The moderating effect of environmental turbulence on the relationship between core competences and firm performance of star rated hotels Nairobi City County, Kenya

Jane Kariuki[1], Dr Godfrey Muigai Kinyua[2], Dr Paul Waithaka[3]

[1]*PHD Student Kenyatta University*
[2,3]*Lecturer Kenyatta University*

*Corresponding Author: *Jane Kariuki, PHD Student Kenyatta University, Kenya*

Abstract: *The hotel industry in developing world has been promoting economic growth and providing jobs. In the Kenyan context, there has been great variation in firm performance of hotels with some exhibiting exceptional performance, other performing miserably and others closing down. Although core competences have received attention equally scholarly and in practice, its effect on star rated hotels remains uncertain. Specifically the study investigated the moderating effect of environmental turbulence on the relationship between core competences and firm performance of star rated hotels Nairobi City County. Underpinning theory of study independent and dependent variables were core competence theory, balance score card model and moderating variable was anchored on contingency theory. The study utilized positivism philosophy. Descriptive and explanatory research design was used. Moreover, the study utilized multistage sampling to select the respondent of the study. The target population was 112 star rated hotels in Nairobi City County with a sample sizes of 217 managers who were interviewed for the study. The study employed a semi-structured questionnaire to collect primary data. Content, construct, and criterion-related validity was tested, while the study reliability was assessed through a cronbach alpha coefficient achieving a threshold at 0.749 that assured the reliability of the questionnaires. Descriptive and inferential statistics were employed to analyze data. Descriptive statistics used mean standard deviation to explain data characteristics and inferential statistics used regression in testing the effects of variables on firm's performance. Qualitative data was analyzed using themes presented in narrative form. Findings were presented in form of tables and charts. The study revealed that environmental turbulence had significant moderating effect on firm performance. Competition was found to be very intense among these hotels. This implies that hotels are required to develop a strategy to deal with stiff competition. The implication is that the hotels should advance a strategy in dealing with environmental turbulences.*

Keywords: *Core competences, star rated hotels, firms performance, environmental turbulence, customer focus, managerial competence and emotional intelligence*

1. BACKGROUND OF THE STUDY

The concept of firm performance is an integral theme in strategic management research. Indeed, many scholars have continued to struggle with the search for an explanation as to why some businesses outperform others (Bresciani, Thrassou, &Vrontis, 2015). The goal of business is to maintain high performance in the market environment. This uses human resources, physical, productive assets, and capital resources (Hitts, Haynes & Serpa, 2010; Barney, 2001; Dodoo, Donkor, & Appiah, 2021). The scarcity of core competences is a major obstacle to achieving firms performance (Gikutha, 2017). To attain superior firms performance, it is imperative to consider internal factors such as core competences. Some researchers have established that intangible resources such as core competences are essential for superior firm performance (Barney, 2002; &Asamoah, 2020). Previously researchers have asserted that firm's performance can also be influenced by managerial competence, innovation capability, and environmental turbulence factors (Veliu& Manxhari, 2017; Lawrence & Lorsch, 2005; Ermaya& Wibowo, 2020; Abbas &; Ul Hassan, 2017).

The existing literature suggest that environmental turbulence is an external factor that threatens internal effectiveness, affecting the achievement of goals and performance of firms (Arokodale, 2021). This can be interpreted that for firms to be successful, it is important to adjust to changing environment and ability to react to turbulent environmental conditions so as perform (Lawrence

&Lorsch, 2005; Abbas & Al Hassan, 2017). Extant literature also indicates that a turbulent environment provides grounds for employees to innovate and change how things are done. Moreover, the ability to innovate can be supported by factors such as managerial competence, skilled employees, training, external factors, and corporate culture (Mashavira, Chipunza& Dzansi, 2019; Saunila&Uko, 2017). Various authors describe environmental turbulence as competitive intensity, technological turbulence, and political and market intensity (Anggraini&Sudhartio, 2019).

1.1. Core Competences

Hamel and Prahalad (1994) postulated the concept. In their view, core competences can be construed as allowing businesses to succeed in the marketplace, obtaining differentiation and customer value, and entering new markets. Core competences may be considered an assortment of skills, abilities, technologies, and specialized expertise that are difficult to copy and supports firms to deliver a particular benefit to their customers (Edgar & Lockwood, 2021). Indeed, Edgar and Lockwood (2011) specified that core competences can be premised on financial, marketing, research and development, human resources and organization competences. Osak and Findik (2019) construed core competences as the characteristics that help achieve efficient and effective results. These are the employees' strengths and the firm's ability to perform excellently using specialized expertise (Lindquist, 2007; Ceglinski, 2020). Kawshala (2017) theorized core competences as the strengths of a firm in relation to other firms (Drejer, 2002). Other researchers recognized core competences as the characteristics and personality traits that relates to job performance (Chen & Chang, 2014).

Choge, Namusonge, Makokha and Musau (2018) opined that core competences provide value for organizations and customers. Edgar and Loockwood, (2011) asserted that core competences can exist either in the technological and functional forms. This study assumes the dimension of core competences by Johnson, Ghiselli, Shea and Roberts (2010) to include managerial competence, solving guest problems, emotional intelligence, and customer focus.

1.2. Environmental Turbulence

Environmental turbulence can be conceptualized as the complexity in an environment where a firm is operating from, these are external patterns composed of rapid changes and complexity that affects development and the performance of business (Mintzberg & Quinn, 1998; Hedlof, Janson &Gustausan, 2000). According to Sadler (1996), environmental turbulence can interchangeably be referred to as turbulent environment that is characterized by extreme changes that occurs suddenly and rapidly. Some changes in the environment are unpredictable (Ansoff, 2007; Murphy &Seriki, 2021). It therefore means that only the most strategic, and optimistic firms would adjust and see the possibility of return to a more stable environment by turning the instabilities to opportunities (Shabbir, Danish, Rehman, Hasnain, &Asad, 2021). As established by Stigter(2002), and Anggraini and Sudhartio, (2019) environmental turbulence can be construed to be environmental conditions subjected to unending, continuous and momentous changes which are unpredictable, uncertain and risky. Orokadore, (2020), considered environmental turbulence to be external factors that has an effect on the key internal functions of business. Environmental factors are critical aspects in strategic direction of a firm (Njoroge, Ongeti, Kinuu&Kasomi, 2016).

