



**DYNAMIC CAPABILITIES AND FIRM PERFORMANCE IN COMMERCIAL BANKS IN MOMBASA COUNTY,  
KENYA**

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## DYNAMIC CAPABILITIES AND FIRM PERFORMANCE IN COMMERCIAL BANKS IN MOMBASA COUNTY, KENYA

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### ABSTRACT

*This study examined the influence of dynamic capabilities on performance of commercial banks in Mombasa County, Kenya. Specifically, the study sought to examine the influence of dynamic managerial capability and dynamic marketing capability on performance of commercial banks in Mombasa County, Kenya. The theoretical framework was informed by the resource-based theory, dynamic capability theory and dynamic managerial capability theory. The study employed the descriptive cross-sectional survey research design to test non-causal relationships between the study variables. The target population consisted of the 98 branch managers and 98 operations managers of the 39 commercial banks in Mombasa County, Kenya. The proportionate stratified random sampling technique was utilized to select a sample size of 66 branch managers and 66 operations managers of the 39 commercial banks in Mombasa County, Kenya. A pilot study was conducted to ascertain the validity and reliability of the constructed survey questionnaire. A structured self-administered survey questionnaire was used as the means of collecting primary data. The study utilized a cross-sectional survey-based approach for the data collection. 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 analysis involved the use of descriptive statistics and inferential statistics. The Pearson's correlation results indicated that dynamic managerial capability and dynamic marketing capability had positive and significant relationship with the performance of commercial banks in Mombasa County, Kenya. The regression results indicated that dynamic managerial capability and dynamic marketing capability had positive and significant influence on the performance of commercial banks in Mombasa County, Kenya. The study recommends that the managers and practitioners within the banking industry should implement the dynamic capabilities to foster the performance of commercial banks. The policymakers within the banking industry should initiate policy review to encourage bank managers to implement the dynamic capabilities to foster the performance of commercial banks. The study recommends intriguing areas for further research. Future research should examine the influence of dynamic capabilities on firm performance in other sectors or contexts.*

**Key words:** Dynamic Capabilities, Dynamic Marketing, Dynamic Managerial, Firm Performance, Kenya

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## INTRODUCTION

The stability of the financial system is of crucial importance for each country. In any economy, whether it is developed or underdeveloped banking sector plays a crucial role in achieving the country's development goals (Dembel Tura, 2024). The commercial banks play a pivotal role by channeling funds from those who have a surplus by mobilizing deposits to those parties that need funds for investments. The banking sector plays a very important role in economic development through stimulation of savings and investment (Chowdhury, Haron, Sulistyowati, & Masud, 2022). In developing countries, commercial banks play a vital role in maintaining the stability of the financial system (Cvetkoska, Fotova Čiković, & Tasheva, 2021). In Kenya, commercial banks are the main central enablers of other main economic sectors through provision of capital and other financial support (Ongongo & Mang'ana, 2022). However, some banks have been experiencing poor performance due to liberalization and competition (Kiptanui, Kwasira, & Amuhaya, 2024).

The importance of the banking sector in ensuring permanent, sustainable, and continuing economic growth cannot be overstated (Yuan, Gazi, Harymawan, Dhar, & Hossain, 2022). The banks collect deposits from surplus and provide loans to the investors that contribute to the total economic growth (Alam, Chowdhury, & Razak, 2021). The banking sector is considered the most important institution that plays a vital role in the nation's growth and development. The banks are financial institutions that play an indispensable role in the achievement of development goals through channeling funds from surplus parties to deficit parties (Dembel Tura, 2024). However, the commercial banks are experiencing a faster pace of change characterized by customers' sophistication, strict regulation and supervision, technology advancement, liberalization of banking license leading to rapid internationalization and challenges in performance (Ongongo & Mang'ana, 2022). Some commercial banks have remained stagnant

and their revenues have merely grown for years (Kitemu, Sang, & Wachira, 2024).

### Statement of the Problem

Despite being an important contributor to the global economy, majority of the commercial banks have remained uncompetitive for decades and others have been closing down or downsizing to regain business and continue operating (Kenya Bankers Association, 2022). Although the banking sector plays a vital role in the nation's growth and development, the commercial banks are experiencing challenges in performance (Ongongo & Mang'ana, 2022). The decline in financial performance of commercial banks based on average return on assets is of high concern among various stakeholders (Mathina, 2022). The financial performance of the commercial banks based on average return on assets was reducing over the period of study, 4.7% in 2013, 3.4% in 2014, 2.9% in 2015, 3.3% in 2016, 2.7% in 2017, 2.7% in 2018, 2.6% in 2019 and 1.7% in 2020 (Mathina, Jagongo, & Wamugo, 2022). In spite of the momentous efforts by the central bank of Kenya, some commercial banks have been experiencing poor performance due to liberalization and competition (Kiptanui *et al.*, 2024).

Despite the banking sector being crucial in economic performance through enhancement of savings and issuance of loans, they face a lot of dynamics most of which threaten their performance (Mbugua, 2024). Kenya faced a banking crisis in 2016 following the failures of Imperial Bank, Dubai Bank, and Chase Bank (Gesowan, 2024), resulting in a banking panic and massive deposit withdrawals (Dinh, 2023). The growth in the banking sector has only been tied to the large banks with the medium and small banks shrinking over time (Kitemu *et al.*, 2024). The commercial banks continue to show mixed performance with some banks posting good performance, while other banks showing ineffective performance (Kimathi & Deya, 2023; Ongena, 2024).

The theoretical literature has emphasized that dynamic capabilities play an important role in

explaining firm performance outcomes (Jiang, Ritchie, & Verreyne, 2023). There are several empirical studies on dynamic capabilities and performance of independent commissions (Mugo & Deya, 2023), commercial banks (Mugambi, 2021) and small and medium enterprises in Kenya (Wamalwa, 2022). However, the empirical literature has produced mixed and inconsistent results (Gitau *et al.*, 2022; Tapanainen *et al.*, 2022; Wu *et al.*, 2023). There is a lack of empirical research on the effect of dynamic capabilities on the performance of commercial banks in Mombasa County, Kenyan context.

