

# Proactiveness and Performance of Star Rated Hotels in Kenya's North Rift Region: The Moderating Role of Dynamic Capabilities

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## Abstract

Performance and competitiveness of the hotels both internationally and locally is hinged on their proactiveness which is a dimension of entrepreneurial orientation (EO). This is ascribed to the fact that EO dimensions has a drive for high business performance and international competitiveness. It therefore remains incumbent upon hotels to continue to set themselves apart through proactiveness and dynamic capabilities (DC) in order to stay afloat in the dynamic hospitality industry. However, any attempt to explain how and why these relationships exist in the proactiveness, dynamic capability and firm performance, is yet to be expatiated in literature in the hospitality industry. So, the main objective of this paper was to asses the moderating role of dynamic capabilities on the effect of proactiveness and performance of star rated hotels in Kenya's North Rift Region. The research design used in this study was explanatory and data collected using a questionnaire. Based on a target population of 575 people (Yamane, 1967), a sample size of 236 employees was chosen hotels in Kenya's North Rift Region. Data was analyzed using inferential and descriptive statistics using SPSS version 25. From the findings proactiveness has a positive and significant effect on performance of star rated hotels in North Rift Region, Kenya ( $F \Delta = 367.711, p < 0.05$ ). Dynamic capabilities significantly moderate the effect of proactiveness on performance of star rated hotels ( $F \Delta = 295.855, p < 0.05$ ). However, with the inclusion of dynamic capabilities as a moderator there was heightened performance of the star rated hotels unlike the direct effect of proactiveness. Based the findings, there is need for the star rated hotels to develop appropriate dynamic capabilities which can enhance the significant effect of proactiveness to foment their competitiveness and performance. The star rated hotels should constantly align, modify, and reconfigure their resources and capabilities in the ever-changing business environment alongside all the dimensions of proactiveness to enhance their competitiveness and performance.

**Key Words:** *Risk taking, Performance and Hotels*

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## 1. INTRODUCTION

Performance and competitiveness of the hotels both internationally and locally is hinged on their proactiveness which is a dimension of entrepreneurial orientation (EO). This is ascribed to the fact that EO dimensions has a drive for high business performance and international competitiveness (Cheers, 2011; Hassim, Asmat-Nizam, & Bakar, 2011). Therefore, hotels should find it inordinate to formulate and implement strategies with an incarnation of proactiveness amidst the dynamic business environment. Through this, prospects can be exploited, capturing specific entrepreneurial aspects of decision-making styles, methods and practices (Schiendel & Hitt, 2007). It therefore remains incumbent upon hotels to continue to set themselves apart through proactiveness and dynamic capabilities (DC) in order to stay afloat in the dynamic hospitality industry. Proactiveness is initiating of first - mover advantages in pursuing new opportunities (Sharma & Dave, 2011). This is a kin to a dictionary definition of acting in anticipation of future problems, needs or changes. Lumpkin and Dess (2001), argue that proactiveness may be crucial to an entrepreneurial orientation because, it suggests a forward - looking perspective that is accompanied by innovation and entrepreneurial activity. Proactiveness is associated with leadership and not following as a proactive enterprise, has the will and foresight to seize new opportunities even if it is not always the first to do so. In principle becoming a proactive business provides an advantage over reactive competitors (Berry, 2019). However, being a first entrant into a market is not necessarily a guarantee of a durable competitive pioneer advantage (Cahill, 1996), but is associated with mixed results (Gomez-Villanueva & Ramirez-Solis, 2013). According to the conception of Cahill (1996), increased earnings might not necessarily be predictably associated with higher levels of proactiveness.

This would depend on whether this specific context is appropriate to proactiveness as a dimension of entrepreneurial orientation (Lumpkin & Dess, 2001). In terms of a specific conception of proactiveness, Lumpkin and Dess (2001) suggest a conceptualization of proactiveness as a continuum whereby the opposite extreme of proactiveness is regarded as passiveness rather than reactivity (Brimah, 2020). According to this, passiveness is the indifference or an inability to seize opportunities or lead in the marketplace (Lumpkin & Dess, 2001). However, proactiveness is associated with a response to competitors and is therefore different from passiveness (Wijethilake & Ekanayake, 2018). Passiveness is therefore expected to be associated with

lower gross earnings due to less commitment on the part of a less entrepreneurial, less proactive individual to the development of market share. In this connection the link between proactiveness and organizational performance may be better understood based on the moderation of dynamic capabilities.

