

Dynamic Capabilities And Performance Of Star Rated Hotels In North Rift Region, Kenya

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Abstract

The hospitality industry is increasingly characterized by intense competition, evolving customer preferences, and rapid technological change, making organizational adaptability a critical determinant of success. Against this backdrop, dynamic capabilities have emerged as a strategic resource that enables firms to integrate, build, and reconfigure competencies in response to shifting market conditions. In Kenya, the performance of hotels continues to worsen courtesy of the poor dynamic capabilities to survive hostile political, social, economic and institutional environment. However, most studies on Dynamic capabilities (DCs) have been conducted in developed countries. In this regard, this study was designed to assess the effect of dynamic capabilities on performance of star rated hotels in North Rift Region, Kenya. The study adopted explanatory research design based on samples drawn from across the star rated hotels in North Rift Region. The target population was 575 administrative and service employees of star rated hotels. Stratified and simple random sampling technique was adopted besides using Taro Yamane (1967) formula to calculate the sample size of 278 respondents from the target population. Data was collected by use of self-administered structured questionnaire and was analyzed by use of both descriptive and inferential statistics using SPSS version 25. The findings showed that dynamic capabilities explained a variation of performance of star rated hotels. The study concludes that dynamic capabilities significantly affect the performance of star rated hotels. This implies that star-rated hotels that continuously re-align operations with market changes (e.g., customer preferences, technological adoption, sustainability trends) achieve superior performance compared to those relying solely on static resources. These findings underscore that hotel managers should adopt a strategic, context-sensitive approach, prioritizing the development of DC dimensions that align with the environmental conditions, organizational goals, and resource constraints of their establishments. Hotel managers should prioritize different DC dimensions depending on environmental conditions. Hotel managers should strengthen both sensing and seizing capabilities by adopting advanced customer analytics, digital booking systems, and market intelligence platforms. The current research provides new insight on how star rated hotels can develop and leverage their dynamic capabilities to enhance competitive performance.

Key Words: Hotels, Performance, Dynamic Capabilities

Date of Submission: 12-10-2025

Date of Acceptance: 22-10-2025

I. Background

The hospitality industry is increasingly characterized by intense competition, rapidly evolving customer preferences, and technological disruption, making organizational adaptability a critical determinant of long-term success. This underscores the importance of Dynamic Managerial Capabilities (DMCs) as a driver of competitive performance. According to existing literature, DMCs exert a significant positive influence on competitive performance by enabling managers to sense opportunities, seize them effectively, and reconfigure organizational resources to maintain strategic advantage (Minghui & Chelliah, 2024). Despite this, many organizations particularly within the hospitality sector lack DMCs that are adequately aligned with the specific contexts in which they operate. This raises an important question: What is the effect of dynamic managerial capabilities on organizational performance, particularly within the hotel industry?

According to Heubeck, (2023), DMCs exert a significant positive influence on competitive and operational performance by enabling managers to sense opportunities, seize them effectively, and reconfigure organizational resources to maintain strategic advantage. Empirical work in hospitality contexts shows the same pattern: hotel-level dynamic capabilities (e.g., collaboration, agility, integration, reconfiguration) improve operational performance in hotel food supply chains, particularly when mediated by resilience and when environmental uncertainty is accounted for (Abou Kamar, et al., 2023). The most efficient hotel companies operate in Switzerland, the UK, Spain and the UAE, while the least efficient hotel chains operate in Croatia, Slovakia and Kenya (Assaf & Barros, 2013). Studies in related travel and tourism firms in developing-country contexts likewise report positive and significant effects of managerial human capital, social capital and cognition (the microfoundations of DMCs) on firm performance (Mwajambia & Kising'u, 2022).

It therefore remains incumbent upon hotels to continue to set themselves apart through dynamic capabilities (DC) in order to stay afloat in the dynamic hospitality industry.