### Research Objectives

The general objective of this research was to examine the influence of dynamic capabilities on performance of commercial banks in Mombasa County, Kenya. The specific objectives were;

- To determine the influence of dynamic managerial capability on performance of commercial banks in Mombasa County, Kenya.
- To assess the influence of dynamic marketing capability on performance of commercial banks in Mombasa County, Kenya.

### Research Hypotheses

In this research, two null hypotheses were tested.

- H<sub>0</sub>1: Dynamic managerial capability has no significant influence on performance of commercial banks in Mombasa County, Kenya.
- H<sub>0</sub>2: Dynamic marketing capability has no significant influence on performance of commercial banks in Mombasa County, Kenya.

## LITERATURE REVIEW

### Theoretical Framework

The theoretical framework was guided by the resource-based theory, dynamic capability theory and resource-advantage theory of competition.

### Resource-Based Theory

The resource-based theory (RBT) of the firm (Barney, 1991; Wernerfelt, 1984) provides a framework for understanding how a firm's unique resources and capabilities can be a source of sustained competitive advantage (Alkaraan *et al.*, 2024). The RBT of the firm (Penrose, 1959; Wernerfelt, 1995) suggests that a firm's distinctive resources, which are valuable, rare, inimitable, and non-substitutable (VRIN) can encompass tangible assets, intangible assets, human capital, organizational capabilities, and other strategic assets that are unique to a firm (Barney, Ketchen Jr, & Wright, 2021). The RBT of the firm (Barney, 1991; Peteraf & Barney, 2003) emphasizes that a firm's VRIN resources can enable the firm to achieve superior performance and outperform competitors (Utami & Alamanos, 2022). Therefore, the RBT of the firm provides a relevant theoretical framework to explain influence of dynamic capabilities on performance of commercial banks in Mombasa County, Kenya.

The RBT of the firm is an influential approach in strategic management. The RBT explores heterogeneity in performance across firms through the lens of VRIN resource advantages, and the organization for exploiting their potential (Bosman, 2024). The RBT provides an essential framework to explain and predict the fundamentals of a company's performance and competitive advantage (Barney *et al.*, 2021). Therefore, the RBT of the firm provides a relevant theoretical framework to explain influence of dynamic managerial capability and dynamic marketing capability on performance of commercial banks in Mombasa County, Kenya. Drawing from the theoretical underpinnings of the RBT, Kising'u and Mwajambia (2022) examined the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

### Dynamic Capability Theory

The dynamic capability (DC) theory (Barney, 1991; Peteraf, 1993; Teece, Pisano, & Shuen, 1997a) is a strategic management framework that focuses on a

firm's ability to adapt, innovate, and reconfigure its resources and capabilities in response to changing external environments and evolving market conditions (Bosman, 2024). The DC theory (Peteraf & Barney, 2003; Teece, Pisano, & Shuen, 1997b) posits that a firm's sustainable competitive advantage is derived not only from possessing valuable and rare resources but also from its dynamic capabilities, enabling it to integrate, build, and reconfigure resources to meet the demands of a dynamic market (Alkaraan *et al.*, 2024). Therefore, the DC theory provides a relevant theoretical framework to explain influence of dynamic capabilities on performance of commercial banks in Mombasa County, Kenya. Drawing from the insights of the DC theory, Mwajambia and Kising'u (2022) examined the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

The DC theory specifically focuses on how organizations can develop and use their capabilities in a highly dynamic and uncertain environment (Buzzao & Rizzi, 2023). The DC theory is suitable for measuring business performance in a dynamic environment, as it focuses on a company's ability to change and adapt to the changing environment (Baía & Ferreira, 2024; Teece, 2023). The DC theory concerns the development of strategies for senior managers of successful companies to adapt to radical discontinuous change, while maintaining minimum capability standards to ensure competitive survival (Yoshikuni, Galvão, & Albertin, 2022). Therefore, the DC theory provides a relevant theoretical framework to explain influence of dynamic managerial capability and dynamic marketing capability on performance of commercial banks in Mombasa County, Kenya.

### **Dynamic Managerial Capability Theory**

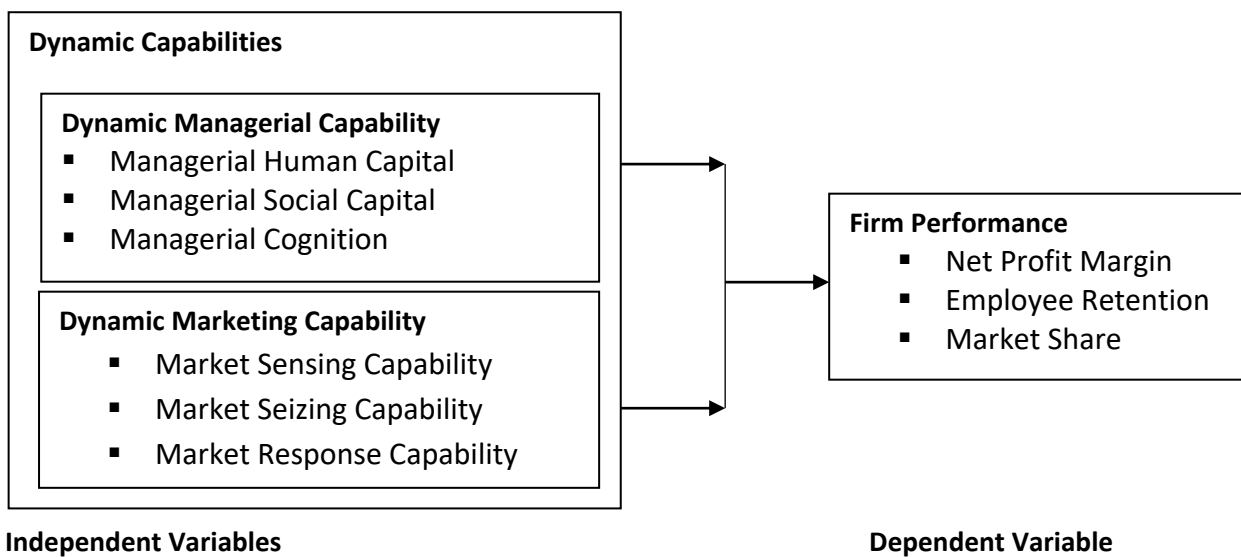
The dynamic managerial capability (DMC) theory (Adner & Helfat, 2003; Kawai, 2018; Kawai, 2019) posits that DMCs are a critical facilitator of firm