Dynamic capabilities are a core element for an organization to survive in the today's dynamic environment. DCV theory postulates that in dynamic and competitive business settings, superior firm performance is a consequence of the firm's ability to build, integrate, and reconfigure strategies resources, and existing capabilities to create new and dynamic capabilities to address market problems. It is pertinent to observe that majority of studies that used the theory of dynamic capability have been conducted within the context of American, European or Asian countries (Li & Liu, 2014). According to Rehman and Saeed, (2015) hypothetical contentions have been progressed about their relationship of DC and firm performance. Existing research, however, is still stacked with ambiguous declarations and translations which have not yet been affirmed by experimental analysis. Numerous researchers are still doubtful about the part and conceptualizations progressed about dynamic capabilities (Winter, 2003; Zahra, Sapienza, & Davidsson, 2006). Besides, any attempt to explain how and why these relationships exist in the proactiveness, dynamic capability and firm performance, is yet to be expatiated in the literature because of limited studies in the hospitality industry. So the main objective of this paper was to asses the moderating role of dynamic capabilities on the effect of proactiveness and performance of star rated hotels in Kenya's North Rift Region

## 2. LITERATURE REVIEW

### 2.1 Theoretical Framework

The relationship between dynamic capability, proactiveness and performance of star rated hotels was guided by Stakeholder Theory by Edward Freeman in 1984, Dynamic Capability Theory by Teece et al. (1997) and Contingency Theory developed by Fiedler (1964). The three theories provided a conceptualization of proactiveness and dynamic capabilities required by entrepreneurs to enhance business performance.

#### 2.1.1 Stakeholders Theory

Stakeholder theory was proposed by Edward Freeman in 1984 (Horisch, Freeman, & Schaltegger, 2014). Stakeholder theory emphasizes the interconnected relationships between a business and its customers, suppliers, employees, investors, communities and others who have a stake in the organization (Hitesh, 2020). The theory argues that a firm should create value for all stakeholders and not just shareholders. In order to create value sustainably and ethically, it is necessary for managers to balance the interests of various stakeholders. The premise of stakeholder theory is that focusing on stakeholders helps an organization to create value along a number of dimensions and is therefore good for organizational performance (Harrison & Wicks, 2013; Harrison, Bosse, & Phillips, 2010).

A reasonable goal of an organization with regard to its customers is to create goods and services that are perceived as providing a highly positive ratio between the utility received and the value given up (Barney & Hesterly, 2011). It is suggested that through higher organization proactiveness contributes to an increase in the overall value accrued by the firm's base of stakeholders (Shahzad, Wales, Sharfman, & Stein, 2016). This implies that how organizations act entrepreneurially plays an important role in the organization generation of stakeholder value. Thus, strategic proactiveness is fundamental in satisfying multiple stakeholders' demands. This is augmented by Hitt, Ireland, Sirmon and Trahms (2011) that based on stakeholder's theory, organizational competitiveness and performance accrue for firms who take strategic actions. Thus, hotels through their proactiveness and dynamic capabilities should ensure that the utility their stakeholders receive is adequate to guarantee continued and cooperative engagement with the hotel for heightened performance. Stakeholder theory is based on the assumption that businesses can only be considered successful when they deliver value to the majority of their stakeholders (Wright, 2021). However, stakeholder theory is criticized for assuming that the interests of the various stakeholders can be, at best, compromised or balanced against each other (Moriarty, 2014).

#### 2.1.2 Dynamic Capability Theory

Dynamic capability theory was developed by Teece, Pisano and Shuen (1997) who explained that dynamic capabilities are processes shaped by positions and paths (Li & Liu, 2014). Those processes include co-ordination and integration, learning and reconfiguration. Positions and paths are the internal and external forces enabling and constraining dynamic capabilities (Breznik & Hisrich, 2014). The internal position relates to the hotel's assets which include its stock of technological, complementary, financial, reputational and structural assets. The external position refers to the hotel vis-a-vis its institutional environment and its markets. Teece et al. (1997) explained that the organization's position would have a bearing on the organization's strategic posture and how competitive advantage could be gained, hence organizational performance. The major purpose of the theory is to appreciate how organizations use dynamic capabilities to attain and keep up a competitive advantage over other organizations despite an ever-changing environment by suitably adapting, integrating, and reconfiguring organizational skills and operational capabilities towards a changing environment (Mwangi & Gathungu, 2012; Helfat, et al., 2007). Dynamic capabilities lead to competitive

