1984). Moreover, Barney (1991) argues that firms in the same sector can be heterogeneous in respect to their own resources and, as resources

are not perfectly transferable among firms, the heterogeneity and the consequent competitive advantage achieved could be durable over time. Therefore, in this perspective the resources are fundamental in order to explain the sustained competitive advantage1 of firms (Barney et al., 2016).

Organizational Innovation Theory

The proponent of the organizational innovation theory is Sullivan in 1998 and the theory argues that innovation in an organization is a sum of knowledge accumulation through learning which culminates from trial and error process that is entrenched through collective as well as individual experimentation. According to the theory, innovation process nature will trigger organizations to either employ strategies to aid in developing such innovation or adapt alternative strategies known as adaptive strategies that ensure survival of the organization by invoking status quo rather than venturing in an uncertain innovation process. This theory is suitable to explain innovation capability and its effect on hotel performance.

Dynamic Capabilities Theory

Dynamic capabilities theory, which emphasizes the benefits of keeping organizational structures aligned to the changing demands of the environment. The restructuring enables the companies to create dynamic capabilities through the reorganization of the available resources to ensure optimum performance. With dynamic capacities, supported upper hand originates from the association's administration capacity to use and reconfigure its current skills and resources in ways that are significant to the client however troublesome for different contenders to mirror (Teece, 2017). This capacity puts a premium on senior administration's capacity to finish two basic assignments. A key component of this dynamic capacity see is the coordination and combination to advancement, i.e., the scale to which an association's administrative and specialized abilities, mechanical design, social and subjective structure, culture, and qualities are adjusted to and

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upheld. As per Pavlou and Sawy (2016), dynamic abilities 'help firms reconfigure existing practical capacities so they can fabricate items that better match rising client needs and exploit innovative leaps forward. Thus, the theory supports leadership capability variable in the study.
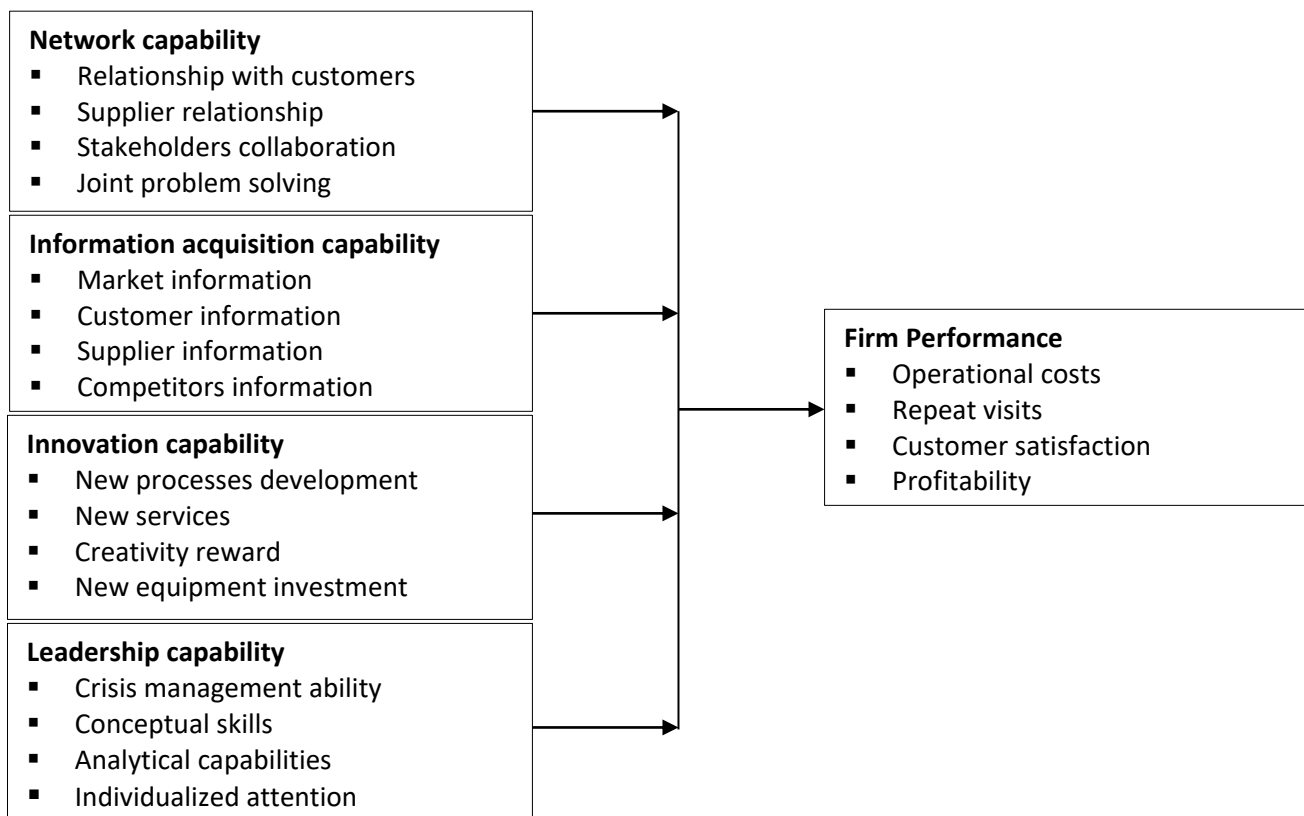
Theory of Performance