Existing literature indicates that environmental turbulence to be characterized by unpredictability which arises from unforeseen changes in market demand, new technology breakthrough, consumer expectations (Pavlou&Sawy, 2011). Environmental turbulence refers to complexity in the environment that are unpredictable such as market changes and technological changes that threatens and poses a risk to the process of service and product development (Calantone, Cavusgil, & Zhao, 2002; Hamad, 2016). Most researchers agree that it's not possible to predict firm's outcome in a turbulent environment (Murphy &Seriki, 2021; Anggraini&Sudhartio, 2019). This is because environmental turbulence is a scenario that is undergoing continual and comprehensive changes that are very ambiguous (Sihotang, Kartini, Rufaidah&Sustina, 2016).

Environmental turbulence provides both an opportunity and a challenge to business entities and for business to succeed its required that firms adjust themselves to their environments (Pratamo& Mahmood, 2014). Several researchers have operationalized environmental turbulence using technological environment, market turbulence and competitive intensity (Abbas & Hassan, 2017).

Njoroge, Ongeti, Kinuu and Kasomi, (2016), used variables such as political, technological, economic and legal factors. On the contrary several researchers, used dimensions such as environmental dynamism, environmental intricacy and environmental predictability (Anggraini&Sudhartio, 2019).The construct of environmental turbulence has been operationalized using technological turbulence and competitive intensity to moderate the link between core competences and performance of the hotel industry.

1.3. Hotel Industry in Kenya

The hotel sector in Kenya is inextricably interconnected with the tourism industry, as both sectors rely on one another to maintain operations and business performance. Kenya National Bureau of Statistics (KNBS) statistics show that the hotel industry has been making significant contributions to the GDP by contributing 10% of the GDP and providing 9% of employment in Kenya (KNBS, 2020). The hotel industry in Kenya has been going through environmental drawbacks, stiff competition, terrorism attacks, economic disruption, social and cultural challenges, and the recent Covid-19 pandemic (Murimi et al., 2021). Some of the hotels have concentrated on external factors and failed to focus on internal resources such as core competences; nevertheless, both external and internal factors contribute towards the stability of business (Gikutha, 2017; Mutysia, 2017; Mosogo, Alice, Reuben, Kweingoti& Chaka, 2021). A report by the Kenya economics survey (KES) indicated that the hotel industry has been experiencing insignificant growth, with some having superior performance and others experiencing declined performance (KES, 2020).

According to Sang, Komen and Korir (2017), hotels in the Kenyan context have been going through unprecedented challenges that have forced some hotels to close down. Moreover, the hotel industry has been experiencing inconsistent performance from 2011 to 2019 (Murimi et al., 2021). Additionally, Kenya has been experiencing a decline in tourists visitations due to advisory travel bans from their host country, political instability, and terrorism attacks, among others (Gikutha, 2017). Thus, hotels have been experiencing declined sales (Irandu, 2020). Indicators of the performance of hotels showed that in 2011 there was a decline of 40.3%, and by 2017 had further declined to 28.8% (KNSB, 2018). Moreover, in 2018, hotels posted 3.3% growth, but it was still relatively low as it was expected to grow by 8% in 2019; there was a slight improvement of 30.6%, while in 2020 recorded a decline of 26% and in 2021 by the end of March it recorded 21 % (CIEC, 2021).

The performance of hotels in Nairobi County has been unstable, experiencing a decreased daily rates and occupancy revenue rates that affect the hotels' overall performance (Cytonn, 2018; KNSB, 2020). In addition, the sector has been constrained by the lack of relevant internal resources, such as core competences, that negatively affected the hotels' performance in Kenya (Gikutha, 2017).

1.4. Firm Performance

The concept of firm performance has been conceptualized differently. Daft (2000) conceptualized firm performance as the ability to achieve specific goals while using limited resources. Thus, firm performance is the actual outcome and results of the strategic management undertaking and approaches to attain their objectives (Thompsons & Strickland, 2012; Wheelen, Hunger, Hoffman, & Bamford, 2014; Richard, Divenney, Yip & Johnson, 2009; Kaluthanthri&Osmadi, 2020). A group of researchers has construed firm performance as the ability to create value for clients and other stakeholders (Toauabs& Issar, 2019; Okeyo, Gathungu, Obonyo, 2016). Also, firm performance can be regarded as the adeptness to become effective and efficient by providing quality products and services (Neely, Gregory & Platts, 1995; Frank &Rolhaermel, 2013). Firm performance can be conceptualized premised on the notion that an organization is associated with productive assets that include human, capital, and physical resources to realize firm performance (Barney, 1991). Another group of researchers conceptualized firms' performance as non-financial and financial indicators that give information related to the company's objectives (Richard, Mureithi& Ismael, 2009).Various researchers have suggested using monetary and non-monetary indicators since they offer a broader and more balanced way of evaluating performance (Kaplan & Norton, 2001; Mashovic, 2018; Wandongo, Kambona, &Odhuno, 2010).

1.5. Statement of the Problem

Despite the crucial role played by hotel industry in economic development in Kenya, various companies in this sector specifically star-rated hotel continue to struggle with performance challenges. There has been a lot of variance in the star-rated hotels in Kenya, with some exhibiting outstanding performance and some indicating average performance while others demonstrating below-average performance (Nzioka& Njuguna, 2017; KSNB,2020). In addition to declined performance, some of the star rated hotels have been providing delayed services, lack of compliance with customers' expectations, and lack of quality service. In addition inability to comply with customers' expectations, deteriorating services that lacks innovation and exciting products and lack of excellent customer care services has been cited (Omondi,2019).

Efforts have been made to ensure that firms' performance remains stable. However, many star-rated hotels have struggled to maintain steady firms' performance (Onyango & Okello, 2017). A report from the KNBS evidenced that performance has been inconsistent in the last decade (KNBS, 2020). Besides the privileged support offered by the government to the star-rated hotels, their performance has constantly declined. An index report indicates that in 2017, 21.8%, and 2018, 31.1%, while in 2019, they had posted 30.6%; in 2020, they posted 26%, and in 2021 further declined by5% (KNSB, 2020; CIEC, 2020).