performance (Matarazzo, Penco, Profumo, & Quaglia, 2021). The DMC theory is an extension of the DC theory, and is an extension of the RBV theory (Mostafiz *et al.*, 2019b; Mwajambia & Kising'u, 2022). This study adopts the DMC theory to examine the effect of dynamic managerial capabilities on firm performance in commercial banks in Mombasa County, Kenya. The DMC theory provides a multi-level perspective by linking individual level managerial capabilities to firm-level strategic change as the determinant of firm performance in dynamic environments (Heubeck, 2023; Kawai, 2024). Drawing from the insights of the DMC theory, Kising'u and Mwajambia (2022) examined the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya.

The DMC theory suggests that managers with strong DMCs possess the necessary skillset to facilitate organizational change in fast paced environments and superior firm performance (Vuorio & Torkkeli, 2023). The DMC theory proposes that the differences in managers' abilities to sense and seize business opportunities, and transform assets can come from differences in three core underpinnings of DMCs (Roth, Rau, & Neyer, 2023). Drawing from 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 on financial and non-financial performance in export-manufacturing firms from the apparel industry in Bangladesh.

### **Conceptual Framework**

The conceptual framework demonstrates that firm performance is conceptualized as the dependent variable. However, dynamic managerial capability and dynamic marketing capability are conceptualized as the independent variables. Figure 1 presents the conceptual framework.



**Figure 1: Conceptual Framework**

### Review of Literature on Variables

#### Dynamic Managerial Capability

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 (Mwajambia & Kising'u, 2022). The dynamic managerial capabilities are a particular type of dynamic capabilities with which managers build, integrate, and reconfigure organizational resources and competences (Heubeck, Storz, & Meckl, 2024; Tapanainen *et al.*, 2022). Dynamic managerial capabilities refer to the corporate management capability to build, integrate, configure resources, and organizational competencies in order to build a company's ability to support heterogeneity in managerial decisions and company performance as responses of changing external conditions (Hariandja & Sartika, 2022).

Dynamic managerial capabilities are a particular type of dynamic capabilities with which managers build, integrate, and reconfigure organizational resources and competences base to explain differences in managerial decisions that lead to heterogeneity in firm performance (Zohourian,

Rahimnia, & Nabizadeh, 2022). The dynamic managerial capabilities refer to the individual-level capabilities of managers and entrepreneurs to reconfigure a firm's resources and competencies in order to ultimately enhance firm performance (Heubeck & Meckl, 2024d; Mostafiz, Sambasivan, Goh, & Shakil, 2021). The dynamic managerial capabilities perspective builds on the broader concept of dynamic capabilities perspective to explain the individual-level capability to respond to strategic action of the firm (Heubeck & Meckl, 2024a; Kising'u & Mwajambia, 2022; Mehta & Ali, 2021).

The dynamic managerial capabilities derive from managerial human capital capability, managerial social capital capability and managerial cognition capability (Heubeck & Meckl, 2024c; Huynh *et al.*, 2022). Managerial human capital consists of the skills, knowledge, abilities, and experiences acquired through education and training by entrepreneurs (Heubeck & Meckl, 2024b). Managerial social capital comprises social networks in a business ecosystem that facilitate sharing of tangible and intangible resources, trust, and values (Heubeck, 2023). Managerial cognition pertains to managerial beliefs and mental models that form the basis of decision-making (Karaca & Bagis, 2024).

Managerial human capital, managerial social capital and managerial cognition are the three underpinnings of dynamic managerial capabilities (Heubeck, 2024; Mwajambia & Kising'u, 2022). The three underpinnings 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 (Marco-Lajara *et al.*, 2023). The three underpinnings of dynamic managerial capabilities are heterogeneously distributed among managers, and these differences induce differences in outcomes (Mehta & Ali, 2021). Extant literature posits that some managers have more effective dynamic managerial capabilities than others, while some lack dynamic managerial capabilities entirely, as the three dynamic managerial capabilities are unevenly distributed among managers (Hermano, Martin-Cruz, & Pajares, 2022). Therefore, the organizations whose managers have superior dynamic capabilities can adjust their strategy more successfully than the organizations that do not (Kising'u & Mwajambia, 2022).

### **Dynamic Marketing Capability**

Dynamic marketing capability refer to the firm's responsiveness and efficiency of cross-functional business processes for creating and delivering customer value in response to market changes (Zohourian, Rahimnia, & Nabizadeh, 2022). The dynamic marketing capabilities consist of the capacity of coordinating organizations using the organizational assets and capabilities to understand the clients' need to create a variety of products that are separated from rivals (Hariandja & Sartika, 2022). Dynamic marketing capabilities are described as the capacity of an organization to create new products and processes and respond to changing market conditions (Dahlquist, 2021). The dynamic marketing capabilities allow businesses to liberate themselves from their rigid structures (Tapanainen *et al.*, 2022).