The Theory of performance defines the core components of a performance as identity, learning skills, knowledge, context, personal factors, and fixed factors. This theory provides the basis for analyzing performance, defining performance criteria, and developing meaningful performance

measures (Elger, 2007). The Theory of Performance (ToP) develops and relates six foundational concepts (italicized) to form a framework that can be used to explain performance as well as performance improvements.

To perform is to take a complex series of actions that integrate skills and knowledge to produce a valuable result. The Theory of Performance posits that with the exception of fixed factors, any of the components of performance may be targeted and improved in order to improve overall performance. The theory links with dependent variable, performance, in the study.

Conceptual Framework

Network capability
- Relationship with customers
- Supplier relationship
- Stakeholders collaboration
- Joint problem solving

Information acquisition capability
- Market information
- Customer information
- Supplier information
- Competitors information

Innovation capability
- New processes development
- New services
- Creativity reward
- New equipment investment

Leadership capability
- Crisis management ability
- Conceptual skills
- Analytical capabilities
- Individualized attention

Firm Performance
- Operational costs
- Repeat visits
- Customer satisfaction
- Profitability

Independent Variables   **Dependent Variable**

Figure 1: Conceptual Framework

Empirical Review

Agyapong, Aidoo and Akomea (2021) sought to uncover the conditions under which managerial capability enhances performance while considering the role of social capital within the unique boundary conditions created by competitive intensity. The

used multi-source data from 206 managers and owners of SMEs from a Sub-Saharan African nation – Ghana. Using structural equation modeling (SEM) to analysis the data, the findings revealed that social capital serves as a mechanism through which managerial capability influences performance.

This study by Aboramadan and Dahleez (2020) aimed to investigate the effects of leaders' capability behaviors on employees' affective commitment and organizational citizenship behavior in the context of Nonprofit Organizations (NPOs). Data was collected from 400 employees working in Italian NPOs in the North of Italy. For verifying the hypotheses of this study, Structural Equation Modeling (SEM) techniques were implemented. It was found that leaders' capability behaviors influenced positively affective commitment and organizational citizenship behavior, and work engagement was revealed to have significant positive mediating effects on the relationship between the variables examined in this study.

Chepkole (2019) study findings revealed that strategic capabilities (human resource, financial resource, knowledge management and cost efficiency) had a positive and significant effect on competitive advantage. In addition, human resources capability had an inverse effect on competitive advantage of IT firms in Nairobi City County. King'oo (2020) the findings of the study revealed that strategic capabilities (IT, human capital, networking and intellectual) positively and significantly affected performance of private universities in Kenya.

Abazeed (2020) sought to establish how strategic capability impacts organizational ambidexterity amongst commercial banks operating in Jordan. The sample included (200) respondents by distributing the study questionnaires to them, where the returned questionnaires and valid to statistical analysis were (168). Structural equation modelling (SEM) was used as an inferential statistical analysis technique to test the hypotheses of the study. The result of this study referred that knowledge management mediates the relationship between strategic capabilities and organizational ambidexterity. Hence, all dimensions of strategic capabilities (marketing capability, market-linking capability, technology capability, and management capability) have a statistical impact on both

knowledge management dimensions (knowledge acquisition, knowledge creation, knowledge application, and knowledge storage) and the dimensions of organizational ambi-dexterity (exploitation and exploration).

