

**EFFECT OF DYNAMIC CAPABILITIES ON FINANCIAL
EFFECT OF DYNAMIC CAPABILITIES ON FINANCIAL
PERFORMANCE OF OIL MARKETING FIRMS IN KENYA**

By

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DECLARATION

I declare that this dissertation is my original work and has not been presented for a degree in any other University. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledge.

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ABSTRACT

The main objective of this study is to establish the effect of effect of dynamic capabilities on financial performance of the oil marketing firms in Kenya. More specifically, the study seeks to determine the effect of sensing capabilities, seizing capabilities, learning capabilities and reconfiguration capabilities on financial performance of the oil marketing firms in Kenya. The study was guided by the dynamic capability theory, the resource based view and the knowledge based view. Relevant empirical studies are reviewed to inform the conceptual framework of the study. Descriptive survey was undertaken covering quantitative methods. The study targeted 105 oil marketing firms as the unit of analysis and the Human Resource Managers, finance managers, operations manager and corporate affairs managers from each of these firms adding to 440 respondents as the unit of observation. Multi-stage sampling approach was used starting with stratification of the firms before selecting 210 respondents through stratified random sampling technique as the sample size. The study collected primary data supported by the questionnaire and secondary data supported by data collection sheet over a period of 2020-2021. The study tested for content validity with the aid of the supervisor and one expert in the field of strategic management while reliability of the questionnaire was determined through computation of the Cronbach Alpha Coefficient values. The analysis of the gathered information was supported by Statistical Package of Social Sciences tool version 24. The values of means and standard deviations were utilized as the descriptive statistics. Inferential statistics covered correlation and regression analysis. Table and figures helped to present the findings. The study established that sensing capabilities ($\beta=0.009$, $p<0.05$), seizing capability ($\beta=0.005$, $p<0.05$), organizational learning capability ($\beta=0.003$, $p>0.05$) and reconfiguration capabilities ($\beta=0.004$, $p>0.05$) all had significant effect on financial performance. The study concludes that dynamic capabilities are significant predictors of financial performance of oil marketing firms in Kenya. The study recommends that the marketing managers working in the oil marketing firms in Kenya should continuously invest in market research to gather intelligence for improved competitive advantage. The human resource managers working in the oil marketing firms should invest in new methods and systems of creating new knowledge through the recruitment practices.

Key words: dynamic capabilities, financial performance, sensing capabilities, seizing capabilities, learning capabilities, reconfiguration capabilities and oil marketing firms

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DEDICATION

I dedicate this project to my father Musa Said Hassan for the support he gave me as I was developing it.

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ABBREVIATIONS AND ACRONYMS

DCs	Dynamic Capabilities
DCT	Dynamic Capability Theory
EPRA	Energy and Petroleum Regulatory Authority
KPC	Kenya Pipeline Company
NOCO	National Oil Corporation
OMFs	Oil Marketing Firms
ROA	Return on Assets
ROE	Return on Equity

OPERATIONAL DEFINITION OF TERMS

Sensing capabilities they facilitate environment scanning, market research and intelligence, data gathering and processing as well as opportunity identification (Wang, Shi & Zhang, 2017)

Seizing Capabilities they allow knowledge creation and acquisition, development of new processes and products, mobilization of resources and vertical integration (Sasmoko, Mihardjo, Alamsjah & Elidjen, 2019).

Organizational Learning Capabilities allow an organization to create new knowledge through socialization, internalization, externalization and combination (Riviere, Bass & Andersson, 2021).

Reconfiguration Capabilities they involve business model redesign, business process reengineering, decentralization and continuous improvement (Zhou, Hong, Zhu, Yang & Zhao, 2018).

Financial Performance it represents the amount of profits generated by the firm by leveraging the assets (Fatihudin, 2018).

Dynamic capabilities describe the ability of the firm to seize opportunities and threats, grasp them, acquire new knowledge through learning and reconfigure the assets in response to the changes in the environment (Teece, 2020).

CHAPTER ONE

INTRODUCTION

The chapter covers the background to the study, statement of problem, objectives and research questions as well as the significance. The scope of the study is also detailed in this chapter.

1.1 Background to the Study

The rise in global competition and environmental turbulence are significant forces piling pressure on firms to come up with paradigms that drives their financial performance. One of the critical efforts of addressing these forces is by leveraging the dynamic capabilities in place. As a concept, dynamic capability provides the foundation of how business enterprises renew its external and internal competencies so as to counter turbulences in the environment (Kuo, Lin & Lu, 2017). The resource based view (RBV) school of thought laid the foundation for the dynamic capability concept. Through dynamic capabilities, firms are able to match the external opportunities with the existing internal strengths and this maintains superior financial performance. Dynamic capabilities are key to a firm in the efforts to ensuring superior financial performance (Fainshmidt & Frazier, 2017).