However, Kenyan hotels have become more complex to manage because of the demands of the dynamic business environment occasioned by complicated service technologies and production processes (Nzioka & Njuguna, 2017). Besides, hotels succumb to stiff competition with some tourists preferring other destinations such as South Africa, Tunisia and Morocco to Kenya resulting in some hotels experiencing poor performance (Oketch, Wadawi, Brester, & Needetea, 2010). This is further evidenced by the hotels recording low occupancy rates averaging at 34.4% in Kenya against the Sub-Saharan market at 59.4%, which is an index of poor performance (Cytonn, 2019; KNBS, 2017). Besides, only 8% occupancy rates in Rift Valley hotels with limited information on North Rift Region which suffer low occupancy rates, and have the low revenues in the market as an index of poor performance (Cytonn, 2019, Bor, 2018). Their performance continues to worsen courtesy of the poor entrepreneurial orientation to survive hostile political, social, economic and institutional environment (Mwangi & Namusonge, 2014).

While DMCs are strong predictors of better performance across contexts, many hospitality organizations still lack DMC configurations that are well aligned to their specific competitive and environmental contexts. Although a large body of scholarship affirms the significant role of dynamic capabilities in shaping organizational performance, evidence across contexts remains inconsistent. Some studies report strong positive correlations, highlighting that firms which develop and deploy dynamic managerial capabilities such as sensing, seizing, and reconfiguring tend to achieve superior competitiveness, innovation, and resilience (Dejardin, et al., 2022). For example, in the hospitality sector, dynamic capabilities of collaboration, agility, and reconfiguration were found to enhance operational performance in hotel supply chains when mediated by resilience, underscoring the value of capabilities in turbulent environments (Abou Kamar et al., 2023). However, other studies have revealed weaker or even insignificant associations, pointing to conceptual, methodological, and contextual factors that complicate the DC–performance link. Scholars note that dynamic capabilities are often inconsistently defined and measured, with different studies adopting varied scales, dimensions, and indicators, thereby producing divergent outcomes (González-Samaniego, Valenzo-Jimenez, Martinez-Arroyo, & Casanova Valencia, 2023). Similarly, the failure to distinguish between ordinary operational capabilities and higher-order dynamic capabilities has been shown to blur empirical results, leading to contradictory findings across industries and firm sizes (Bruyaka, Prange, & Li, 2024). Moreover, the influence of environmental dynamism and organizational context has been highlighted as a critical moderator; while dynamic capabilities may yield significant performance gains in highly turbulent environments, they may offer limited or no advantage in stable conditions (Dejardin et al., 2022). These altogether raised the empirical research question: What is the effect of DCs on organizational performance within the hotel industry in North Rift Region Kenya?

II. Literature Review

The impact of dynamic capabilities on organizational performance, taking organizational competencies as moderating variable was investigated by Rehman and Saeed, (2015) focusing on a paper industry at Lahore, Pakistan. The measurement of dynamic capabilities was based on the multi-dimensional construct underlying the four main factors which include i.e. Sensing, Learning, strong coordination, and competitive response to the rivals. Empirical research posits that dynamic capabilities have a direct impact on the organizational performance of the firm. It also proves that organizational competencies have positive moderating role in relationship of organizational performance and dynamic capabilities. Additionally Fainshmidt, Pezeshkan, Nair, and Markowski, (2016) demonstrated empirically that higher-order dynamic capabilities are more strongly related to performance than lower-order dynamic capabilities, lower-order dynamic capabilities partially mediate the relationship between higher-order dynamic capabilities and performance, and dynamic capabilities contribute more to performance in developing economies than in developed economies.

Impact of dynamic capabilities constructs i.e. sensing capability, learning capability, and reconfiguration capability on organizational effectiveness was investigated by Kareem and Alameer (2019) in the selected Iraqi public universities context. The study adopted online questionnaire to collect primary data from 342 employees, out of which 215 completed questionnaires from 02- 08-2018 to 03-10-2018. The reliability and validity of the dimensions were assessed through confirmatory factor analysis (CFA) and the hypotheses are tested by using structural equation modeling SEM. The analytical results indicated that sensing capability does not have a positive impact on organizational effectiveness while learning capability and reconfiguration capability have a positive impact on organizational effectiveness.