Bonsu (2017) the findings of the study indicated that irrespective of the competitive intensity in the business environment, micro and small family businesses that adapt marketing and managerial capabilities will always outperform industry players. Thus, there exist a direct relationship between organizational capabilities and organizational performance (financial and operational). Hagoug' and Abdalla (2021) the findings indicated that the constructs of strategic capabilities including human resources and physical resources are significantly and positively associated with academic performance in private universities in Sudan.

Meshtet (2022) found a significant correlation between marketing capabilities, technological capabilities, market related capabilities, IT capabilities and management related capabilities and competitive advantage. Lay and Jusoh (2017) research findings supported the general contention that the four primary organizational capabilities (market orientation, entrepreneurship, innovativeness and organizational learning) must collectively be used to enhance organizational performance and influence usage if strategic management accounting. The four capabilities collectively give rise to positioning advantage enhancing firm performance. Ananda, Astuti and Wilopo (2023) the study used a meta- analysis method. The study aimed at analyzing the information of IT capabilities on innovation and organizational performance. The statistical analysis results showed that IT capability and innovation had a significant positive effect on organizational.

METHODOLOGY

This study used descriptive research design. The population of study was all the star rated hotels in Mombasa County. According to Mombasa County Trade Department report (2024), Mombasa County

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has registered 43 star rated hotels. Based on this, the current study selected all 43 Star rated hotels in Mombasa County for the study. The unit of observation was management staff drawn from customer care, operations, finance, and ICT departments.

The sample frame consisted of all Star rated hotels in Mombasa County. The study adopted two step sampling methodology that is stratified random sampling technique which was employed to divide the population elements into homogenous groups then simple random sampling was used to choose the sample proportion from the strata.

This research adopted Slovin's formulae to arrive at the study sample as indicated below.

$$n=\frac{N}{1+N(\alpha)^2}=\frac{172}{1+172(0.05)^2} = \sim120$$

Where:

N = Total population

n = Sample population

α = Sampling error which is 0.05

The study utilized primary data which was collected by developing a structured questionnaire with a five point Likert scale in order to measure all variables.

The researcher carried out a pilot test on seventeen individuals drawn from star rated hotels in Kilifi County. The pilot study participants did not form part of the final study (Kothari, 2014).

The researcher used Cronbach's alpha to measure questionnaire reliability. Cronbach's alpha was computed by correlating the score for each scale item with the total score for each individual survey respondent observation and compare that

observation with the all individual item scores' variance. The Cronbach's alpha coefficient of 0.70 was adopted as the bench mark for the item reliability.

Data collected for the study was edited and sorted by the researcher. The data was analyzed by descriptive and inferential statistics as the main data analysis techniques. The data analysis tool used by the study was Statistical Package for Social Science. Descriptive statistics through mean computation and standard deviation of the responses was conducted. In addition, multiple regression analysis was carried out in the study.

RESULTS

Response Rate
The study focused on a total of 120 respondents and a total of 104 duly filled questionnaires were returned by the respondents yielding a response rate of 86.7%. The response was excellent according to Bryman (2016) who posit that a response rate of 85% and above is excellent.

Descriptive Analysis of Study Variables
Descriptive analysis was conducted on the study variables to check the mean and standard deviation. The results are presented in the following tables.

Network Capabilities and Firm Performance
The researcher asked respondents to rate their agreement or disagreement on the various aspects of network capabilities. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 1.

Table 1: Network Capabilities

	Mean	Std. deviation
The hotel takes priority in building relationship with customers	4.50	.725
The hotel has robust supplier relationship in place	4.96	.371
The hotel seeks to build strong stakeholder collaborations	4.03	.169
The hotel promotes joint problem solving	4.36	.703

The results in Table 1 have shown that respondents agreed to the statement that the hotel takes priority in building relationship with customers (Mean = 4.50). Also, respondents agreed to the statement that the hotel has robust supplier relationship in place as indicated by a mean of 4.96. Respondents agreed to the statement that the hotel seeks to build strong stakeholder collaborations (mean=4.03) and that the hotel promotes joint problem solving (mean=4.36). Results corroborate the results by Meshtet (2022) who found a significant correlation between network capabilities and competitive advantage.