advantage and organizational performance (Steven, Abby, Junzheng, & Shisong, 2017). The returns hotels generate from their resources are based on how best they reconfigure and integrate them in the face of adversarial and changes in the business environment to enhance their performance. These resources include financial, physical, human, organizational and social capital. Thus, DCs lead to superior organizational performance (Yung-Chul, 2013). In this regard, it is presumed that by hotel strategically embracing proactiveness in consort with reconfiguring capabilities, constitutes a potential source of competitive advantage, hence performance (Marta & Jean, 2015).

On the flipside, courtesy of DCs, organizations have a tendency to fall into a 'success or competence trap' by reinforcing existing routines leading to greater exploitation of current competencies and less exploration of new competencies (Sitkin, See, Miller, Lawless, & Carton, 2011; Lant, Milliken, & Batra, 1992). Success traps have a significant negative effect on DCs (Wang, Senaratne, & Rafiq, 2015). This implies that hotels should not be trapped in their existing competencies but develop new capabilities to effectively respond to environmental changes in order to realize maximum performance. According to Wang, et al. (2015) there is significant moderating effects of DC on performance beside direct but weak effect of DCs on financial performance. Dynamic capabilities were however found to have a moderating role between drivers of competitive advantage and performance (Mwangi & Kiiru, 2017; Adomako, 2017). Dynamic capability theory also posits that dynamic capabilities, co-ordination and integration, learning and reconfiguration affect performance. Based on these contradictions in literature findings on moderating effect of DC, the current study is anchored on this theory in order to fill in the existing gap in knowledge on whether the DC theory moderates the relationship between proactiveness and performance of hotels.

### **2.1.3 Contingency Theory**

Contingency theory was developed by Fiedler (1964) and proposes that an organization's performance is determined by the fit between its resources, structure and strategies on one hand, and the external environmental conditions on the other hand (Laplume, 2017). Two open system characteristics that are central to the contingency approach: adaptation and equifinality. First, the principle of adaptation asserts that the elements within the system adapt to one another to preserve the basic character of the system. Second, the principle of equifinality holds that a system can reach the same final state from differing initial conditions and by a variety of paths (Rust, Lemon, & Zeithaml, 2004).

The contingency perspective tells us that the effectiveness of various managerial practices, styles, techniques and functions will vary according to the particular circumstances of the situation (Shao, Feng, & Hu, 2016). Therefore, the hotel management task is to search for important contingencies which can guarantee high performance in the face dynamic business environments. The main determinants of contingency view relate to the external and internal environments of the organization. Thus, the proactiveness hotels engage in and capabilities must take cognizance of and seamlessly fit with the forces within their external and internal environment. Contingent leaders are flexible in choosing and adapting to succinct strategies to suit change in situation at a particular period in time in the running of the organization (Armstrong, 2011). Thus, hotels need to acknowledge the stage of competitive advantage as well as their capability to manage an innovation under high environmental turbulence. The theory is relevant in investigating proactiveness, DC and performance of hotels since just like any other business they need to understand how to align their strategies with expected performance with both internal and external business environment (Homburg, Artz, & Wieseke, 2012).

The business environment of hotel is in contingent with its customers, suppliers, partners and competitors. Proactiveness a dimension of entrepreneurial orientation and dynamic capability are central to the performance of star rated hotels owing to the mercurial nature of the business environment. This assumption is underscored by Johannesson and Palona (2010), who noted that contingency based organizations gain competitive advantage and performance through assessing their business environment and set strategies, which are appropriate for each level of strategic orientation and environmental turbulence. Chowdhury (2011), also opines those hotels need to align themselves with appropriate structural compositions in response to the type of customer driven complexities. In this regard, through proactiveness and dynamic capabilities, the star rated hotels can achieve the internal and external fit in order to attain maximum performance. However, the contingency theory is criticized for assuming that the contexts or environments in which businesses operate are fixed and outside their control. Applying the contingency theory of management requires managers to stay alert and avoid relying on rules, policies and tradition as the only guides for their choices (Sampson, 2018).