Thus, the surge of underperformance is still a prevailing concern among hoteliers in Kenya. Whereas some hotels practices and embraces some aspects of core competences, their performance is affected by deficiencies in lack of core competences, competition, failure to understand customers' preferences, managerial inefficiencies, and paucity of effectiveness (Zhang & Enemark,2016). Moreover low occupancy rates, low cash flow, and operating at reduced occupancy resulted in reduced revenue which has been cited by (TRA, 2020). Furthermore, lack of managerial skills and failure to address customers' concerns and problems has affected the hotels' profitability (Omondi, 2019).

A review of literature on core competences and performance has had varied operationalization of core competences (Ncube & Chimucheka, 2019). Previous empirical studies focusing on core competences and performance produced inconclusive and inconsistent outcomes (Koay, 2011; Bahri, Yahya &Kisman, 2015; Mugo, 2016; Seddighi&Mathew, 2020). In addition, most of these studies emanated from developed Countries like Canada, India, Turkey, Malaysia, and Italy (Blaney, 2009; Kawashala, 2017). The methodologies and research designs used in the studies were varied hence methodological gaps (Nimsith, Riffas& Cader, 2016; Jobbouri& Zahari, 2014; Nilson, 2018;Bacynska, Rowinski&Cybis, 2016). Additionally, these researches have neglected to consider the aspect of environmental turbulence in drawing their deductions on the relationship between core competences and performance. This study aimed to fill this gap by retorting the question on; what is the effect of core competences on the performance of star-rated hotels in Nairobi City County, Kenya?

1.6. Objective

To determine the moderating effect of environmental turbulence on the relationship between core competences and firm performance of star rated hotels in Nairobi City County, Kenya.

1.7. Research Hypotheses

The study tested the following null Hypotheses

> H_{05}: Environmental turbulence has no moderating effect on the relationship between core competences and performance of star rated hotels in Nairobi City County, Kenya.

2. LITERATURE REVIEW

2.1. The Core Competence Theory

This theory as proposed by Prahalad and Hamel (1990), stemmed from the resource-based view theory. The advocates of the theory interpreted core competences as abilities that are significant in creating value for a firm's activities, such as knowledge, difficult-to-replicate skills, and assets. They are comprised of both tangible and intangible firm resources (Hamel & Prahalad, 1994; Iwona, Ostraszwska & Tylec, 2013). According to Johnson, Scholes, and Whittington (2009), core

competences are considered as unique internal resources that are fundamental in meeting customers' needs and wants. Shared learning is also a component of core competences in an organization that is expressed through coordination of various products while integrating them into many streams of technology (Prahalad & Hamel, 1994). In addition, core competences must meet three criteria. Core competences preconditions the source of competitive advantage, and they have to significantly contribute to the customer benefit, thus improving on customer's value and making significant contributions to the customer's perceived value. Furthermore, they should provide prospective access to diverse set of markets (Agha et al., 2012). In addition, Hafee and Ismail (2007) added extendibility, customer value, distinctiveness among competitors, and differentiation.

The theory postulates that core competences lead to superior performance. Also, core competences can be considered as the functional knowledge and skills fundamental to understanding performance (Prahalad & Hamel, 1990). Besides, they are expressed by carrying out management tasks more efficiently and effectively by using management skills, employee skills, capabilities, and knowledge and creating an atmosphere that assists in differentiating performing firms and non-performing firms (Yang, 2015). Koay (2011) and Barney (1986) explain that core competences are essential in the decision-making of a firm, strategic visioning, and they may be able to sustain a firm's multiple products and services and improved performance.

2.2. Contingency Theory

Contingency theory proponents were (Lawrence & Lorsch, 1967). The key assumption of the theory was that every business operates in an external environment where businesses are performed. It explains contingent aspects such as culture, technology, structure, and people and how the external environment impacts the functions and firms' performance (Bastian & Andreas, 2012). The organizational theory of contingency claims that there is absolutely no complete explanation and no ideal course of action when it comes to corporate structure. However, each action is conditional and dependent on internal and external situations. Dobák–Antal (2010) proposes that varied situations may be effective in different circumstances. This means that those vigilant firms doing business in a turbulent environment must be more flexible to adapt to their existing environments (Hunt, 1976; Abbas, 2017). In addition, firms existing in uncertain and unpredictable environments should increase their responsiveness and adjust themselves by modifying their internal routines, process, structure, and rules (Pratamo& Mahmood, 2014). It is considered that for firms to perform their organizational priorities, objectives should be consistent in addressing the market environment (Lawrence & Lorsch, 1967; Otley, 2016).

Contingency theory proposes that the way firms respond to their external environment affects their performance. This is because in strategic management environment is considered one of the contingency elements (Lawrence & Lorsch, 1967). Environmental turbulence has three factors such as technological turbulence, market turbulence, and competition turbulence. The theory acknowledges that firms should develop a strategy to cope with environmental turbulence to realize superior performance (Pratano& Mahmood, 2014). Critics of the contingent theory state that the causality elements are not explained, and the concepts are ambiguous, thus it is not clear and neither adequately specified and consequently lacks clarity. The study fails to deal with multiple factors that distresses the performance and miscarries on how to deal with internal changes in the organization and adaption (Donaldson, 2006). The study used the contingency theory because of its assumption that the outcome of any situation solely depends on the existing environment at that particular time, and environmental turbulence was used as a moderating variable.

2.3. Balance Score Card Model

This model was advanced by Kaplan and Norton (1992) being a configuration for quantifying performance based on diverse viewpoints, namely customer, financial, internal process, and learning and growth. The proponents introduced non-financial perspectives for measuring company accomplishment. The BSC model was introduced because financial measures were considered insufficient metrics of performance (Kaplan, 2010). A balanced scorecard model includes both financial and non-financial performance indicators. It is a performance indicator based on the firm's

strategy (Kaplan & Norton, 1996). The model gives managers an all-inclusive view of a firm's performance. In addition, the model assists managers in making determinations about their organization's goals and performance (Kaplan & Norton, 2013).