The dynamic marketing capability is composed of three elements, namely market sensing, market

seizing, and market configuration capabilities (Hoque, Ahammad, Tzokas, & Gabay, 2021). Dynamic market sensing capability is the ability of a business to accept the ability of its clients, partners, and competitors to interpret, store, and use data, as well as react to advancements and activities in present and futures markets (Kwon, 2021). The dynamic market seizing capability is the ability of a business to learn, be receptive to acquiring and combining external information, and identify new opportunities to maximize effectiveness to maintain a long-term competitive edge over competitors (Zohourian *et al.*, 2022). Dynamic market configuration capability is the ability of a business to recognize additional opportunities and then choose the best target market with the resources and strengths of the company create strong positioning and value to preserve their loyalty (Dahlquist, 2021).

### **Firm performance**

Firm performance has emerged as a key concept in management research (Gutiérrez-Broncano, Linuesa-Langreo, Rubio-Andrés, & Sastre-Castillo, 2024). It represents a measure of how well or poorly an entity is putting its resources into use (Benvolio & Ironkwe, 2022). Firm performance is a measure of how an organization to efficiently exploits available resources to make achievements consistent with the objectives of the firm (Gruber, Dencker, & Nikiforou, 2024). It refers to the efficient coordination and enhancement of work activities and outcomes within a company (Alzghoul, Khaddam, Abousweilem, Irtaimah, & Alshaar, 2024). Firm performance is the set of financial and nonfinancial indicators which provide information on the degree of achievement of set goals and objectives (Úbeda-García, Claver-Cortés, Marco-Lajara, & Zaragoza-Sáez, 2021). It refers to the measure of how an organization achieves better results than its competitors (Liu & Wang, 2022).

Firm performance is frequently used as a dependent variable (Gutiérrez-Broncano *et al.*, 2024). However, the question of how to measure firm performance is the subject of ongoing

discussions (Oudgou, 2021). Firm performance is a multidimensional construct that comprises of financial and non-financial measures (Alzghoul *et al.*, 2024). The financial performance indicators are expressed in monetary terms (Titilayo *et al.*, 2022). However, the non-financial performance indicators are not expressed in monetary terms and are characterized by greater subjectivity in regards to financial measures (Benvolio & Ironkwe, 2022).

The financial performance measures are generally more easily measurable, as they are based on objective data (Benvolio & Ironkwe, 2022; Cupertino, Vitale, & Taticchi, 2023). Nevertheless, the non-financial performance measures can be more difficult to measure as they are often subjective, based on perceptions, attitudes, and opinions (Maletič, Gomišček, & Maletič, 2021). The financial performance measures only reveal past performance of an organization which may not reflect the present or future state of a firm (Alzghoul *et al.*, 2024). Nonetheless, the non-financial performance measures are superior predictors of the future economic performance of the firm and are more closely tied to the corporate and business-level strategy of the firms (Mahohoma, 2024). Therefore, the non-financial performance measures act as a missing link between the value-driving activities and economic performance of the firm (Zarzycka & Krasodomska, 2022).

## **Empirical Review**

### **Dynamic Managerial Capability and Firm Performance**

In the Portuguese context, Alves and Carvalho (2022) 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.

Kising'u and Mwajambia (2022) examined the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. 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.

Tabares, Tavera, Álvarez Barrera, and Escobar-Sierra (2023) examined the effect of dynamic managerial capabilities on international performance in Colombia, Latin America. 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.

Vrontis, El Chaarani, 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 in Lebanon. 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.

Heubeck and Meckl (2022a) examined the effect of dynamic managerial capabilities on digital firms' innovativeness in Germany. 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.

Sebhatu (2021) examined the effect of dynamic managerial capabilities on sustainable performance in manufacturing small and medium-sized enterprises in China. 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.

Mwajambia and Kising'u (2022) examined the effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators in Mombasa County, Kenya. 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.

### **Dynamic Marketing Capability and Firm Performance**

Hariandja and Sartika (2022) examined the effect of dynamic marketing capability on the performance of international hotels in Indonesia. The findings indicated that dynamic marketing capability had a positive and significant effect on brand performance of 3-5-star international hotels in Indonesia. The study revealed that dynamic marketing capabilities are critical in fostering the performance of international hotels.

Zohourian *et al.* (2022) examined the effect of dynamic marketing capabilities and organizational performance in the food industry in Iran. The findings indicated that dynamic marketing capability had positive and significant effect on

organizational performance through operational marketing capabilities. The results indicated that dynamic marketing capabilities are critical in the reinforcing and reconfiguration of operational marketing capabilities and this can lead to enhanced organizational performance.

Kwon (2021) examined the effect of dynamic marketing capabilities on performance of export companies in Korea. The findings showed that market responding capabilities and marketing resource rebuilding capabilities had significant effect on performance of export companies. The results indicated that dynamic marketing capabilities had significant effect on performance of export companies.

## **METHODOLOGY**

**Research Philosophy:** The research was guided by the positivist research philosophy which regards the world as made up of observable and measurable facts and assumes that there is an objective reality out there. The positivist research philosophy regards the world as made up of observable and measurable facts and assumes that there is an objective reality out there (Ma & Xie, 2023; Saunders, Lewis, & Thornhill, 2023).

**Research Design:** Drawing from the quantitative non-experimental research methodology, the research utilized a correlational cross-sectional survey research design to examine the non-causal relationship between study variables. The design was appropriate for collecting data once from many individuals at a single point in time to test statistical relationships between two or more variables without the researcher controlling or manipulating any of them (Leavy, 2022; Bell, Bryman, & Harley, 2022).

**Target Population:** The target population consisted of the 98 branch managers and 98 operations managers of the 39 commercial banks in Mombasa County, Kenya. There were 39 commercial banks with 98 branches in Mombasa County, as per the Central Bank of Kenya's database as at 31<sup>st</sup>

December 2023. The unit of observation consisted of the branch manager and operations manager, while the unit of analysis consisted of the

commercial bank. Table 1 presents the target population.