A cross-sectional survey of 394 managers working for government agencies and departments in Jordan's capital city, Amman, was conducted by Awwad (2025) to investigate different scholars' perspectives on the nature of the interaction between these variables. The retrieved responses (166 with a 42.1% response rate) were analysed using SmartPLS. The results revealed that IC did not affect OP, whereas DCs did across the four models. IC affects DCs, and DCs also affect IC, highlighting the potential reciprocal relationship. The relationship between

the variables is one of mediation and not moderation, which implies that DCs do not function as a moderator between IC and OP, and IC does not act as a moderator between DCs and OP. These results offer a complex picture of the connections between IC, DCs and OP, which has interesting implications for practice.

The effect of dynamic managerial capabilities on firm performance in travel agencies and tour operators was investigated by Mwajambia and Kising'u, (2022) in Mombasa County, Kenya. The research utilized a non-experimental research methodology and a correlational cross-sectional survey design. Primary data was gathered using self-administered structured questionnaires delivered through the drop and pick method. Data was processed and entered into the statistical package for social sciences (SPSS) version 26 to create a data sheet to be used for analysis. Data was analyzed using descriptive and inferential statistics. Results showed that dynamic managerial capabilities had direct positive effect on firm performance. The findings indicated that managerial human capital capability, managerial social capital capability, and managerial cognition capability were able to positively and significantly predict firm performance.

Conceptual Framework

This study conceptualizes the relationship between dynamic capabilities and business performance.

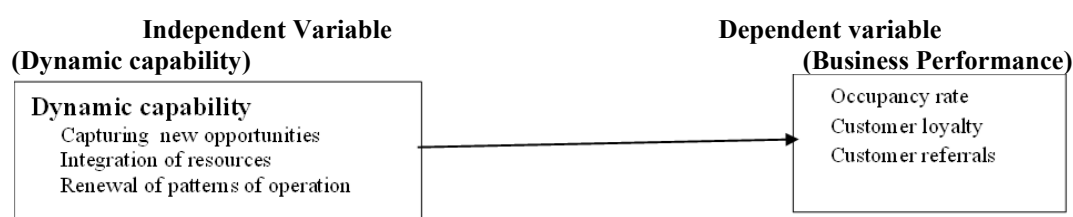


Figure 1: Conceptual Framework

Source Author (2023)

Dynamic capability plays an important role in an organization as it underscores the accumulation of capabilities embedded in an organization and is directly associated with its performance (Hsu & Wang, 2012). This study interrogated the moderating effect of dynamic capabilities on the effect of EO on business performance of star rated hotels. Dynamic capabilities were measured in terms of three dimensions of identifying new opportunities integration of resources and renewal of pattern of operations (Teece, 2014). In measuring business performance, both subjective and objective measures can be used. Objective measures are obtained from organization's annual accounts or financial records while subjective measures involve seeking perception of owner/managers on overall performance relative to that of their competitors during a certain time period (Idar & Mahmood, 2011). Objective measures are difficult to obtain because owner/managers are generally conservative and unwilling to release actual financial information to outsiders (Chao & Spillan, 2010; Wang & Poutziouris, 2010). This justifies the use of subjective measures of business performance which is in consistence with empirical studies (Idar & Mahmood, 2011). In extant empirical works, many indicators tend to be used. Business performance is regularly measured in one or a combination of the following three ways: perceived financial, perceived non-financial and archival financial (Rauch, et al., 2009). In this regard, this study adopted non-financial strategic indicators and tools to measure business performance which includes quality of service (occupancy rate, customer loyalty), and customer referrals adopted from (Rajnoha & Lorincova, 2015; Wambugu, et al., 2015).

III. Research Methodology

Research Philosophy: A paradigm refers to the philosophical rationale or justification for the approach to research and the use of specific data collection, sampling and analysis tools (Ormston, Spencer, Barnard, & Snape, 2014). Therefore the underlying philosophy of knowledge generation from the empirical literature was hinged on positivism using a deductive approach. The positivistic approach is quantitative and based upon values of reason, truth and validity. This study adopted a quantitative approach because it is used in response to relational questions of variables within the research. Quantitative research creates meaning through objectivity uncovered in the collected data (Gunasekare, 2015).