From a global perspective, Peng, Zhang, Yen and Yang (2019) opine that in Taiwan, dynamic capabilities can be divided into exploitation and exploration capabilities. In Korea, Kwon (2021) shared that it is critical for firms to build desired dynamic capabilities to as to continuously enhance their financial positions in the market and industry. Within the context of Iraq, Kareem and Alameer (2019) recognized dynamic capability into sensing, learning and reconfiguration capabilities. Kareem and Alameer (2019) went further and disclosed that learning and reconfiguration capabilities have significant implication on performance of the firm.

Mongkol (2021) covered the context of Thailand and identified the constructs of dynamic capability as innovative, absorptive and adaptive capability where all of them significantly impacted on performance of the entity.

Regionally in South Africa, Fatoki (2021) identified the salient constructs of dynamic capabilities to cover sensing, learning, integration and coordination capabilities and all these were shown to have significant effect on performance. Locally in Kenya, Manyara, Nkaabu and Moguche (2020) observed that most firms have realized the value of dynamic capability in driving organizational performance. Nyachanchu, Chepkwony and Bonuke (2017) recognized dynamic capabilities into three specific constructs covering sensing, seizing and reconfiguration and that these have significant outcome on performance. Gicheru and Kariuki (2019) recognized dynamic capabilities to include innovation, technical knowledge, quality service and the culture of learning.

1.1.1. Dynamic Capabilities

Dynamic capability is the ability of the firm to ensure that internal and external competencies have been integrated, built and reconfigured in response to environmental turbulence. Dynamic capabilities can further be defined as a set of specified and identifiable activities like development of new products and formation of strategic alliances. Teece (2020) define dynamic capabilities as stable and learned collective processes that an organization can leverage in systematic creation and modification of the operational activities for better financial performance. Dynamic capabilities help the firm to create, extent and modify the available operational capabilities in a way that is systematic (Ferreira, Coelho & Moutinho, 2020).

In as much as dynamic capabilities are multidimensional in nature comprising of complementary and interrelated dimensions, the present study focused on four constructs: sensing, seizing, learning and reconfiguration capabilities (Teece, 2020). Sensing capability allows the firm to recognize shifts in the surrounding which is an important step towards discovery of relevant opportunities that would impact on operations of the firm (van-de-Wetering, Kurnia & Kotusev, 2020). Sensing capability is reflected in the ability of the firm to continuously scan, search and explore new opportunities across the markets and technologies (Nair, Ramanan & Keelath, 2021). It involves discovery of new opportunities, environmental scanning and relevant responses to growing competitive landscape. In case a new opportunity has been identified by the firm, sensing capability plays a role in determining the relevant technologies to be explored (Endres & Van-Bruggen, 2021). The three basis activities that inform sensing capabilities include the need to generate market information, interpret the generated information and respond to the information in the market (Wang, Shi & Zhang, 2017).

Learning capability determines the ability of the firm to develop internal knowledge, acquire knowledge from external sources and share the same for informed decision making. Learning capability allows the firm to create or acquire some specific knowledge that is critical in seizing the established opportunities in the environment (Rashidirad, Salimian, Soltani & Fazeli, 2017). Firms should acquire new forms of knowledge so as to make relevant decisions of addressing the threats and opportunities in the environment. The main focus of learning capabilities is on utilization of the market information to come up with new knowledge (Liu, Horng, Chou, Huang & Chang, 2018). Learning capability is about ensuring effectiveness and efficiency of the operational activities through acquisition, changing and reconfiguration of resources in response to environmental turbulence. The key abilities of learning capability

include the need to acquire, transform and utilize knowledge in an organization (Riviere, Bass & Andersson, 2021).

Seizing capability provides an assurance that the composition of the internal resources of the firm are in line with external environment of the business by updating the resources in place. This will positively affect performance of the firm by improving the effectiveness and speed of firm response to changes in market and external uncertainties (Lee & Yoo, 2019). Seizing capability is the ability of the firm to mobilize resources to address the opportunities and needs. This capability is the utilization of the newly created knowledge to develop new products. It is the ability of the enterprise to seize an opportunity sensed while selecting relevant business models that may support development of new products (El-Hanchi & Kerzazi, 2020). The various elements and activities that define seizing capability include market oriented product development, vertical integration and clarity of strategic goals as well as the leadership of those in management (Cao, Duan & El-Banna, 2019). Seizing capability allows the firm to select the most suitable and relevant opportunity at the right time and develop innovative products through knowledge and opportunities that were identified using sensing capability (Sasmoko, Mihardjo, Alamsjah & Elidjen, 2019).