### **2.2 Proactiveness Dynamic Capabilities and Business Performance**

De Massis, Chirico, Kotlar and Naldi (2014) examined the relationship between firm age and proactiveness. Specifically, they propose an S-shaped effect of aging of family firms on proactiveness. Additionally, their study provides a contingency perspective by considering the moderating role of the dispersion of managerial control among family members. Using a sample of Swiss family firms, they found that proactiveness first declines, then increases, and finally decreases again as the family firm ages, and that this relationship is steeper when the managerial control is dispersed among multiple family members. Proactiveness is performance enhancing.

This study was conducted in a non - Kenyan context and hospitality industry. Besides, the study looked at the contingency perspective but not dynamic capabilities as a contingent factor influencing the outcomes of proactiveness.

Lumpkin, Brigham and Moss (2010), studied entrepreneurial orientation and performance of family businesses. Specifically, the study focused on the extent to which family business can be entrepreneurial given long - term orientation. Drawing on the concept of entrepreneurial orientation (EO), propositions that relate long- and short-term management time horizons of family firms to five dimensions of EO (innovativeness, proactiveness, risk taking, competitive aggressiveness and autonomy) are developed. The study proposed that long - term orientation is positively associated with innovativeness, proactiveness and autonomy, but negatively associated with risk taking and competitive aggressiveness. The study also addressed the long and short-term implications of EO on performance of family firms and identify issues to consider in future research into the EO - long term orientation relationship. This study looked at all five dimensions of entrepreneurial orientation as a bundle and how they affect performance of organizations and limited to family businesses and not star rated hotels providing a gap for the current study. Besides the study didn't focus on the moderating role of dynamic capabilities on the effect entrepreneurial orientation and performance of family businesses.

Zellweger, Nason and Nordqvist (2012) investigated transgenerational entrepreneurship of families. The study argued that by shifting from firm to family level of analysis, one gains a deeper understanding of family firms' ability to create value across generations. The study introduced and empirically explored the construct of family entrepreneurial orientation, which may serve as an antecedent to Trans generational value creation by families. The study looked at all the entrepreneurial orientation dimension and trans-generational values creation across families and not performance of hotels as an outcome.

Casillas, Moreno and Barbero (2010) studied a configurational approach of the relationship between entrepreneurial orientation and growth of family firms. The study found that the EO growth relationship is contingent on different contextual variables environmental dynamism and environmental hostility and an internal variable generational involvement. Using information from 317 Spanish family firms, results show that (a) EO positively influences growth only in second-generation family businesses, (b) the moderating influence of the generational involvement is related to the risk-taking dimension, and (c) dynamism and hostility of the environment, respectively, moderate the relationship between EO and growth in a positive sense. This study focused on growth of family firms and not performance.

Du, Ren, Chen and Zhang (2010), examined the roles of ISO certification as a strategy for seeking legitimacy of small and medium-sized enterprises in emerging economies and the relationship between proactiveness and firm performance. The study hypothesized that ISO certification has a mediating effect on the relationship between proactiveness and firm growth. The study tested the hypothesis using a sample of 632 firms collected from a nationwide survey on SMEs conducted by Chinese SME Association. The results revealed that ISO certification partially mediates the relationship between proactiveness and firm's growth, suggesting that proactive firms tend to use legitimation via ISO certification to enhance their growth. This study was conducted in a Chinese setting, thus limiting its generalization to the Kenyan context. Besides the study looked at legitimation via ISO certification as a mediator which is a dispatch from the current study which focuses on direct link between proactiveness and organizational performance besides the moderating role of dynamic capabilities on the relationship.

According to Rehman and Saeed, (2015) 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. So dynamic capabilities do have an indirect impact on the outcome of the firm (Helfat & Peteraf, 2003). Bature, Sallehuddin, Rosli and Saad (2018)