Research Design: Research design anchors a study on a framework of adequate test of variable relationships and structures the enquiry logically (Bhattacharjee, 2012). This study adopted an explanatory research design. According to Elahi and Dehdashti (2011), the research design is ideal when determining the degree to which variables are associated and making predictions regarding the occurrence of social or physical phenomena.

Target Population: Target population is an aggregation of the study elements and all members of a real or hypothetical set of people, events or objects to which the findings may be generalized (Pandey & Pandey, 2015). In this study, the target population consisted of employees of star rated hotels in North Rift Region, Kenya. The target population was 575 respondents who were drawn from the star rated hotels in North Rift Region, Kenya. The administrative and service staff were targeted because they are in contact with the clients and understand the entrepreneurial orientation of the hotels as such could give feedback on the causal relationship between the study variables for purposes of generalization.

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

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

Where:

n = Sample size

N = Population size

e = the error of Sampling

This study allowed the error of sampling of 0.05. Thus, sample size was 236:

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

= 236

According to Lundström and Särndal (2002), non-response leads to nonresponse bias in the estimates. Besides, non-response increases the variance of estimates because the effective sample size is reduced. According to this sample size, a non-response rate was considered using the following formula adopted from (Nilima, 2017). The final sample size = Effective sample size / (1 - non response rate anticipated).

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

The final sample size was thus 278 respondents.

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

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

Where;

n_h- The sample size for cluster *h*,

n - Total sample size,

N_h -The population size for cluster *h*,

N - The total population

Table 3.2: Sample Size

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

		Service staff	29	14	
	Rift Valley Hills Resort	Administrative staff	4	2	
		Service staff	34	16	
	Queens Garden Hotel	Administrative staff	4	2	
		Service staff	22	11	
	Kenmosa Resort	Administrative staff	5	2	
		Service staff	32	16	
	TOTAL		575	278	

Source: Tourism Regulatory Authority 2015-2018

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

Data Processing and Analysis: Data was analyzed by use of inferential statistics such as simple linear regression and ANOVA and descriptive statistics as skewness, kurtosis, mean and standard deviation. The test also operates on assumptions that there is linearity of data. Analysis of variance (ANOVA) was used to test the hypotheses.

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

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

Where;

Where, Y = Performance of hotels

β_0 = Constant

β_1 = the coefficients of the variables in the model.

X_1 = Dynamic Capabilities

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

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

IV. Data Analysis And Discussion Of Findings

Dynamic Capabilities

According to the study findings presented in Table 4.1, the researcher sought to know the status of dynamic capabilities in the star rated hotels in North Rift Region, Kenya.

Table 4.1: Dynamic Capabilities

Statement	N	MIN	MAX	SKEW	KURT	M	SD
The hotel frequently scans the environment to identify new business opportunities	238	2	5	-.593	-.234	3.98	.864
The hotel periodically reviews the likely effect of changes in business environment on customers	238	2	5	-.724	-.296	3.89	.953
The hotel often reviews service development efforts to ensure they are in line with what customers want	238	1	5	-.910	.182	4.02	1.029
The hotel often integrates its resources for developing new services	238	1	5	-1.025	.528	3.94	1.006
The hotel devotes its time and resources in renewing its operations for the improvement of the existing services	238	2	5	-.263	.374	3.68	.470
The operations of the hotel changes as per the emerging trends of the market	238	1	5	-.858	-.052	3.79	1.139

Source: Research study 2023

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

From the findings, respondents were in agreement with a mean of 3.98 and standard deviation of .864 that the hotels frequently scan the environment to identify new business opportunities while some were in disagreement and undecided (Minimum= 2 Maximum 5). This confirms that the star rated hotels identify viable business gaps. Most of the respondents were in agreement with a mean of 3.89 that the hotels periodically review the likely effects of changes in business environment on customers with a variation of .953 in responses where

some were in disagreement and some undecided (Minimum= 2 Maximum 5). It implies that the star rated hotels keep vigil of the changes in the business environment for customer retention. From the findings, respondents were in agreement with a mean=4.02 and standard deviation= 1.029 that the hotels often review their service development efforts to ensure they are in line with what customers want (Minimum= 2 Maximum 5). Therefore, it can be concluded that in star rated hotels in north rift region, customers' wants dictate the extent of service development review. According to majority of the respondents who were in agreement with a mean of 3.94 and standard deviation 1.006 from the mean that their hotels often integrate their resources for developing new services where some were in disagreement and undecided (Minimum= 1 Maximum 5). It can therefore be concluded that new services are developed by star rated hotels through a combination of business resources.