**Table 1: Target Population**

Strata	Target Population	Percentage
Branch Managers	98	50.0%
Operations Managers	98	50.0%
<b>Total</b>	<b>196</b>	<b>100.0%</b>

Source: Central Bank of Kenya (CBK, 2023)

**Sampling Frame:** A sampling frame is the complete and correct list of population constituency of a given population (Thomassen, le Cessie, van Houweligen, & Steyerberg, 2024). The sampling frame consisted of the list of the 98 branches of the 39 commercial banks in Mombasa County, Kenya. There were 39 commercial banks with 98 branches in Mombasa County, as per the Central Bank of Kenya's database as at 31<sup>st</sup> December 2023.

**Sample Size:** The Yamane (1967) formula was used to calculate sample size at 95% confidence level and 5% significance level to ensure that the sample size was truly reflective of the target population.

$$n = \frac{N}{1 + Ne^2}$$

Where:

$n$  = Sample Size;

$N$  = Target Population;

$e$  = Margin of Error

For a target population of 246 commercial banks in Mombasa County, Kenya, at 95% confidence level and 5% significance level, the sample size was determined as:

$$n = \frac{196}{1 + 196 (0.05)^2} = 132$$

Therefore, the sample size consisted of 132 managers including 66 branch managers and 66 operations managers of the 39 commercial banks in Mombasa County, Kenya. Table 2 presents the sample size.

**Table 2: Sample Size**

Strata	Target Population	Sample Size
Branch Managers	98	66
Operations Managers	98	66
<b>Total</b>	<b>196</b>	<b>132</b>

**Sampling Techniques:** The proportionate stratified random sampling technique utilized to select a sample size of 66 branch managers and 66 operations managers from a target population of 98 branch managers and 98 operations managers of the 39 commercial banks in Mombasa County, Kenya. The choice of the proportionate stratified random sampling technique was justified by the heterogeneous target population (Hiebl, 2023). The proportionate stratified random sampling is a probability sampling technique in which each stratum is given equal chance to be selected randomly in to the sample (Leavy, 2022).

**Data Collection Methods:** Primary data was collected using a self-administered structured survey questionnaire. The data collection method was appropriate. The choice of the self-administered structured survey questionnaire was justified by its ability to collect a large amount of information in a reasonably quick span of time (Dubey & Kothari, 2022).

**Data Collection Procedures:** A cross-sectional survey-based approach was employed for the collection of primary data. The choice of the cross-sectional survey-based approach was justified by its ability to permit the fast collection of primary data

from many different individuals at a single point in time. The cross-sectional survey-based approach facilitates the collection of data from many different individuals at a single point in time (Leavy, 2022). With the help of 3 research assistants, the researcher utilized the drop and pick method to hand deliver the survey questionnaire to the managing directors of the random sample of 66 branch managers and 66 operations managers of the 39 commercial banks in Mombasa County, Kenya. A continuous follow up on responses was made by the researcher and research assistants.

**Pilot Study:** A pilot study was conducted to test the validity and reliability of the constructed survey questionnaire. The pilot study was performed with pilot trial sample size of 13 branch managers and 13 operations managers of the commercial banks in Mombasa County, Kenya. The pilot trial sample size represented 20% of the study's sample size. A common rule of thumb for pilot study is that a pilot study should be conducted with a minimum size of at least 10%-20% of the full-scale survey sample size or at least 30-50 respondents (Lakens, 2021; Leong, Hew, Ooi, Tan, & Koohang, 2024). However, the participants in the pilot study were not part of the main survey.

**Data Processing and 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 analysis. The descriptive statistics and inferential statistics were used for data analysis. The descriptive statistics were used to compute, summarize the data in respect to each of the study variables and describe the sample's characteristics. The Pearson's product moment correlation analysis was performed to confirm or deny the relationship between the study variables. A multiple linear analysis was performed with firm performance as the dependent variable and dynamic managerial capability and dynamic marketing capability as the predictor variables.

**Model Specification:** The multiple linear regressions model was specified as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon \quad \dots\dots\dots \text{Model 1}$$

Where:

Y = Firm Performance

$\beta_0$  = Constant Term

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

$X_1$  = Dynamic Managerial Capability

$X_2$  = Dynamic Marketing Capability

$\varepsilon$  = Stochastic Error Term

**Hypotheses Testing**

In this research, two null hypotheses were tested. The  $H_{01}$  and  $H_{02}$  were tested at 5% level of significance ( $\alpha = 0.05$ ;  $t = 1.960$ ) to statistically help draw acceptable and realistic inferences. Therefore, the decision rule was to reject the  $H_{0i}$  if the  $P \leq 0.05$ , and otherwise fail to reject the  $H_{0i}$  if the  $P > 0.05$ . Table 3 presents the hypotheses testing procedure.

**Table 3: Hypotheses Testing**

Hypotheses	Model	Hypotheses Testing	Decision Rule
$H_{01}$ : Dynamic managerial capability has no significant influence on performance of commercial banks in Mombasa County, Kenya.	$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon \dots$ Model 1	Standard Multiple regression analysis	$H_{01}: \beta_1 = 0$ $H_{11}: \beta_1 \neq 0$ If the $P \leq 0.05$ , reject the $H_{01}$ . If the $P > 0.05$ , fail to reject the $H_{01}$ .
$H_{02}$ : Dynamic marketing capability has no significant influence on performance of commercial banks in Mombasa County, Kenya.			$H_{02}: \beta_2 = 0$ $H_{12}: \beta_2 \neq 0$ If the $P \leq 0.05$ , reject the $H_{02}$ . If the $P > 0.05$ , fail to reject the $H_{02}$ .