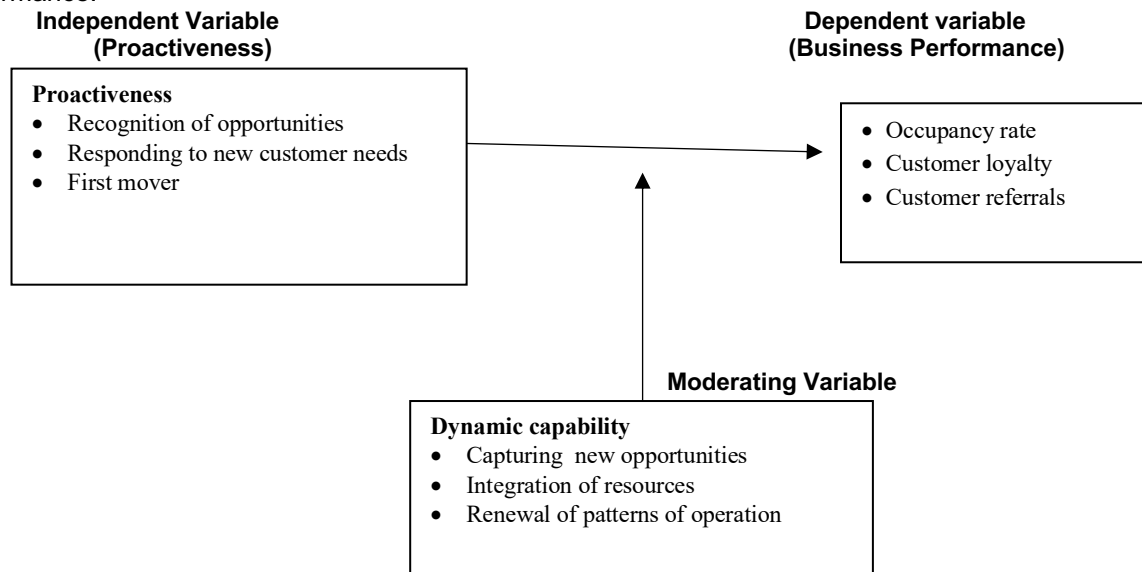
assess the mediating role of organizational capability in the relationship among proactiveness, innovativeness and SME performance. From the findings demonstrate that organizational capability is a crucial mechanism through which proactiveness and innovativeness indirectly influence SME performance.

Proactiveness is said to be performance enhancing depending on different settings (De Massis, et al., 2014; Zellweger, et al., 2012; Lumpkin, et al., 2010). Proactiveness fosters financial performance Casillas, et al. (2010), but is dependent on the generation leading the firm (De Massis et al., 2014; Zellweger & Sieger, 2012). Literature adds that research on proactiveness is very limited for hospitality industry (Hjalager, 2010; Tajeddini & Mueller, 2009), but many scholars agree that proactive behaviour is necessary for long-term survival in ever-changing environments such as hospitality industry. Du, et al. (2010), found that proactiveness has a relationship with firm's growth, though this relationship is partially mediated by ISO certification. Osoro, Mukulu and Sakwa (2012), examined the effect of entrepreneurial orientation of the business performance of SMEs in information technology in Nairobi. The study failed to identify the influence of proactiveness dimension of entrepreneurial orientation on firm performance of small and medium enterprises. According to Wambugu, et al. (2015) there was a weak correlation between proactiveness and firm performance. These altogether provided a gap for the study. Therefore, to fill this research gap, the present study undertakes to evaluate the

moderating role of dynamic capability in the relationship among proactiveness and organizational performance.

### 2.3 Conceptual Framework

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



**Figure 2.1 Conceptual Framework**

Source Author (2023)

### 3. RESEARCH METHODOLOGY

This study aimed to gather reliable evidence on the relationship between study variables. The data was collected from knowledgeable respondents who could provide accurate information. The study followed a positivist approach and used deductive reasoning. The research design used in this study was explanatory. According to Elahi and Dehdashti (2011) the study design is the most effective way to determine the relationships between variables and forecast the occurrence of social or physical events. The study concentrated on staff members at five-star hotels in Kenya's North Rift Region. As the unit of analysis, hotels with stars were the main subject of the study. 585 participants in the study were chosen from star-rated hotels in Kenya's North Rift region. Participants were chosen from the administrative and service teams because they deal with customers and have a solid grasp of the competitive environment that hotels face. For generalisation purposes, their comments on the causal link between the research variables can be utilised. Based on a target population of 575 people (Yamane, 1967), a sample size of 236 employees was chosen using the modified sample size formula by Kent and Myers, as mentioned in Etuk and Akpabio.

Where:

n = Sample size

N = Population size

e = the error of Sampling

This study allowed the error of sampling of 0.05. Thus, sample size was 286:

= 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. The non-response rate was calculated using a formula derived from Nilima (2017) based on the given sample size. The formula to determine the final sample size is the effective sample size divided by one minus the anticipated non-response rate.

The study accounted for an expected non-response rate of 15% when determining the final sample size.

$236 / (1 - 0.15) = 278$

The final sample size was thus 278 respondents.