From the findings, majority of the respondents were in agreement with a mean of 3.68, skewness of -.263 and kurtosis of .374 that the hotels devote their time and resources in renewing their operations for the improvement of the existing services while some were in disagreement and undecided with a variation of .470 from the mean (Minimum= 2 Maximum 5). It can therefore be concluded that star rated hotels reconfigure their resources for purposes of bettering their services. The respondents were in agreement with a mean of 3.79 that the operations of the hotels change as per the emerging trends of the market with a variation of 1.139 from the mean that some disagreed and undecided (Minimum= 1, Maximum 5) with a skewness=-.858 kurtosis-.052. This implies that the emerging trends in the market depict changes in customer tastes and preferences which call for changes in operations. These findings shows that the operations of the star rated hotels in North Rift are as dynamic as the changes associated with the emerging trends of the market by effective integration of their resources. In this regard they are able to identify new business opportunities for their competitiveness. Acıkdilli and Ayhan (2013) notes that an integration of two focal construct dynamic capabilities and entrepreneurial orientation is key to service and product development. This is also in line with argument of Pereira-Moliner, et al. (2021) that the dynamics of the hotel company's relationship with its environment, and the actions it undertakes to achieve its objectives through the rational use of resources improve its performance.

Performance of Star Rated Hotels

According to the study findings presented in Table 4.2, the researcher sought to know the status of performance in the star rated hotels in North Rift Region, Kenya.

Table 4.2: Performance of Star Rated Hotels

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

Source: Research study 2023

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

Majority of the respondents were in agreement with a mean of 3.96 that the occupancy rate of their hotels have increased in the last few years while there was a standard deviation of .512 from the mean with some of the respondents in disagreement and undecided (Minimum= 1, Maximum 5). It can be inferred that through the strategic orientation, star rated hotels have realized high occupancy rates which can be associated with an increase in market share skewness= -.266 Kurtosis= .064. Most of the respondents were in agreement with a mean of 4.07 that the hotel room bookings surpass the bed capacity with a variation of .325 from the mean. It means that the quality of services offered by the star rated hotels are consistent with emerging market demands thus booking rates surpassing the occupancy capacity (Minimum= 3, Maximum 5). From the findings, majority of respondents were in agreement with a mean 3.91 with variation of .632 from the mean that their hotels do not suffer from high customer where some respondents were in disagreement and some undecided. It implies that the star rated hotels have strived to mitigate customer complaints through effective service loyalty (Minimum= 2, Maximum 5). Majority of the respondents were in agreement with a mean of 4.04 that their hotels enjoy high customer loyalty

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

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

Finally, majority of the respondents were in agreement with a mean of 4.05 that the refurbished facilities have earned the hotel more customer referrals with a variation of .497 from the mean implying that some of the respondents were in disagreement and some undecided (Minimum= 2, Maximum 5). It therefore implies that star rated hotels renew their operations through appropriate maintenance management strategies for efficient service delivery engendering maximum customer referrals. From the findings its apparent that the entrepreneurial orientation and dynamic capabilities that the star rated hotels in North Rift Region have been incarnate to guarantee them high customer satisfaction and good image. This has also made the hotels witness high levels of customer loyalty. Therefore, to stay afloat in the market they must incessantly embrace entrepreneurial orientation and dynamic capabilities. Entrepreneurial orientation and Continuous improvement of the service provided, enables hotel companies to integrate, reconfigure and constantly renew their resources and capabilities for improved performance (Ali, Peters, Khan, Ali, & Saif, 2020).

Regression Analyses

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

The study hypothesized that:

Effect of dynamic capabilities on performance of star rated hotels in North Rift Region, Kenya.

The study conducted a simple linear regression analysis to test hypothesis one which stated that

H₀₁: Dynamic capabilities does not have a statistically significant effect on performance of star rated hotels in North Rift Region, Kenya.