Reconfiguration capability predict that firm's ability to come up with new capabilities, ensure that assets and existing structures have been reconfigured in view of the technological and market changes. It is important that firms strive to recombine and reconfigure the structures and assets (Girod & Whittington, 2017). Reconfiguration capability requires the firm to develop supportive corporate culture, come up with relevant reward systems while retaining talents that are committed (Kodama, 2017). This is a capability that involves such activities as deployment and recombination of resources thus enhancing constant development in the firm (Jantunen,

Tarkiainen, Chari & Oghazi, 2018). It involves the need to recombine and transform the assets in place that helps the firm to mitigate the changes in the environment. The key processes that determine reconfiguration capability include the creation and integration of capabilities. Creation of capabilities can be realized by building internal capabilities and leveraging external sources to acquire capabilities (Zhou, Hong, Zhu, Yang & Zhao, 2018).

1.1.2 Financial Performance

Financial performance is the ability of the entity to meet the interests and needs of the investors as supported by market value or profitability. Profitability is reflected in the past ability of an entity to create returns (Daryanto, 2018). Profitable businesses are one that generate above industry returns on behalf of the shareholders. Firms are established to maximize the wealth of shareholders which is best determined through the returns from investments. Information on financial performance of the firm can best be generated from the published financial statements including the statement of financial position and the income statement (Manogna & Mishra, 2021).

Financial performance of the firm can best be illustrated through ratio analysis (Fatihudin, 2018). There are different types of ratio that can give relevant information on financial performance of the firm for instance the profitability ratio. Some of the key profitability ratios revolve around return on assets (ROA), return on equity (ROE), Tobin's Q as well as return generated on investment (ROI). ROA and ROE are common indicators of financial performance. While ROA expresses how the firm leverages the assets in place to generate revenue, ROE indicates how the firm utilizes the equity portion of the balance sheet to create wealth for the owners (Daryanto & Wibisono, 2019).

The financial health of the firm within a specified time period is best described through financial performance. This is usually conducted over a specified time period of say a year. Financial performance is reflected in the ability of the firm to generate profits for the owners. It reflects on how well the managers of the firm are carrying out the operations of the firm (Kyere & Ausloos, 2021). This way, the managers of the firm are in position to meet their contractual obligations as espoused in the agency theoretical perspective. Financial performance can be gauged from market information that determines the overall stock prices of the firm. Investors will have strong preference to well performing firms having stable stock prices. Good financial performance enhances the value of the firm and its ability to maximize shareholders' wealth (Ukko, Nasiri, Saunila & Rantala, 2019).

1.1.3 Dynamic Capabilities and Financial Performance

Organizations carrying out operations in environment that is competitive should constantly develop dynamic capabilities in order to improve on their financial performance (Ferreira, Coelho & Moutinho, 2020). Firms that can successfully adopt dynamic capabilities approach are able to reconfigure, integrate, renew and recreate capabilities and resources so as to remain relevant with changing market conditions. The decision made by executives goes a long way to determining how capabilities are developed, shaped and implemented in the firm for better financial performance (Kuo, Lin & Lu, 2017).

Dynamic capabilities can be recognized in their two versions; operational and dynamic capabilities and all of these exert a positive influence on financial performance of the entity (Rohani, Shahrabi & Gregoire, 2021). According to Heaton, Teece and Agronin (2022), allocation of adequate resources towards strengthening of dynamic capabilities contributes

towards an improvement in financial position of the firm. Through dynamic capabilities, firms are in position to achieve agility in their operations. Agility of the firm would allow it to quickly respond to turbulences in the environment. Unlike small firms, large enterprises have capabilities of gathering large amount of market intelligence which allow them to quickly respond to changes in the market. Peng *et al* (2019) observed that implementing dynamic capabilities would allow the firm to attain superior performance.

According to Kwon (2021), dynamic capabilities have significant effect on performance of the firm. These views were corroborated by Kareem and Alameer (2019) who argued that development of reconfiguration and learning capabilities propels the firm to achieve superior performance. Manyara *et al* (2020) shared that a significant variation in performance of the firm is attributed to dynamic capabilities in the firm. Nyachanchu *et al* (2017) said that deploying dynamic capabilities improves performance of the firm. Gicheru and Kariuki (2019) established that dynamic capabilities have a positive and significant effect on performance of the firm. Ali and Wambua (2021) shared that dynamic capabilities and financial performance are positively and significantly linked with each other. This implies that any effort to enhance the dynamic capabilities of the firm would contribute towards an improvement in financial performance.