Information Acquisition Capabilities and Firm Performance

The study respondents were asked to rate their agreement or disagreement on the various aspects of information acquisition capabilities. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 2

Table 2: Information Acquisition Capabilities

	Mean	Std. Deviation
The hotel has a dynamic database of capturing customer information	4.88	1.023
The hotel conducts supplier information acquisition	4.67	.389
The hotel continuously conducts intelligence gathering on market information	4.75	.412
The hotel continuously conducts intelligence gathering on competitors	4.91	.224

The results in Table 2 have shown that respondents agreed to the statement that the hotel has a dynamic database of capturing customer information and that the hotel conducts supplier information acquisition as indicated by a mean of 4.88 and mean of 4.67 respectively. Also, respondents agreed that hotel continuously conducts intelligence gathering on market information (mean=4.75) and that the hotel continuously conducts intelligence gathering on competitors (mean = 4.90). The findings of the study are in agreement with Abazeed (2020) that knowledge acquisition has significant effect on organizational ambi-dexterity (exploitation and exploration).

Innovation Capabilities and Firm Performance

The study respondents were asked to rate their agreement or disagreement on the various aspects of innovation capabilities. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 3.

Table 3: Innovation Capabilities

	Mean	Std. Deviation
The hotel develops new processes often	4.89	.207
The hotel seeks to innovate new services	4.16	.949
The hotel has Research & Development function	2.10	.783
The hotel invests on new equipment to improve its service delivery	4.72	.696

The results in Table 3 have shown that respondents agreed to the statement that the hotel develops new processes often and that the hotel seeks to innovate new services as indicated by a mean of 4.89 and mean of 4.16 respectively. Respondents disagreed to the statement that the hotel has Research & Development function (Mean=2.10). Respondents agreed that the hotel invests on new

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equipment to improve its service delivery as shown by a mean of 4.72. The research findings agree with study by Ananda, Astuti and Wilopo (2023) that IT capability and innovation had a significant positive effect on organizational.

Leadership Capabilities and Firm Performance

Table 4: Leadership Capabilities

	Mean	Std. Deviation
The hotel managers possess ability to manage crisis	4.66	.253
Hotel managers have conceptual skills to holistically view hotel function as a whole	4.12	.108
The hotel favors managers with analytical skills	3.80	.741
In the hotel, managers provide individualized attention	4.78	.756

The results in Table 4 have revealed that respondents agreed to the statement that the hotel managers possess ability to manage crisis and that the hotel managers have conceptual skills to holistically view hotel function as a whole as indicated by a mean of 4.66 and mean of 4.12 respectively. Respondents were indifferent to the statement that the hotel favors managers with analytical skills (Mean=3.80). However, respondents agreed to the statement that in the hotel, managers provide individualized attention (mean = 4.78). The

The study respondents were asked to rate their agreement or disagreement on the various aspects of leadership capabilities. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 4.

results concur with Agyapong, Aidoo and Akomea (2021) who revealed that social capital serves as a mechanism through which managerial capability influences performance.

Firm Performance

The study respondents were asked to rate their agreement or disagreement on the various aspects of firm performance. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 5.

Table 5: Firm Performance

	Mean	Std. Deviation
The operational costs in the hotel have reduced	4.16	.253
The rate of repeat purchase has improved	4.10	.108
The hotel service has improved	4.80	.741
The hotel customer satisfaction has improved	4.78	.756
Profitability of the hotel has increased for the last five years	3.45	.664

The results in Table 5 have revealed that respondents agreed to the statement that the rate of repeat purchase has improved as indicated by a mean of 4.16 and mean of 4.10 respectively. Respondents also agreed that the hotel service has improved (Mean=4.80) and that the hotel customer satisfaction has improved (Mean=4.78). However, respondents were indifferent to the statement that profitability of the hotel has increased for the last five years (mean = 3.45).

Correlation Analysis

Correlation analysis was done to determine the correlation between strategic capabilities and firm performance using the Pearson's product moment correlation analysis. The results are shown in Table 6.

Table 6: Correlation Results

		NC	IAC	IC	LC	PF
Network capabilities	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	104				
Information acquisition capabilities	Pearson Correlation	.324	1			
	Sig. (2-tailed)	.061				
	N	104	104			
Innovation capabilities	Pearson Correlation	.025	.151	1		
	Sig. (2-tailed)	.888	.393			
	N	104	104	104		
Leadership capabilities	Pearson Correlation	.128	.146	.083	1	
	Sig. (2-tailed)	.470	.409	.641		
	N	104	104	104	104	
Firm performance	Pearson Correlation	.523[*]	.507	.410	.446	1
	Sig. (2-tailed)	.387	.561	.254	.412	
	N	104	104	104	104	104

*. Correlation is significant at the 0.05 level (2-tailed).