The results are presented in Table 4.3 below.

Table 4.3 Effect of dynamic capabilities on performance of star rated hotels in North Rift Region, Kenya Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.844 ^a	.713	.712	.181	1.720	
a. Predictors: (Constant), Dynamic capabilities						
b. Dependent Variable: Performance of star rated hotels						
ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1		19.223	1	19.223	586.362	.000 ^b
		7.737	236	.033		
		26.960	237			
a. Dependent Variable: Performance of star rated hotels						
b. Predictors: (Constant), Dynamic capabilities						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.927	.084		22.947	.000
	Dynamic capabilities	.519	.021	.844	24.215	.000
a. Dependent Variable: Performance of star rated hotels						

The model summary results in Table 4..... indicated that there is a strong positive correlation between dynamic capabilities and performance of star rated hotels ($R=.713$). The coefficient of determination (R^2) of .713. This indicated that the model explained only 71.3 percent of the variation or change in the dependent variable. The meaning is that when a deliberate effort is put to ensure dynamic capabilities will certainly cause a 71.3 percent variation on performance of star rated hotels. The remaining proportion of 28.7% percent can be explained by other factors other than dynamic capabilities. Adjustment of the R^2 did not change the results substantially, having reduced the explanatory behavior of the predictor from 71.2 percent to 28.8 percent. This means that the model is fit to be used to generalize the findings. This implies that star-rated hotels that continuously re-align operations with market changes (e.g., customer preferences, technological adoption, sustainability trends) achieve superior performance compared to those relying solely on static resources.

F values of 586.362, a p-value of 0.000 being less than 0.05, indicates that the model is statistically significant in explaining the relationship between dynamic capabilities and performance of star rated hotels. An unstandardized coefficient represents the amount of change in a dependent variable Y due to a change of 1 unit of independent variable X (Burton, 2021). Therefore, a coefficient of .519 indicated that a unit change in dynamic capabilities leads to .519 units of positive change in performance of star rated hotels. Therefore, dynamic capabilities and performance of star rated hotels model can now be presented as follows:

$$Y = 1.927 + .519X_1 + \varepsilon \dots\dots\dots 4.1$$

From the above regression equation 4.1 it was revealed that holding dynamic capabilities to a constant zero, performance of star rated hotels model would be at 1.927 units. t-test was used to identify whether the predictor was making a significant contribution to the model. Since the t-statistic is significant, the study rejected the null hypothesis and concludes that dynamic capabilities was significant (t-statistic =24.215, p-value = 0.000) in positively influencing performance of star rated hotels in North Rift Region, Kenya. Therefore, with dynamic capabilities, the performance of hotels can be effectively boosted.

These findings are supported by Mwajambia and Kising'u, (2022), Kareem and Alameer (2019) Rehman and Saeed, (2015) who also found a significant effect of dynamic capabilities on organizational performance. The findings are based on the stakeholder theory. This highlights the critical role of an organization's ability to integrate, reconfigure, and leverage its resources in response to evolving internal and external environments. Courtesy of stakeholder theory, these results imply that the effective management of relationships with key stakeholders including employees, customers, suppliers, and investors enhances the organization's capacity to deploy its dynamic capabilities for improved outcomes. The implications suggest that managers should prioritize the development of these capabilities to respond proactively to changing market conditions, technological advancements, and competitive pressures. By fostering organizational agility and flexibility, dynamic capabilities enable firms to innovate, optimize processes, and maintain a sustainable competitive advantage. Consequently, investing in strategies that strengthen sensing, seizing, and reconfiguring competencies becomes essential for improving efficiency, stakeholder satisfaction, and overall organizational performance. However, not all dimensions of dynamic capabilities (DCs) exert equal influence on firm performance, and this is particularly evident in the hospitality industry where environmental turbulence and customer expectations are high. While sensing, seizing, and reconfiguring remain central dimensions, evidence suggests their relative importance varies across contexts.