The balanced scorecard provides a framework for meeting customers' needs. For instance, customer perspective helps meet customers' needs as indicated in quality service and new products. Growth and learning perspectives assist in achieving goals by changing how things are done and coming up with new products. It also helps resolve problems, improve performance, and achieve a firm's vision and strategic objectives (Kaplan & Norton, 2015). It assists the firm in assessing how its strategies are executed and help identify areas of improvement and growth through innovation capability by developing new products (Kaplan & Norton, 2008). The balanced scorecard is a very important tool used by managers to track service quality, efficiency, and effectiveness of the processes. A balanced scorecard was applied in the study because it measures non-financial and financial pointers of performance. The BSC model is very appropriate for the study as an instrument for unfolding and choosing appropriate performance indicators to inform the dependent variable. The model supports the financial perspective as well as the customer perspective, which influences the market share. This study evaluated firm performance using market share, sales growth, profitability, effectiveness, and customer care services.

2.4. Empirical Review

2.3.1 Managerial Competence and Firm Performance

The study by Veliu and Manxhari (2017) studied managerial competency impact on SMEs' development in Kosovo. The study employed a descriptive statistical method using principal component analysis, the varimax rotational method, and linear regression to test the relationships. The study population was 195 managers, and a convenient sampling method was used to identify 110 respondents. Descriptive statistics were applied to analyze the data. The research suggested that managerial competence help organizations reduce costs, deal with dissatisfied customers, and increase performance.

Moreover, managerial competence significantly influences the business performance of SMEs. However, this study considered the direct relation between managerial competence and performance. The study on SMEs and managerial competence was conceptualized using personal, professional, and social competence. While this study core competences has been conceptualized using managerial competence, customer focus, and emotional intelligence competence. The current study considered using innovation capability as a moderating variable that was conceptualized using product, process, and market innovation

Liang et al. (2018) assessed Australian health service management competencies and their training level. The study utilized a cross-sectional research design and acquired information from 395 respondents using the organizational competency assessment partnership framework. Data was analyzed through simple bivariate analysis, standard deviation, and percentages. Managerial competence was operationalized through communication, managing change, leadership, resource management, and informed decision-making. Results established that the employees had managerial competencies such as communication, resources management, and change leadership. However, this research has a contextual gap since it took place in a different country. In addition, the conceptualization of core competences differs from the current study. The researcher operationalized managerial competence using staff empowerment, teamwork, training, and strategic competence. The current study has addressed the gap using the descriptive and explanatory research design to examine the relationship.

Hawi, Alkhodary and Hashem (2015) studied managerial competencies and organization performance from four airlines in Jordan. The study aimed to see if there was a connection between management competency and performance. A quantitative case study method was adopted, and data was acquired in two stages with a sample of 20 managers and 62 middle-line managers. Results from the case study suggested that managerial competencies and firm's performance are correlated. They identified managerial aspects that influence competitive advantage and innovativeness. These are leadership skills, problem-solving skills, strategic competency, and customer focus, and they are positively

connected with performance. As a result, the researchers discovered that management competency and organizational performance are correlated. Despite the contextual bias, the study utilized a case study approach, and inferences made cannot be generalized to the hotel sector.

2.3.2. Environmental Turbulence and Firm Performance

Ermaya and Lawibo (2018) investigated the effect of environmental turbulence, dynamic capability, and performance of the communication industry in Indonesia. Findings showed that the industry was experiencing high environmental turbulence. In addition, environmental turbulence negatively affected performance. Data analysis was done utilizing descriptive statistics and correlation. However, the study was done in Indonesian context. Moreover, it was a case study of a single business, which hinders generalization to other industries. Additionally, the study used an interview method which could have interviewer biases. The current study collected data using a stratified sampling method.

Arokodare (2020) investigated the influence of environmental turbulence on Nigerian gas corporations' strategic agility and performance. The study utilized a survey to collect data from 515 managers, and only 480 questionnaires were valid for analysis. Data was analyzed using descriptive statistics, and inferential statistics were conducted using multiple and hierarchical regression. The outcome was that environmental turbulence strongly moderated the link between strategic agility and performance. The study asserted that those firms which responded quickly to the external environment before their competitors were able to deal with the threats in the environment before it negatively affected their performance. The study was conducted among, gas companies and thus it's not possible to infer the results in the hotel sector. The study used strategic agility as an independent variable. The current study adopted core competences and environmental turbulence as moderating variables. In addition, the conceptualization of environmental turbulence varies from the current study.

Rahin and Zainnuddin (2017) researched on the effect of environmental instability in regulating the conection between entrepreneurial orientation and SMEs' success in Malaysia. The research used competitive analysis, market turbulence, and technological turbulence. The investigation reported that when firms ignore perceived environmental turbulence, it can harm performance. The study recommended that empirical studies be done in another service sector. The study had a gap that had conceptual ambiguities. The current study was empirical, and the cause-and-effect relationship was established using multiple regression analysis.

Kamau (2020) conducted an investigation based on the impact of environmental turbulence on East African breweries' limited performance. The study utilized a descriptive research design, and data were acquired from 133 out of 201 managers using a simple random technique. The study embraced both open-ended questionnaires and secondary data collection methods. Data was analyzed using descriptive and inferential statistics. Results demonstrated that performance was favorably connected with product distinctiveness whereas market turbulence was negatively and insignificantly correlated with performance. A high level of competitive competition harmed productivity. There was diminutive correlation between performance and technological upheaval. The study recommended that future studies can be done in the service sector. However, this study used a case study approach, and inferences made cannot be applied generally to the hotel sector. The present study focuses on the gap by studying the star-rated hotels in Nairobi County, Kenya.