The data was collected through the use of structured questionnaires administered to a sample of employees and managers from star-rated hotels. The questionnaire included close-ended questions and items utilising a 5-point Likert scale, which is a widely used method in the social sciences for assessing perceptions, attitudes, values, and behaviour. The examined data was assessed for completeness and consistency. Data processing

and screening involved addressing missing data and assessing response rate. Excluded missing data from subsequent analysis. Descriptive statistical measures, including mean, and standard deviation, were employed.

Data was also analysed by use of inferential statistics such as, hierarchical regression  
 $Y = \beta_0 + \beta_1X_1 + \beta_2M + \beta_3X_1 * M + \epsilon \dots\dots\dots(1)$

Where;

Where, Y represents the performance of hotels.

The symbol  $\beta_0$  represents a constant value.

$\beta_1$  represents the coefficients of the variables in the model.

X1: Proactiveness M=Dynamic Capabilities (Moderator)  $\epsilon$ : Error term (residual error, unmeasured variable)

The statistical tests mentioned above were analysed using SPSS, version 25.

**4. FINDINGS AND DISCUSSION**

**4.1 Descriptive results and correlation analysis.**

Data was transformed from categorical to interval scale by getting the average score for all items in each variable. Table 4.1 shows the results on data transformation.

**Table 4.1 Descriptive results and correlation analysis.**

	Mean	SD	Proactive	DCap	Performance
<b>Proactiveness</b>	3.86	.661	1		
<b>Dynamic Capabilities</b>	3.88	.549	.076	1	
<b>Performance</b>	3.94	.337	.338**	.844**	1

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

From the findings, dynamic capabilities and performance had the highest mean 3.88 and 3.94 respectively followed by proactiveness (3.88). The implication is that the star rated hotels have a proactiveness and dynamic capabilities. The standard deviations for all the variables were less than 1 indicating less variation in the responses. Additionally, the inter-correlations among the variables are shown in Table 4.1. From the results, the study concludes that there is a positive and significant correlation between proactiveness and performance of star rated hotels. There is also a positive and significant correlation between dynamic capabilities and performance of star rated hotels

**4. 2 Effect of Proactiveness on performance of star rated hotels in North Rift Region as moderated by Dynamic Capabilities.**

Table 4.2 illustrates the hierarchical regression on direct effect of proactiveness and performance of star rated hotels in North Rift Region and the moderated effect of dynamic capabilities.

**Table 4.2: Hierarchical regression results for Moderating effect of Dynamic capabilities on the effect of proactiveness on performance of star rated hotels**

	Model 1 B(s.e)	Model 2 B(s.e)	Model 3 B(s.e)
(Constant)	3.276(.122) **	1.436(.090) **	1.433(.090) **
Zscore: Pr	0.172(.031) **	0.140(.015) **	0.142(.015) **
Zscore(DC)		0.506(.018)**	.505(.018) **
Zscore(Pr*DC)			.019(.010) **
<b>Model Summary</b>			
R	0.338 <sup>a</sup>	0.888 <sup>b</sup>	0.890 <sup>c</sup>
R Square	0.114	0.788	0.791
Adjusted R Square	0.110	0.786	0.789
Std. Error of the Estimate	0.318	0.156	0.155
<b>Change Statistics</b>			
R Square Change	0.114	0.674	0.003
F Change	30.363	437.164	295.855
df1	1	2	3
df2	236	235	234
Sig. F Change	0.000	0.000	0.000

\*\*p<.01, \*p.05

a. Predictors: (Constant), Proactiveness

b. Predictors: (Constant), Proactiveness, Dynamic Capabilities

c. Predictors: (Constant), Proactiveness, Dynamic Capabilities, Proactiveness\* Dynamic Capabilities