From the bivariate correlation results, it was established that employee assistance programs had the highest correlation with employee retention as shown by correlation coefficient of 0.523. This was followed by the correlation between flexible work arrangements and employee retention with correlation coefficient of 0.507. Correlation between leave policies and employee retention was r = 0.446 and correlation between workplace rest breaks and employee retention stood at r = 0.410 and was the least correlation coefficient of all considered variables.

Diagnostic Tests

The study conducted diagnostic tests to ensure that the assumptions of ordinary least square are adhered to before running the regression models as well as to make sure that the data was suitable to be used for inferential analysis. Among the tests presented in the subsection is the test of the dependent variable's normality test, homogeneity test and multicollinearity test.

Test of Normality

The Shapiro Wilk test was used in the study to determine the normality of the variables. The Shapiro Wilk test was chosen because the sample size for the study was between zero and 2000. According to Shapiro et al., (1968), a sample size of 3 to 5000 people is recommended.

Table 7: Shapiro Wilk Test

Shapiro-Wilk W test for normal data				
Variable	W	V	z	Prob>z
Firm performance	0.99912	0.06	-6.157	1.00000
Network capabilities	0.98818	0.811	-0.458	0.67659
Information acquisition capabilities	0.97525	1.699	1.161	0.12286
Innovation capabilities	0.99904	0.066	-5.951	1.00000
Leadership capabilities	0.93043	4.775	3.426	0.10062

Table 7 shows that all variables' data showed p>0.05, indicating that the null hypothesis on normality test hypothesis was not rejected and the data was thus normally distributed (Shapiro *et al.,* 1968). Further, test statistic values of all variables were remarkably close to 1 and thus demonstrated data normality.

Homoscedasticity Test

The homoscedasticity test was used to determine whether the variance of errors was the same across all levels of the independent variables (homoscedasticity) (heteroscedasticity). Using the standardized predicted values, a scatter plot of the distribution of the standardized residuals (errors) was created (Huizingh, 2007).
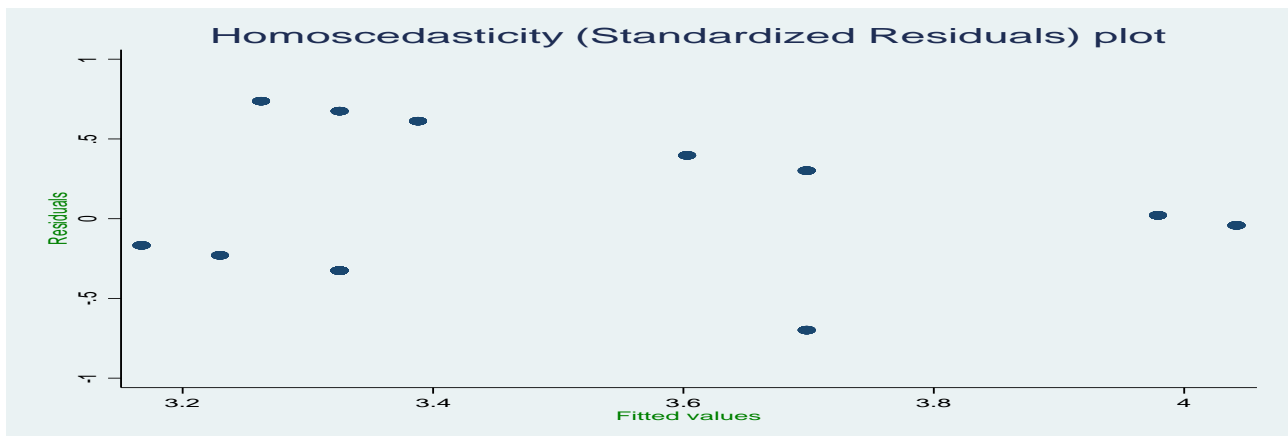

Figure 2: Homoscedasticity Test Results

Figure 2 shows that residuals or errors were randomly clustered near the trend line, indicating that they were evenly distributed.

Test of Multicollinearity

A multicollinearity diagnostic yielded variance inflation factors (VIF) ranging from 1.384 to 2.730,

which were within the acceptable range of 1 to 10 (Morrison, 2003). Tolerance values (TV) ranged between 0.475 and 0.792, well within the 0.2 to 1 range (Morrison, 2003). Table 8 shows the results.