## FINDINGS

### Response Rate

Out of the 152 survey questionnaires distributed for the main survey, only 133 usable survey questionnaires were returned. Therefore, there was

a valid response rate of 94.33%, which was sufficient for data processing and analysis. Existent literature posits that survey response rates of 80% or higher are needed if findings are to be considered generalizable (Ericson *et al.*, 2023). Table 4 presents the response rate results.

**Table 4: Response Rate**

Strata	Frequency	Percentage
Response	133	87.5%
Non-Response	19	12.5%
<b>Total</b>	<b>152</b>	<b>100.0%</b>

### Correlation Results

The Pearson's product moment correlation analysis was performed to confirm or deny the relationships between the study variables. The correlation results indicated that dynamic managerial capability had a moderately strong positive and significant relationship with the performance ( $r = 0.579$ ,  $p \leq$

0.05) of commercial banks in Mombasa County, Kenya. The results showed that dynamic marketing capability had a strong positive and significant relationship with the performance ( $r = 0.710$   $p \leq$  0.05) of commercial banks in Mombasa County, Kenya. Table 5 presents the Pearson's product moment correlation results.

**Table 5: Correlation 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	105		
Dynamic marketing capability (X <sub>2</sub> )	Pearson Correlation	.390**	1	
	Sig. (2-tailed)	.000		
	n	105	105	
Firm Performance (Y)	Pearson Correlation	.579**	.710**	1
	Sig. (2-tailed)	.000	.000	
	n	105	105	105

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

### Multiple Regression Results

A standard multiple linear analysis was performed with firm performance as the dependent variable and dynamic managerial capability and dynamic marketing 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 0.782, suggesting that there was a strong positive

correlation between the dynamic capabilities and the performance of commercial banks in Mombasa County, Kenya. The value of coefficient of determination ( $R^2$ ) was 0.612, suggesting that the overall model as a whole (the model involving constant, dynamic managerial capability and dynamic marketing capability) was able to significantly predict and explain approximately 61.2% of the variance in the performance of commercial banks in Mombasa County, Kenya. The

value of the adjusted  $R^2$  was 0.604, suggesting that the overall model as a whole (the model involving constant, dynamic managerial capability and dynamic marketing capability) significantly predicted and explained 60.4% of the variance in the performance of commercial banks in Mombasa County, Kenya.

The value of the std. error of the estimate was 0.233, suggesting that there could be other factors not included in the model in the current study that could predict and explain the remaining 39.6% of the variance in the performance of commercial banks in Mombasa County, Kenya. Therefore, there

is in need for future research to discover the other dynamic capabilities not included in the model in the current study that also predict the remaining variance in the performance of commercial banks in Mombasa County, Kenya. The value of the Durbin-Watson test was 2.130, 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. Generally, 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 6 presents the model summary results.

**Table 6: Model Summary<sup>b</sup> Results**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.782 <sup>a</sup>	.612	.604	.233	2.130

a. Predictors: (Constant), Dynamic marketing capability ( $X_2$ ), Dynamic managerial capability ( $X_1$ )

b. Dependent Variable: Firm Performance (Y)

### Analysis of Variance

From the ANOVA table, the overall model as a whole (the model involving constant, dynamic managerial capability and dynamic marketing capability), achieved a high degree of fit, as reflected by  $R^2 = 0.612$ ,  $\text{adj. } R^2 = 0.604$ ,  $F(2, 102) = 80.335$ ,  $p \leq 0.05$ . The null hypothesis was that the linear combination of predictor variables (dynamic managerial capability and dynamic marketing capability) was not able to significantly predict the performance of commercial banks in Mombasa County, Kenya. However, the alternative hypothesis was that the linear combination of predictor variables (dynamic managerial capability and dynamic marketing capability) was able to

significantly predict the performance of commercial banks in Mombasa County, Kenya. The standard multiple linear regression results showed that the linear combination of predictor variables (dynamic managerial capability and dynamic marketing capability) significantly predicted the performance of commercial banks in Mombasa County, Kenya. The null hypothesis was rejected in favor of the alternative hypothesis. Therefore, the decision was that the linear combination of predictor variables (dynamic managerial capability and dynamic marketing capability) significantly predict the performance of commercial banks in Mombasa County, Kenya. Table 7 presents the ANOVA results.

**Table 7: ANOVA<sup>a</sup> Results**

Model		Sum of Squares	df	Mean Square	F	Sig. <sup>b</sup>
1	Regression	8.724	2	4.362	80.335	.000 <sup>b</sup>
	Residual	5.538	102	.054		
	Total	14.263	104			

a. Dependent Variable: Firm Performance (Y)

b. Predictors: (Constant), Dynamic marketing 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:

$$Y = 1.654 + 0.212X_1 + 0.375X_2$$

The final predictive equation suggested that holding all factors in to account constant (dynamic managerial capability and dynamic marketing capability), constant at zero, the performance of commercial banks would be 1.654 in Mombasa County, Kenya. The final predictive equation suggested that with all other factors held constant, a unit increase in dynamic managerial capability would lead to 0.212 unit increase in the performance of commercial banks in Mombasa County, Kenya. Moreover, the final predictive equation suggested that with all other factors held

constant, a unit increase in dynamic marketing capability would lead to 0.375 unit increase in the performance of commercial banks in Mombasa County, Kenya. Based on the magnitude of the unstandardized regression coefficients (B) of the independent variables, dynamic marketing capability was the best predictor of the variance in the performance of commercial banks in Mombasa County, Kenya.

The multiple regression results indicated that dynamic managerial capability had a positive and significant influence on the performance of commercial banks ( $\beta_1 = 0.357$ ;  $t = 5.322$ ;  $p \leq 0.05$ ) in Mombasa County, Kenya. The regression results indicated that dynamic marketing capability had a positive and significant influence on the performance of commercial banks ( $\beta_2 = 0.571$ ;  $t = 8.513$ ;  $p \leq 0.05$ ) in Mombasa County, Kenya. Table 8 presents the multiple regressions coefficients results.