d. Dependent Variable: Performance

The hypothesis of the study stated that proactiveness has no statistically significant effect on performance of star rated hotels in north rift region. However, the study findings showed that proactiveness had coefficients of estimate which was significant basing on  $\beta_3 = 0.172$  ( $F \Delta = 30.363$ ;  $p$ - value = 0.000 which is less than  $\alpha = 0.05$ ) implying that the null hypothesis stating that proactiveness has no statistically significant effect on performance of star rated hotels was rejected. The implication is that there is up to 0.172 unit increase in on performance of star rated hotels for each unit increase in proactiveness. implying that the study rejects the null hypothesis stating that proactiveness has no statistically significant effect on performance of star rated hotels in North Rift Region. These findings are supported by De Massis, Chirico, Kotlar and Naldi (2014); Lumpkin, Brigham and Moss, 2010; Zellweger, Nason and Nordqvist, 2012; Casillas, Moreno and Barbero (2010), who also found a significant effect of proactiveness on organizational performance. Thus, through proactiveness the star rated hotels can anticipate the changes in the business environment and influence them in their favor for maximal performance. This is because proactiveness provide business enterprises with diverse capabilities to predict the needs of customers as well as reactions of competitors in the marketplace thus improving on the performance of the business. These findings are premised on contingency and stakeholder theory. In this regard, for hotels to stay afloat in the interest of the stake holders there must be sensitive to the changes in the business environment to always meet the needs of the customers. Proactive strategic posture provides enterprises with capability to anticipate changes that may occur in the business environment or even exert influence on the business environment to their advantage.

The second hypothesis was tested using hierarchical regression. Prior to conducting hierarchical regression analyses, all study variables were standardized as z-scores to test for interaction terms (Carson, et al., 2016). Z-standardization of the variables allow easy interpretation of the interaction effects (Doebler, Doebler, Buczak, & Groll, 2022). The established establish the moderating effect of dynamic capabilities on the effect of proactiveness on performance of star rated hotels. The hypothesis stated that dynamic capabilities have no statistically significant effect on the effect of proactiveness on performance of star rated hotels in North Rift Region, Kenya. However, the regression results with  $R^2\Delta$  of 0.003 showed that dynamic capabilities significantly moderated the effect of proactiveness on performance of star rated hotels in North Rift Region, Kenya ( $\beta = .019$ ;  $F = 295.855$ ;  $\rho < .05$ ), rejecting the null hypothesis. This implies that the hotels should embrace proactive work operations and dynamic capabilities aimed at improving their service delivery. Therefore, they should be proactive in reconfiguring and expanding their capabilities in consistence with the changing requirements of the industry to realize maximal performance. This is in line with the dynamic capability theory and stakeholders' theory.

## 5. CONCLUSION AND RECOMMENDATION

As evidenced by the findings, proactiveness remains crucial in realizing performance of star rated hotels. This is because, proactiveness provides business enterprises with diverse capabilities to predict the needs of customers as well as reactions of competitors in the marketplace thus improving the performance of the business. Proactive strategic posture provides enterprises with capability to anticipate changes that may occur in the business environment or even exert influence on the business environment to their advantage. Quintessentially, for hotels to stay afloat in the interest of the stakeholders, they must be sensitive to the changes in the business environment to always meet the needs of the customers basing on the stakeholder's theory. In addition, the star rated hotels forward looking efficacy is contingent upon business natural environment interface thus contingency theory.

Strengthening of proactiveness provides business enterprises with diverse capabilities to predict the needs of customers as well as reactions of competitors in the marketplace thus improving on their performance. In view of this, it remains inordinately necessary for star rated hotels to adopt an opportunity-seeking perspective as a source of their competitive advantage and performance. The star rated hotels should focus on emerging and unusual opportunities by constantly attracting customers who are left out by mainstream products and need a unique solution to a problem to increase their dominance and competitiveness for high performance. In this regard, the star rated hotels should improve on their products and services to the suitability of the dynamic markets. They also should regularly measure their customer satisfaction. Besides, star rated hotels should introduce new business processes to keep up with emerging technologies.

Based on the significant moderating role of dynamic capabilities on the effect of the proactiveness on performance of star rated hotels, there is need for the star rated hotels to develop appropriate dynamic capabilities which can enhance the significant effect of proactiveness to foment their competitiveness and performance. Therefore, the study recommends that the star rated hotels should constantly align, modify, and reconfigure their resources and capabilities in the ever-changing business environment alongside all the dimensions of proactiveness to enhance their competitiveness and performance. In fine the hotels should embrace their dynamic capabilities as they take the active scan of external business environment continuously for emerging market opportunities, to encourage innovation and change within them.

### 5.1 Areas for further Research

While this study successfully examined the conceptualized framework of proactiveness, DC and organizational performance, it has also presented a rich prospect for other areas to be researched on in the future. In terms of industry, the study was only confined to the hospitality industry. It would however be useful to carry out similar studies across heterogeneous industries and sectors because proactiveness and dynamic capabilities vary according to sector and industry. Future research may re-examine the conceptual model used in this research with a larger sample size so that the outcome can be fully generalized.

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