Table 8: Test of Multicollinearity

Constructs	Collinearity Statistics	
	Tolerance	VIF
Network capabilities	0.475	2.730
Information acquisition capabilities	0.792	1.384
Innovation capabilities	0.589	2.475
Leadership capabilities	0.635	1.897

a. Dependent Variable: Firm Performance

The results in Table 8 show that there was no multicollinearity among the explanatory variables, indicating that the requisite assumption was met.

Multiple Regression Analysis

A regression model was adopted in the study to establish the statistical relationship between the strategic capabilities and performance. The results of regression analysis are presented as follows.

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Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.832[a]	.692	.568	.54148

a. Predictors: (Constant), Information acquisition capabilities, Network capabilities, Leadership capabilities, Innovation capabilities

b. Dependent Variable: Firm performance

The regression results in Table 9, showed a strong regression between the study variables. In the model summary, the R^2 is 0.823 indicating that predictors explain 82.3 per cent change in firm performance.

Table 10: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.577	4	1.644	56.689	.012[b]
	Residual	2.932	99	.029		
	Total	9.509	103			

a. Dependent Variable: Firm performance

b. Predictors: (Constant), Information acquisition capabilities, Network capabilities, Leadership capabilities, Innovation capabilities

From the Analysis of Variance results in Table 10, it was established that the significance value in testing the validity of the model was obtained as 0.012 which is less than 0.05, the critical value at 95% significance level. Therefore, the model is statistically significant in predicting the relationship between the study variables.

Table 11: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.514	.213		2.413	.006
Network capabilities	.371	.159	.400	2.333	.018
Information acquisition capabilities	.697	.344	.493	2.026	.011
Innovation capabilities	.239	.109	.276	2.192	.043
Leadership capabilities	.416	.203	.332	2.049	.006

a. Dependent Variable: Firm performance

The derived regression coefficients of the model are:

$$Y = .514 + .371X_1 + .697X_2 + .239X_3 + .416X_4$$

The regression results showed that independent variables had significant value less than 0.05 implying that they are all significant. From the results, it showed that holding all factors constant at zero, the change in firm performance would be .514. Further, the regression results showed that a unit change in network capabilities, on average, would lead to 0.371 unit change in firm performance. Further, regression results showed that a unit change in information acquisition capabilities, on average, would lead to 0.697 unit change in firm performance. A unit change in innovation capabilities, on average, would lead to 0.239 unit change in firm performance. Finally, a unit change in leadership capabilities, on average, would lead to 0.416 unit change in firm performance. Based on regression results, information acquisition capabilities had the strongest effect on firm performance.

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Hypotheses Testing

The hypotheses formulated in the chapter one of the study were tested for acceptance and rejection. This was done using t-statistical tool. The coefficients of the t test statistical analysis are presented below.

Hypothesis One

H_0: Network capabilities has no significant effect on firm performance of star rated hotels in Mombasa County.

Based on t- statistics of 2.333 and p-value <0.05, network capabilities was revealed to have significant effect on firm performance of star rated hotels, thus, the null hypothesis is rejected and the alternative hypothesis accepted. The study, therefore, concludes that network capabilities has significant effect on firm performance of star rated hotels in Mombasa County.

Hypothesis Two

H_0: Information acquisition capabilities has no significant effect on firm performance of star rated hotels in Mombasa County.

Based on t- statistics of 2.026 and p-value <0.05, information acquisition capabilities was revealed to have significant effect on firm performance of star rated hotels, thus, the null hypothesis is rejected and the alternative hypothesis accepted. The study, therefore, concludes that information acquisition capabilities has significant effect on firm performance of star rated hotels in Mombasa County.

Hypothesis Three

H_0: Innovation capabilities has no significant effect on firm performance of star rated hotels in Mombasa County.

Based on t- statistics of 2.192 and p-value <0.05, innovation capabilities was revealed to have significant effect on firm performance of star rated hotels, thus, the null hypothesis is rejected and the alternative hypothesis accepted. The study, therefore, concludes that innovation capabilities has significant effect on firm performance of star rated hotels in Mombasa County.

Hypothesis Four

H_0: Leadership capabilities has no significant effect on firm performance of star rated hotels in Mombasa County.

Based on t- statistics of 2.049 and p-value <0.05, leadership capabilities was revealed to have significant effect on firm performance of star rated hotels, thus, the null hypothesis is rejected and the alternative hypothesis accepted. The study, therefore, concludes that leadership capabilities has significant effect on firm performance of star rated hotels in Mombasa County.