**Table 8: Multiple Regression Coefficients<sup>a</sup> Results**

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	1.654	.176		9.386	.000		
Dynamic managerial capability (X <sub>1</sub> )	.212	.040	.357	5.322	.000	.763	1.310
Dynamic marketing capability (X <sub>2</sub> )	.375	.044	.571	8.513	.000	.848	1.180

a. Dependent Variable: Firm Performance (Y)

### Hypotheses Test Results

In this research, two null hypotheses were tested. The H<sub>01</sub> and H<sub>02</sub> were tested at 5% level of significance,  $\alpha = 0.05$ ,  $t = 1.960$ , and 95% confidence level to statistically help draw acceptable and realistic inferences. Therefore, the decision rule was to reject the H<sub>0j</sub> if the  $P \leq 0.05$ , and otherwise fail to reject the H<sub>0j</sub> if the  $P > 0.05$ .

### Hypothesis One Test Results

The first null hypothesis (H<sub>01</sub>) predicted that dynamic managerial capability has no significant influence on performance of commercial banks in Mombasa County, Kenya. The decision rule was to

reject the null hypothesis H<sub>01</sub> if the  $\beta_1 \neq 0$ ,  $t \geq 1.960$ ,  $P \leq 0.05$ , and otherwise fail to reject the H<sub>01</sub> if the  $\beta_1 = 0$ ,  $t < 1.960$ ,  $P > 0.05$ . The regression results indicated that dynamic managerial capability had a positive and significant influence on the performance of commercial banks ( $\beta_1 = 0.357$ ;  $t = 5.322$ ;  $p \leq 0.05$ ) in Mombasa County, Kenya. Therefore, the decision was to reject the H<sub>01</sub>, and then conclude that dynamic managerial capability has a significant influence on performance of commercial banks in Mombasa County, Kenya.

### Hypothesis Two Test Results

The H<sub>02</sub> predicted that dynamic marketing capability has no significant influence on performance of commercial banks in Mombasa County, Kenya. The decision rule was to reject the H<sub>02</sub> if the  $\beta_2 \neq 0$ ,  $t \geq 1.960$ ,  $P \leq 0.05$ , and otherwise fail to reject the H<sub>02</sub> if the  $\beta_2 = 0$ ,  $t < 1.960$ ,  $P > 0.05$ . The regression results indicated that dynamic marketing capability had a positive

and significant influence on the performance of commercial banks ( $\beta_2 = 0.571$ ;  $t = 8.513$ ;  $p \leq 0.05$ ) in Mombasa County, Kenya. Therefore, the decision was to reject the H<sub>02</sub>, and then conclude that dynamic marketing capability has a significant influence on performance of commercial banks in Mombasa County, Kenya. Table 9 presents the hypotheses test results.

**Table 9: Hypotheses Test Results**

Hypothesis	$\beta$	t	Sig.	Decision
H <sub>01</sub> : Dynamic managerial capability has no significant influence on performance of commercial banks in Mombasa County, Kenya.	.357	5.322	.000	Reject the H <sub>01</sub>
H <sub>02</sub> : Dynamic marketing capability has no significant influence on performance of commercial banks in Mombasa County, Kenya.	.571	8.513	.000	Reject the H <sub>02</sub>

### Discussions

The purpose of this quantitative correlational research was to examine the influence of dynamic capabilities on the performance of commercial banks in Mombasa County, Kenya. Specifically, the research sought to examine the influence of dynamic managerial capability and dynamic marketing capability on the performance of commercial banks in Mombasa County, Kenya. The Pearson's product moment correlation analysis was performed to confirm or deny the relationship between the study variables. The correlation results indicated that the dynamic capabilities had positive and significant relationship with performance of commercial banks in Mombasa County, Kenya. A standard multiple linear analysis was performed with performance of commercial banks as the dependent variable and dynamic managerial capability and dynamic marketing capability as the predictor variables. The regression results showed that the dynamic capabilities had positive and significant influence on the performance of commercial banks in Mombasa County, Kenya. The findings were in harmony with the results of past studies (Dejardin *et al.*, 2023; Heaton & Makarevich, 2022; Hermano *et al.*, 2022; Martins,

2023). The findings were consistent with the results of prior studies (Mugambi, 2021; Wamalwa, 2022; Tapanainen *et al.*, 2022).

The first specific objective was to determine the influence of dynamic managerial capability on the performance of commercial banks in Mombasa County, Kenya. The first null hypothesis (H<sub>01</sub>) predicted that dynamic managerial capability has no significant influence on performance of commercial banks in Mombasa County, Kenya. The Pearson's correlation results indicated that dynamic managerial capability had a strong positive and significant relationship with the performance of commercial banks in Mombasa County, Kenya. The regression results showed that dynamic managerial capability had a positive and significant influence on performance of commercial banks in Mombasa County, Kenya. Therefore, the decision was to reject the H<sub>01</sub>, and then conclude that dynamic managerial capability has a significant influence on performance of commercial banks in Mombasa County, Kenya. The findings were consistent with the results of previous studies (Alves & Carvalho, 2022; Heubeck & Meckl, 2022a; Kising'u & Mwajambia, 2022). The results were in harmony

with the results of past studies (Mwajambia & Kising'u, 2022; Sebhatu, 2021; Tabares *et al.*, 2023). However, the findings were inconsistent with the results of previous research (El Nemar & Yassine Haddad, 2022).

The second specific objective was to assess the influence of dynamic marketing capability on performance of commercial banks in Mombasa County, Kenya. The second null hypothesis ( $H_02$ ) predicted that dynamic marketing capability has no significant influence on performance of commercial banks in Mombasa County, Kenya. The Pearson's correlation results indicated that dynamic marketing capability had a strong positive and significant relationship with performance of commercial banks in Mombasa County, Kenya. The regression results showed that dynamic marketing capability had a positive and significant influence on performance of commercial banks in Mombasa County, Kenya. Therefore, the decision was to reject the  $H_02$ , and then conclude that dynamic marketing capability has a significant influence on performance of commercial banks in Mombasa County, Kenya. The findings were consistent with the results of prior studies (Hariandja & Sartika, 2022; Kitenga *et al.*, 2020; Kwon, 2021; Zohourian *et al.*, 2022).