2.5. Conceptual Framework

The conceptual framework has been displayed in figure 2.1, is derived from theoretical and empirical reviews. The conceptual framework links the independent variable and the dependent variables with the interventions of moderating and mediating variable. The conceptual framework was employed to explain the relationship between core competences and hotel performance. The dependent variable used in this study was the firm's performance and the independent variables used for this study was core competences whereas environmental turbulence was the moderating variable and was mediated by innovation capability. It was postulated that the connection between core competences and performance of star rated hotels was moderated by environmental turbulence.
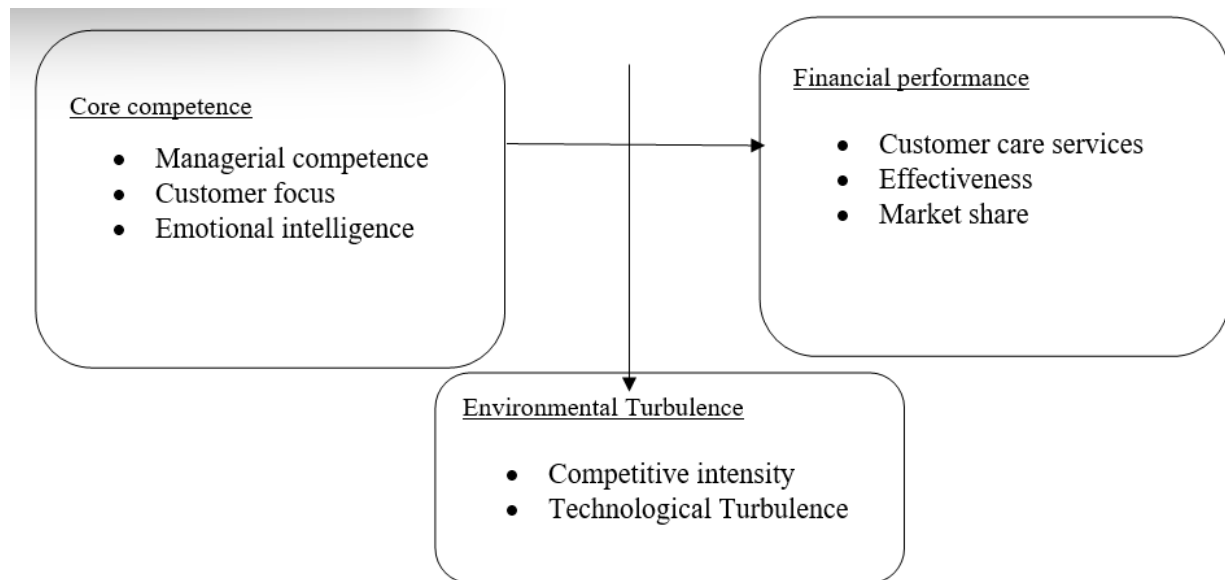
Figure2.1.*Conceptual Framework*

Source: *Author, 2021*

3. RESEARCH METHODOLOGY

The epistemological position used in the study was positivism. The study was done based on positivism philosophy, which was based on gathering, and obtaining objective data that was expressed numerically (Furrer, Thomas, &Gousserkaia, 2008). This is due to the fact that the philosophical underpinning is anchored on real evidences, objectivity, measurement, and legitimacy of outcomes (Saunders, 2009). The study used the philosophy as it relied on testing and verifying empirical data to identify the relationships between variables in a given condition. It would therefore, provide cause and effects outcome (Creswell, 2009). Positivism holds the belief that knowledge ought to be based on facts rather than abstractions. Therefore, it means that knowledge is established on observations and experiments. Saunders, Lewis, and Thornbill, (2016), posit that positivism research philosophy deals with qualitative and quantitative data and hypothesis testing which allows the generalization of findings.

The study adopted a positivism research philosophy because it helped focus on empirical measures using statistical analysis of data acquired from the study variables after the formulation of the hypothesis. The hypothesis were tested using statistical techniques, this is because the study focused on evaluating existing beliefs, and it took a logical approach. The study applied descriptive research and explanatory research design as advocated by (Saunders et al., 2009). The descriptive research design was suitable in conditions that a researcher attempts to describe features of a group or individuals (Kothari, 2019). The design was used to characterize the population's features of interest phenomenon and answered the question of what exists (Saunders et al., 2019).This study's participants were composed of star-rated hotels that are registered by Tourism and regulatory authority TRA, (2019) in Nairobi City County. Hence, the target population was 112 hotels ranging from two to five star rated hotels that are in existence in Nairobi County. Respondents were departmental managers from different departments.

Table3.1. *Distribution of Sample Size*

Strata of star-rated hotels	Number of hotels in each category	Population size N	Stratum Sample sizen	Number of hotels sampled
Five star	24	192	59	7
Four star	30	240	74	9
Three star	31	248	76	9
Two star	27	216	67	8
Totals	**112**	**896**	**276**	**33**

Source: *(Author, 2020)*

The study had 276 questionnaires which were distributed to the sampled management employees in the star rated hotel in Nairobi City County. Multistage probability sampling method was utilized to arrive at the desired sample size in order to answer the research objectives (Kothari, 2019; Kyengo, Muathe, & Kinyua, 2019). Multi stage sampling was selected because various stages were involved to establish the sample size. The first stage was to select the star rated hotels, stratum sample size followed by identifying the unit of observation and the last step were identifying the sample magnitude.

Stratified random sampling is a probability sampling procedure whereby sub- strata with similar characteristics are picked from each stratum of the population. The sampling technique was utilized because it ensures that every stratum group is included in the sample. Therefore, the results emanating from the study were considered accurate, for generalization that was more acceptable. The unit of analysis was star rated hotels existing in Nairobi County as registered by tourism regulatory board authority. The observation unit was hotel managers in the functional areas of, human resource, sales and marketing, food and beverage, information technology, front office, housekeeping, food production and finance. The selection was because they have appropriate knowledge about the hotels they represent and are adequately equipped to give the required information.

The sample size utilized for the study was computed through Yamane's (1967), denoted by the population size and the acceptable margin error of 0.05 as indicated in the formula. The total number of managers in the star rated hotels was 896 based on Tourism regulatory board, (2020) out of which the sample size was 276 managers using formula for population proportion proposed by Yamane.

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

Where

n = desired sample size

N = Targeted population size

Ɛ is the significance level (maximum amount of error the researcher is willing to commit while estimating sample size for the study)=0.05   n=896

$$1 + (896)0.05\,^2$$

$$=276$$

4. RESPONSE RATE

To ensure all characteristics of individuals under study were equitably represented, the researcher determined the stratum sample size, which was summed up to obtain the desired sample size of 276 managers. The table below 3.5 shows the sample size per hotel category combined to yield the desired results.

The results of the response rate are displayed in Table 4.1.