Discussion of Key Findings

The first objective of the study sought to determine the effect of network capabilities on firm performance of star rated hotels in Mombasa. Regression analysis conducted proved that there was a positively significant effect of network capabilities and firm performance as indicated by the values β_1 = 0.371, p<0.05. The study concludes that a unit change in network capabilities, on average, would lead to 0.371 unit change in firm performance. The results agree with Meshtet (2022) who found a significant correlation between network capabilities and competitive advantage.

The second objective of the study sought to establish the effect of information acquisition capabilities on firm performance. Regression analysis conducted proved that there was a positively significant effect of information acquisition capabilities on firm performance as indicated by the values β_2 = 0.697, p<0.05. The study concludes that a unit change in information acquisition capabilities, on average, would lead to 0.697 unit change in firm performance. The study results agree with Abazeed (2020) that knowledge acquisition has significant effect on organizational ambi-dexterity (exploitation and exploration).

The third objective of the study sought to investigate the effect of innovation capabilities on firm performance. Regression analysis conducted

proved that there was a positively significant effect of innovation capabilities on firm performance as indicated by the values β_3 = 0.239, p<0.05. The study concludes that a unit change in innovation capabilities, on average, would lead to 0.239 unit change in firm performance. The findings corroborate the results of Ananda, Astuti and Wilopo (2023) that IT capability and innovation had a significant positive effect on organizational.

The study sought to investigate the effect of leadership capabilities on firm performance. Regression analysis conducted proved that there was a positively significant effect of leadership capabilities on the dependent variable as indicated by the values β_4 = 0.416, p<0.05. The study concludes that a unit change in leadership capabilities, on average, would lead to 0.416 unit change in firm performance.

CONCLUSIONS AND RECOMMENDATION

The study concluded that network capabilities has significant effect on firm performance of star rated hotels in Mombasa County. It is concluded that the star rated hotels take priority in building relationship with customers. Also, the study concludes that the star rated hotels have established robust supplier relationship. The hotels have sought to build strong stakeholder collaborations and that when it comes to problem solving, the star rated hotels promote joint problem solving.

The study concludes that information acquisition capabilities has significant effect on firm performance of star rated hotels in Mombasa County. It is concluded that the hotel has a dynamic database of capturing customer information and that the hotel conducts supplier information acquisition. Also, the hotel continuously conducts intelligence gathering on market information and that the hotel continuously conducts intelligence gathering on competitors.

The study concludes that innovation capabilities has significant effect on firm performance of star rated hotels in Mombasa County. The study concludes

that the hotel develops new processes often and that the hotel seeks to innovate new services. The study concludes that that the hotel has no Research & Development function and that the star rated hotels invest on new equipment to improve service delivery.

The study concludes that leadership capabilities has significant effect on firm performance of star rated hotels in Mombasa County. The study comes to the conclusion that the hotel managers possess ability to manage crisis and that the hotel managers have conceptual skills to holistically view hotel function as a whole. The study conclude that the hotel favours managers with analytical skills. The management staff in the hotel provide individualized attention to both customers and employees.

Based on the summary of the conclusions, the study recommends that network capabilities has potential to improve firm performance. The star rated hotels should take priority in building relationship with customers and suppliers as well as collaborating with stakeholders.

The study recommends that the managers should build a database database of capturing customer information and supplier information. This would make the star rated hotels to pick the best suppliers and follow up on customers. In addition, the study recommends that the hotel management should conduct intelligence gathering on market information.

The study recommends that the hotel should embark on innovation spree as it was found to have significant effect on performance. The management of the hotel should leverage on existing technologies to develop new processes and innovate new services.

The study recommends that the management of the star rated hotel should demonstrate crisis management ability as well as conceptual skills to holistically view hotel function as a whole. The study recommends that the hotel should orient its management on analytical skills and should

encourage managers to offer individualized attention to both customers and employees.

Suggestion for Further Research

The scope of this study was limited to strategic capabilities and firm performance. However, the strategic capabilities constructs adopted on explained 83.2 per cent implying that strategic capabilities constructs only explained 69.2% change in firm performance. Other studies should be done to determine the other strategic capabilities constructs not factored in the current study and ascertain their effect on firm performance not only in hotel sector but also other sectors like manufacturing and logistics.

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