### CONCLUSIONS AND RECOMMENDATIONS

The purpose of this quantitative correlational research was to examine the influence of dynamic capabilities on performance of commercial banks in Mombasa County, Kenya. The Pearson's product moment correlation analysis was performed to confirm or deny the relationship between the study variables. The correlation results indicated that the dynamic capabilities had positive and significant relationship with performance of commercial banks in Mombasa County, Kenya. A standard multiple linear analysis was performed with performance of commercial banks as the dependent variable and dynamic managerial capability and dynamic marketing capability as the predictor variables. The regression results showed that the dynamic capabilities had positive and significant influence on

the performance of commercial banks in Mombasa County, Kenya.

The first specific objective was to determine the influence of dynamic managerial capability on the performance of commercial banks in Mombasa County, Kenya. The  $H_01$  predicted that dynamic managerial capability has no significant influence on performance of commercial banks in Mombasa County, Kenya. The correlation results indicated that dynamic managerial capability had a strong positive and significant relationship with the performance of commercial banks in Mombasa County, Kenya. The regression results showed that dynamic managerial capability had a positive and significant influence on performance of commercial banks in Mombasa County, Kenya. Therefore, the decision was to reject the  $H_01$ , and then conclude that dynamic managerial capability has a significant influence on performance of commercial banks in Mombasa County, Kenya.

The second specific objective was to assess the influence of dynamic marketing capability on performance of commercial banks in Mombasa County, Kenya. The  $H_02$  predicted that dynamic marketing capability has no significant influence on performance of commercial banks in Mombasa County, Kenya. The correlation results indicated that dynamic marketing capability had a strong positive and significant relationship with performance of commercial banks in Mombasa County, Kenya. The regression results showed that dynamic marketing capability had a positive and significant influence on performance of commercial banks in Mombasa County, Kenya. Therefore, the decision was to reject the  $H_02$ , and then conclude that dynamic marketing capability has a significant influence on performance of commercial banks in Mombasa County, Kenya.

The purpose of this quantitative correlational research was to examine the influence of dynamic capabilities on performance of commercial banks in Mombasa County, Kenya. The Pearson's product moment correlation analysis was performed to confirm or deny the relationship between the study



variables. The correlation results indicated that the dynamic capabilities had positive and significant relationship with performance of commercial banks in Mombasa County, Kenya. A standard multiple linear analysis was performed with performance of commercial banks as the dependent variable and dynamic managerial capability and dynamic marketing capability as the predictor variables. The regression results showed that the dynamic capabilities had positive and significant influence on the performance of commercial banks in Mombasa County, Kenya. Therefore, the conclusion was that dynamic capabilities significantly influence the performance of commercial banks in Mombasa County, Kenya.

The first specific objective was to determine the influence of dynamic managerial capability on the performance of commercial banks in Mombasa County, Kenya. The  $H_01$  predicted that dynamic managerial capability has no significant influence on performance of commercial banks in Mombasa County, Kenya. The Pearson's correlation results indicated that dynamic managerial capability had a strong positive and significant relationship with the performance of commercial banks in Mombasa County, Kenya. The regression results showed that dynamic managerial capability had a positive and significant influence on performance of commercial banks in Mombasa County, Kenya. The  $H_01$  was rejected, providing the empirical support for  $H_11$ . Therefore, the first conclusion was that dynamic managerial capability has a significant influence on performance of commercial banks in Mombasa County, Kenya.

The second specific objective was to assess the influence of dynamic marketing capability on performance of commercial banks in Mombasa County, Kenya. The  $H_02$  predicted that dynamic marketing capability has no significant influence on performance of commercial banks in Mombasa County, Kenya. The Pearson's correlation results indicated that dynamic marketing capability had a strong positive and significant relationship with performance of commercial banks in Mombasa

County, Kenya. The regression results showed that dynamic marketing capability had a positive and significant influence on performance of commercial banks in Mombasa County, Kenya. The  $H_02$  was rejected, providing the empirical support for  $H_12$ . Therefore, the second conclusion was that dynamic marketing capability has a significant influence on performance of commercial banks in Mombasa County, Kenya.

The research recommends that the managers and practitioners should consider a holistic reassessment and implementation of the dynamic capabilities to foster the performance of the performance of commercial banks. First, the managers and practitioners should consider a holistic reassessment and implementation of dynamic managerial capability to foster the performance of the performance of commercial banks. Second, the managers and practitioners should consider a holistic reassessment and implementation of dynamic marketing capability to foster the performance of the performance of commercial banks.

The research recommends that the policy makers should initiate policy review to motivate the managers and practitioners to consider a holistic reassessment and implementation of the dynamic capabilities to foster the performance of the performance of commercial banks. First, the policy makers should initiate policy review to motivate the managers and practitioners to consider a holistic reassessment and implementation of dynamic managerial capability to foster the performance of the performance of commercial banks. Second, the policy makers should initiate policy review to motivate the managers and practitioners to consider a holistic reassessment and implementation of dynamic marketing capability to foster the performance of the performance of commercial banks.

#### **Limitations and Future Research**

The research suggests interesting areas for further research. First, future research should examine the influence of other dynamic capabilities on the

performance of commercial banks in other regions or contexts. Second, future research should examine the influence of dynamic capabilities on firm performance in other industries, sectors or contexts. Third, future research should examine the

moderating influence of board gender diversity on the relationship between dynamic capabilities and firm performance in other sectors, regions or contexts.

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