Table4.1.*Response Rate*

Categories of the hotels	Number of hotels	Questionnaires administered	Questionnaires received	Percentage response rate by categories
Five star	7	59	47	79.6
Four star	9	74	56	75.6
Three star	9	76	61	80.2
Two star	8	67	53	79.1
Total	**33**	**276**	**217**	**78.6**

Source: *Survey data (2022)*

The outcomes as exhibited in Table 4.1, show from 276 questionnaires administered to the respondents from the 4 categories of the star rated hotels, 217 respondents returned duly filled up questionnaire that translates into a response rate of 78.6 percent. In accordance with Saunder and

Thornbill (2019), 78.6% is a response rate that exceeds 70 percent and it is adequate for undertaking inferential analysis and making generalizations. In essence high response rate is considered critical for improving data quality, precision and reliability. The response rate by category of star rated hotels involved in the study ranged between 75.5 percent and 80.2 percent for four-star hotels and three-star hotels respectively.

5. RELIABILITY OF THE RESEARCH INSTRUMENTS

This is the estimation of the extent to the fact that the research instruments can provide the desired measure of consistency as provided by reliability, which is still a crucial aspect of data collection (Cooper & Schindler, 2011). Reliability may be demonstrated by employing pilot testing to confirm that research equipment provide consistent findings after several trials under various circumstances (Kothari, 2010; Mugenda, 2008). The researcher measured internal consistency using the Cronbach alpha. According to Olanye and Eromafuru (2016), and Hair, Black, Babin, and Anderson (2010), they confirmed that a Cronbach alpha index greater than 0.7 would be adequate to verify the variables and their reliability. Cronbach's alpha was established for each research variable in this study. Thus, the study obtained an alpha value of 0.749 as an indicator of the reliability of the research instrument. A reliability test was done on all the questionnaires, which was used for pilot testing. The reliability test results are presents in Table 3.6.

Table5. *Results of Reliability Tests*

Variable	Cronbach's	Number of Items	
Conclusion	Alpha value		
Managerial competence	0.919	13	Reliable
Environmental turbulence	0.623	15	Reliable
Performance	0.536	31	Reliable
Aggregate score Reliable	**0.749**		

Source: *Pilot Study (2022)*

The results as presented in Table 3.6 displays that Cronbach's Alpha index values ranged from 0.536 for the performance variable to 0.919 for the managerial competence variable. As a result, the cumulative score of the reliability test for the six variables was 0.749 which was adequate to verify the variables and their reliability (Olanye&Eromafuru, 2016; Hair, Black, Babin& Anderson, 2010).

5.1. Descriptive Statistics for Environmental Turbulence

The study moderating variable was environmental turbulence as examined to show the connection amongst the core competences and firm performance. Besides researcher investigated various aspects of environmental turbulence competitive intensity and technological turbulence. The outcomes of the investigation are displayed in Table 4.7 presenting the descriptive outcome based on means with respective standard deviation

Table5.1. *Descriptive Statistics for Environmental Turbulence*

Statements	n	M	SD	CV (%)
Competitive intensity				
Competition for market share is intense in hotel sector	217	4.63	0.707	21
Price competition in the hotels is intense	217	4.44	0.895	16
Our competitors are presumed to be relatively weak	217	3.29	1.232	11
Competition intensity has affected our hotels performance	217	3.78	1.421	20
Average	**217**	**4.04**	**1064**	
Technological turbulence				
Our hotel exists in a rapidly changing technology	217	4.45	0.716	6
We are quick in adapting to different technology	217	4.48	0.690	17
Technological advances have resulted in increased performance in hotels industry	217	4.61	0.727	29
Our technology has improved to enhance logistics and speed delivery in customers booking	217	4.59	0.846	16
Average	**217**	**4.53**	**0.745**	
Aggregate score	**217**	**4.34**	**0.861**	**16**

Source: *Survey Data (2022)*

The inclusive collective mean score for environmental turbulence obtained 4.34 and a standard deviation of 0.861. The aggregates for subdimension for competitive intensity ranged between 3.29 for competitors are assumed to be weak and 4.63 for intense competition amongst the hotels. The construct of competitive intensity being presumed weak got the lowermost mean score standard deviation of 3.29 and 1.232. Competition in the market was intense with the topmost mean score of 4.63 and standard deviation having 0. 707. These values of measures of central tendency and dispersion indicates low variability of gathered responses on respective activities signifying environmental turbulence. The results confirmed that to a large extent the respondent agreed that there was hard-hitting competition that affected hotels performance.

Further findings showed an average aggregate for subsection of technological turbulence got a mean score of 4.53 and a standard deviation of 0.745 accordingly. The construct of technological turbulence ranged between 4.48 for ability to adapt to different technology and for aspects of technology resulted to increased performance with a mean score of 4.61, standard deviation of 0.690 and 0.727 respectively. The summary descriptive statistics, indicates that the sample mean, standard deviation and sample coefficient of variation for responses to the items on environmental turbulence was 4.34, 0.861, and 16%. This demonstrated that on average the respondents agreed that environmental turbulence was distributed around the mean was moderate. Based on the responses on the aspects of environmental turbulence show that they were agreed to a large extent. This suggests the need for star rated hotels to develop mechanisms of adapting to the changing environment and to keenly analyze their external environment and respond to the stormy habitat situation. The implication is that environmental turbulence to large extents affected the performance. The study on environmental turbulence concurs prior studies that exerted that environmental turbulence negatively influences firm's performance (Ermaya & Lawibo, 2018).

5.2. Hotel Non-Financial Performance

The subsection sought to measure respondent perception concerning non-financial performance as measured in terms of customer care services, market share and effectiveness. Table 4.8 exhibits the descriptive outcome in relation to means and respective standard deviations

Table5.2. *Descriptive Statistics for Non-financial performance*

Statements	n	Mean	SD	CV (%)
Customer care services				
Our hotel provides superior quality services	217	4.70	0.594	32
We provide timely and fast services	217	4.69	0.617	14
Offering promised services in a highly satisfactory manner	217	4.68	0.588	17
Average for Customer care services	**217**	**4.69**	**0.600**	**21**
Market share				
Sales in our hotel have improved in the last five years	217	3.57	1.082	22
Our market share has been improving due to quality services offered	217	4.35	0.848	34
Our market share has been increasing due to employee core competences	217	4.44	0.745	27
Average for Market share	**217**	**4.12**	**0.892**	**28**
Effectiveness				
The hotel has a system of assessing the extent to which objectives and goals are realized	217	4.33	0.853	15
We achieve the set targets within specific period of time	217	4.43	0.776	19
There is effective resource utilization	217	4.54	0.692	24
Average for Effectiveness	**217**	**4.433**	**0.774**	**19**
Aggregate score	**217**	**4.414**	**0.755**	**23**