For instance, in digital transformation settings, seizing capabilities such as adopting digital platforms for booking and customer engagement are found to be stronger predictors of performance than sensing or reconfiguring, since swift exploitation of technological opportunities directly enhances service delivery and customer satisfaction (Huang, Li, & Zhang, 2025). Conversely, in crisis contexts such as the COVID-19 aftermath, reconfiguring capabilities including restructuring operations, re-skilling staff, and redesigning service models proved more critical for hotel resilience and continuity, compared to sensing emerging trends or simply seizing market opportunities (Lopes & Basso, 2023). Moreover, international hospitality firms expanding into new markets benefit more from the synergy of seizing and reconfiguring capabilities, while sensing plays a weaker role, as responsiveness and adaptive restructuring ensure competitiveness in diverse regulatory and cultural settings (Nave, Ferreira, & Carneiro, 2024). These findings imply that hotel managers should prioritize different DC dimensions depending on environmental conditions.

V. Conclusion

The study demonstrates that dynamic capabilities (DCs) are central determinants of the performance of star-rated hotels, explaining a substantial performance variation. However, not all DC dimensions contribute equally, highlighting the contextual nature of their impact. Specifically, seizing capabilities enabling hotels to exploit market opportunities, adopt technological innovations, and respond quickly to customer demands emerged as the most critical for immediate performance improvements, particularly in competitive urban hospitality

markets. These findings underscore that hotel managers should adopt a strategic, context-sensitive approach, prioritizing the development of DC dimensions that align with the environmental conditions, organizational goals, and resource constraints of their establishments. Future research should examine additional contextual factors, such as technological turbulence, customer experience trends, and regulatory changes, to capture the remaining performance variation unexplained by DCs. The current research provides new insight on how star rated hotels can develop and leverage their dynamic capabilities to enhance competitive performance.

VI. Recommendations

Managerial Implications

1. **Capturing New Opportunities** Hotel managers should strengthen both sensing and seizing capabilities by adopting advanced customer analytics, digital booking systems, and market intelligence platforms. Proactive scanning of consumer trends, technological innovations, and competitor practices will enable managers to anticipate shifts in demand and exploit them through timely product and service innovations. Establishing partnerships with online travel agencies (OTAs) and leveraging social media insights can also enhance opportunity recognition and rapid exploitation.
2. **Integration of Resources** Managers are encouraged to align financial, technological, and human resources with strategic objectives. This entails integrating staff training programs with digital infrastructure investments to ensure a cohesive service delivery system. Emphasis should be placed on cross-departmental collaboration for example, aligning front-office, food and beverage, and marketing functions to deliver seamless customer experiences. Strategic alliances with suppliers and other hotels can further optimize resource sharing and minimize operational inefficiencies.
3. **Renewal of Patterns of Operation** Continuous renewal of operational models should be institutionalized to ensure long-term competitiveness. Hotel managers should embrace flexible service models such as hybrid hospitality (integrating wellness, leisure, and business services), invest in staff reskilling, and adopt digital concierge systems to enhance customer experience. Regular internal audits and innovation workshops can foster a culture of adaptability, ensuring hotels are prepared for both gradual and sudden changes in the business environment.

Policy Implications

1. **Capturing New Opportunities** Policymakers and tourism boards should develop platforms that provide real-time industry data and market intelligence to hotels. By facilitating access to reliable information on tourism flows, emerging trends, and global best practices, authorities can enhance hotels' ability to sense and seize opportunities. Incentives for digital adoption and tourism diversification should also be provided to encourage proactive opportunity exploitation.
2. **Integration of Resources** Government agencies should create enabling environments that support collaborative networks among hotels, suppliers, and training institutions. Providing access to financial support programs, tax incentives for technology adoption, and capacity-building programs will ensure that hotels can integrate resources more effectively. Industry-wide training initiatives should also be introduced to bridge skill gaps in digital service delivery and sustainable hospitality practices.
3. **Renewal of Patterns of Operation** Policymakers should encourage continuous renewal in the hospitality sector by reducing regulatory barriers to innovation and offering grants or subsidies for hotels undertaking restructuring projects. Crisis preparedness frameworks and resilience training programs can be developed to help hotels adapt to economic shocks, pandemics, or shifts in international travel patterns. Furthermore, policy emphasis on sustainability and eco-innovation will promote long-term competitiveness and resilience within star-rated hotels