Source: *Survey Data (2022)*

The summative mean for non-financial aspects of performance was 4.414 with a standard deviation of 0.755. Research, as exhibited in Table 4.8, shows that sample mean responses in regard to the measures of firm performance ranged between 3.57 on hotels sales had improved in the last five years

and 4.70 on hotels provided superior quality services with a standard deviation of 0.594 and1.082 respectively. The aggregate sample mean for sub dimensions of customer care service ranged between 4.70 for hotels providing superior quality and for 4.68 for providing the promised services in a satisfactory manner. Similarly, the aggregate standard deviation for the subdimension ranged between 0.594 and 0.588 respectively. The mean scores for customer care service suggests that respondents approved to a great extent with the characteristics under customer care service that they affect performance of star rated hotels whereas the standard deviations specify distribution of the responses around the respective means scores was narrow signifying that the reported aggregate means were appropriate for estimating the respective population parameters.

The average for subsection of market share had a mean score of 4.12 and standard deviation of 0.892. The aspects of market share ranged between 3.57 for improved market share and 4.44 core competences led to increased growth of market share, further the result showed a standard deviation of 1.082 and 0.745 respectively. This suggests that respondents' perceptions on the growth of market share were divergent as demonstrated by high standard deviation of 1.082.

The results further disclosed that the aggregate for subsection for effectiveness ranged between 4.33 for ability to evaluate objectives and goals that were achieved and 4.54 for aspects of effective utilization of resources of 4.61. This view was held by the majority of the respondents with a standard deviation of 0. 853 and 0.692 respectively. This implied that the respondents agreed that non-financial performance factors were very important in determining the general performance of hotels. This implied that the responses were not clustered together on measurement scaled that was used. In regard to results as illustrated in Table 4.8, the sample mean, sample standard deviation, and sample coefficient of variation for responses to the items on non-financial performance were respectively 4.414, 0.755 and 23%. Thus, the aggregate scores of 4.414 and standard deviation of 0.755 demonstrate that most of the respondents agreed that the aspects adopted for evaluating non-financial performance were imperative in determining performance.

5.3. Multiple Linear Regression for Direct Relationship

The study conducted multiple linear regression analysis in the testing hypotheses. The findings were exhibited in Table 4.19.

Table5.3. *Model Summary*

Model		R	$R-Squared$	Adjusted $R-Squared$	Std. Error of the Estimate
1		.936	0.877	0.875	0.10782

Source: *Survey Data (2022)*

The statistic model in table 4.19 illustrated an R value of .936, which indicates a strong positive correlation between the managerial competence, customer focus competence and emotional intelligence and firm performance. The R Square value of 0.877 gave the impression that approximately 87.7% of the discrepancy in the firm performance can be explained by managerial competence, customer focus competence and emotional intelligence. The remaining 13percent accounted for other factors that were not included in the model yet they affect performance.

Table5.3.1. *Analysis of Variance (ANOVA)*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.602	3	5.867	504.728	.000b
	Residual	2.476	213	0.012		
	Total	20.078	216			

Source: *Survey Data (2022)*

Table 4.20 displays the F-value of 504.728 as obtained by dividing the mean square of regression by the mean square of residual. This F-value suggests that regression model is analytically significant at a high level of confidence (p < .000b). Regression sum of squares is 17.602, indicating that the managerial competence, customer focus competence and emotional intelligence based on the model clarify a significant amount of the variation in the performance of hotels. The residual sum of squares

is 24.76, representing the unexplained variation in the performance. The mean square for the regression is 5.867, indicating that the variance explained by the managerial competence, customer focus competence and emotional intelligence is relatively large.

Table5.3.2. *Coefficients of regression analysis*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		B
1	(Constant)	0.41	0.107		3.819	0.000
	Managerial competence	0.19	0.026	0.24	7.195	0.000
	Customer focus competence	0.333	0.032	0.383	10.417	0.000
	Emotional intelligence	0.389	0.034	0.429	11.511	0.000

Dependent: *variable firm's performance*

Predictors: *(constant) managerial, customer focus and emotional intelligence competence*

Source: *Survey Data (2022*

The findings in table 4.21 indicated the aspects of core competence (managerial competence, customer focus and emotional intelligence) if held constant the performance would be equal to 0.41. Results similarly demonstrate that if all factors are held constant an improvement in managerial competence to leads improvement for performance by 0.24. Likewise if all factors are held constant an improvement in customer focus result to an improvement of 0.383 increased performance. Additionally, holding all factors constant an improvement in emotional intelligence would result to improvement in performance by 0.429.

According to the extent of each variable to predict performance, the results indicates that emotional intelligence had the highest effect, followed by customer focus and managerial competence on performance with the standardized coefficients as 0.429, 0.383, and 0.24 respectively. These coefficients suggest that emotional intelligence has the strongest impact on the performance of star rated hotels. The t-values for all three independent variables are statistically significant ($p < 0.05$), indicating that they are significant predictors of the hotel performance. Also the highest t-value is associated with emotional intelligence (11.511), followed by customer focus (10.417) and then managerial competence (7.195). Therefore, the linear model is presented below.

P= 0.41+ 0.19X_1 + 0.333X_2 + 0.389$X_3$5.3

Considering the results of the multiple linear regression analysis, all hypotheses were rejected because the variables, managerial competence, customer focus and emotional intelligence were found to have a positive significant effect on the performance.

The findings concur with Hawi, Alkhodary and Hashem (2015) that aspects of managerial competence such as problem solving, training and staff empowerment influences performance. The inferences also agree with Mashavira, Chipunza and Dzansi (2019), that there it is prerequisite to train employees on the aspects of managerial competence for improved firm's performance. This finding concurs and was supported by Elias and Mwakujunga (2019), prior studies. Equally the findings corroborate the preposition made in the core competence theory that carrying out managerial functions efficiently and effectively leads to superior performance. In addition, management should understand their existing core competences and develop their skills, aptitudes, and this helps managers to direct organizations ahead of their competitors (Prahalad & Hamel, 1990). In addition, having skilled manager who has strong capabilities cannot be underscored to sustain performance (Agha, Alrubaiee & Jamhour, 2011; Asamoah, 2020). Furthermore, the theory helps firms and managers to identify their strength in different key competences leading to competitive advantage and performance (Hamel, 1994; Mugo, 2016)

5.4. Testing for the Moderated Relationship

The section tested hypothesis the moderating effect of environmental turbulence and link between core competences and performance of star rated hotels in Nairobi City County, Kenya.

Moderating effect was analyzed in 3 steps as shown below. The coefficient of determination (R squared) for the three steps is exhibited below in Table 5.4.

Table5.4.*R Squared for Core Competence, Environmental Turbulence and Performance*

Model	R	R − Squared	Adjusted R − Squared	Std. Error of the Estimate
1	.779a	0.606	0.604	0.19175
2	.880a	0.775	0.773	0.14525
3	.893a	0.797	0.794	0.13834

The study results in Table 4.25 suggest that regressing core competences against performance had an R square of 60.6 percent in the first step. In step 2, core competences and environmental turbulence is regressed against performance and the R square obtained was 77.5 percent. The third step regressed core competences and environmental turbulence and the interaction term CC*ET against performance and the R square was 79.7%. This revealed that environmental turbulence as an explanatory variable accounted for 79.3 percent of changes in hotels performance. The unexplained 21.7 percent of change in performance was connected with extra variables not studied. The outcome show that the R squared varied in the three models and increased. Thus, it can be established there is a positive moderating impact of environmental turbulence on the association connecting core competences and performance. Moreover, the scrutinized results of the analysis of variance are exhibited in Table 5.4.

Table5.4.*ANOVA for Core Competences, Environmental Turbulence and Performance*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.163	1	12.163	330.808	.000b
	Residual	7.905	215	0.037		
	Total	20.068	216			
2	Regression	15.554	2	7.777	368.638	.000b
	Residual	4.515	214	0.021		
	Total	20.068	216			
3	Regression	15.992	3	5.331	278.556	.000b
	Residual	4.076	213	0.019		
	Total	20.068	216			

The ANOVA results presented in Table 4.26 show that all the models were significant at 0.000<0.05. The F-Statistic for step one was (F=330.808,p=0.000<0.05), the F-Statistic for model two was (F=368.638,p=0.000<0.05), the F-Statistic for third model was (F=278.556, P=0.000<0.05). In particular, the estimated model was statistically significant at a level of confidence of 95% and 0.05 level of significance. Further, the regression of coefficients for core competences, environmental turbulence and performance are exhibited in Table 5.4.1.

Table5.4.1.*Coefficients of regression analysis for Core Competences, Environmental Turbulence and Performance*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.653	0.161		10.253	0.000
	Core Competences	0.642	0.035	0.779	18.188	0.000
2	(Constant)	1.096	0.13		8.445	0.000
	Core Competences	0.336	0.036	0.408	9.348	0.000
	Environmental Turbulence	0.427	0.034	0.553	12.677	0.000
3	(Constant)	-1.718	0.601		-2.86	0.005
	Core Competences	1.035	0.15	1.255	6.904	0.000
	Environmental Turbulence	1.063	0.137	1.378	7.775	0.000
	CC * ET	0.157	0.033	1.534	4.786	0.000

The regression coefficient tabulated in table 4.24 was instrumental in the estimation of statistical model as exhibited in 4.5.

P=-1.718+1.035CC+ 1.063ET-0.157CC*ET4.5

The regression of coefficients outcome are exhibited in Table 4.27 depicted that regression model of core competences on performance is substantially and positively associated (β=0.642, p=0.000). In stage two, the findings suggest that the regression model of core competences and environmental

turbulence on performance is substantially and positively associated (β=0.336, p=0.000; β=0.427,p=0.000). In stage three, the outcome showed a beta coefficient for the regression model of core competences, environmental turbulence and interaction between core competences and environmental turbulence on performance is substantially and positively associated with β=1.035,p=0.000;β=1.063,p=0.000;β=-0.157, p=0.000) respectively. Ostensibly p- values for environmental turbulence and the interaction terms were less than 0.05 as the p value for environmental turbulence was 0.000. This was in accord with Baron and Kenny (1986), 0.157 as the beta coefficient for the interaction term magnitude and direction of moderation of environmental turbulence. In particular, whenever environmental turbulence is improved by one unit the slope of core competences and firm performance consistently intensifies by 0.157. Therefore, since the interaction term is significant, then it means that environmental turbulence moderates the relationship between core competences and performance. In regard to the results the null hypothesis was rejected since environmental turbulence moderated the link between core competences and performance of star rated hotels.

The results agree with Ermaya and Wibowo, (2020), who asserted that performance and environmental turbulence were positively correlated. On the contrary Kamau, (2020) had contradicting assertion that environment turbulence though a moderator had negative and insignificant consequence on performance. The discoveries are congruent with the contingency theory claims that in order for firms to perform they should consider their priorities and objectives. In addition, their priorities should be consistently be to address the market environment (Lawrence & Lorsch, 1967; Otley, 2016).

6. CONCLUSION

Environmental turbulence being a moderator was found to have a positive link between core competences, and performance was significantly moderated by environmental turbulence. The investigation determined that hotels were using technology to beat the competition, improve on logistics and bookings by customers through online services. However, competition was found to be very intense among these hotels. This implies that hotels are required to develop a strategy to deal with stiff competition. The implication is that the hotels should advance a strategy in dealing with environmental turbulences. The results showed that core competences were a reliable predictor of hotels' performance, with emotional intelligence and customer focus having the greatest influence.

7. RECOMMENDATION

The management of star rated hotels should put effort to minimize the negative effects of environmental turbulence on performance. This could be done through improving their existing technology and adapting new technology. The study recommended that the hotels should not underrate their competitors but devise appropriate strategy on how to exert more pressure on their competitors in dealing with competitive intensity. The study suggests giving attention to pricing strategies as a means of dealing with stiff competition. This can be done by setting competitive prices and providing superior customer services. Further the study also recommended that the hotels should evaluate the environmental trends and develop an offensive strategy to appropriately react to the environment.

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