1.1.4 The Oil Marketing Firms in Kenya

In Kenya, the oil marketing firms (OMFs) comprises of public and private enterprises dealing with energy products like petroleum. There are different industry players including the Energy and Petroleum Regulatory Authority (EPRA) and the Kenya Pipeline Company (KPC). EPRA is a regulator body of the oil marketing firms in Kenya. The latest statistics from EPRA place the number of registered OMFs at 105 (EPRA, 2021). However, out of these firms, over 70% of the

market share is commanded by the top four OMFs Shell, Total Kenya, Oil Libya and National Oil Corporation of Kenya (NOCK). Shell and Total command largest market shares of 24% and 22% respectively as of 2020 (Petroleum Insight, 2020)

The top major OMFs have maintained the above market share status even as more firms enter the industry. These firms operate in an environment that is highly volatile arising from unsteady changes in regulations, change in economic condition and volatility in internationally established markets (Ingabo & Kihara, 2018). The government regulations through EPRA, demonstrated by regulating the price of the pump has far reaching adverse consequences on profit margins hence competitive advantage of these OMFs. Taxation is another government regulation aspect that adversely hurts the profit margins of these OMFs. For instance, government levies and taxes account for 43.94% and 49.98% respectively of the overall price for every liter of diesel and petrol (EPRA, 2021). This is unfavorably compared with neighboring countries like Uganda and Tanzania where the cost of fuel is relatively cheaper because of low level of taxes from the government. For instance, the taxes charged by Tanzanian government on price of every litre of diesel and petrol stand at 5.39% and 40.72% while the same figures in Uganda average at 27.78% and 34.02% respectively (Ingabo & Kihara, 2018).

According to Majimbo and Namusonge (2020), the high level of competition in the petroleum industry has made some of the OMFs like Kenol-Kobil to exit the industry as others are forced to implement strategies that promote competitive advantage. Muema (2014) shared that liberalization of petroleum industry has heightened the level of competition and gaining competitive advantage require that these firms implement strong strategies. Kagwima (2020) shared that the introduction of liquefied gases and price control in the petroleum industry has increased the level of competition. There are other challenges being faced by the oil marketing

firms which include reduction in profit margins, lowering of quality standards in favor of big Oil marketing entities from the world and the growing level of competition especially the small independent dealers. Because of limited resources, most local OMFs like Galana Oil Kenya Limited are dominated by foreign owned OMF like Rubis (Kagwima, 2020). It is against this background that the present study seeks to establish the link between dynamic capabilities and financial performance of these oil marketing firms in Kenya.

1.2 Statement of the Problem

Financial performance has remained a challenge especially with regard to the OMFs in Kenya. For instance, the National Oil Corporation (NOCO) of Kenya reported losses amounting to Kshs. 808 million and Kshs 67 million for the financial years 2015/2016 and 2016/2017 (EPRA, 2021). In 2020, the projected loss of NOCO was estimated at 1.44 billion (EPRA, 2021). Vivo Energy reported a drop in net income from Kshs. 150 million to Kshs. 90 million in the financial year 2019 and 2020 respectively (EPRA, 2021). This falling trend is a problem to viability of the entire oil marketing industry since majority of the firms positing losses like Vivo Energy command highest market shares (Ingabo & Kihara, 2018). If nothing is done to reverse this poor trend in financial performance of the oil marketing firms in Kenya, the consequences would be dire to investors and creditors who may not withstand the inherent losses they can suffer. Dynamic capabilities have received considerable attention among scholars around the world; however, its empirical link with financial performance remains largely unexplored (Manyara *et al*, 2020).

The existing studies include Peng *et al* (2019) who explored the link between dynamic capabilities and firm performance in high technology firms in Taiwan. The study established a

significant link between dynamic capabilities and performance. Kareem and Alameer (2019) conducted a study whose focus was on dynamic capabilities and their impact on organizational effectiveness. It was shown that whereas sensing capability was not significant, learning and reconfiguration capabilities were significant. Manyara *et al* (2020) did an analysis of dynamic capability and its implication on performance of savings and credit cooperatives within the matatu industry. It was observed that dynamic capabilities have a significant effect on firm performance. Nyachanchu *et al* (2017) used a case of manufacturing firms in Nairobi to explore dynamic capabilities and their effect on performance. It emerged that sensing capabilities had the greatest effect on performance followed by seizing and reconfiguration capabilities. Gicheru and Kariuki (2019) covered Kenyan commercial banks to explore dynamic capabilities and their effect on performance and a significant relationship was established. The study by Ali, Hussin, Haddad, Alkhodary and Marei (2021) was an analysis of dynamic capabilities and their link with innovation performance where a significant link was registered.

The aforementioned studies create gaps as some like Peng *et al* (2019) were done in Taiwan and not in Kenya. Other studies like Nyachanchu *et al* (2017) and Gicheru and Kariuki (2019) were conducted in the manufacturing and banking industries respectively that are differently regulated from the oil marketing firms. Other studies like Kareem and Alameer (2019) explored dynamic capabilities as they relate with other concepts like organizational effectiveness and not financial performance. There are even studies for instance Nyachanchu *et al* (2017) that related dynamic capabilities and performance in general and not specifically financial performance. Other studies like Ali *et al.* (2021) focused on innovation performance as the dependent and not financial performance. Hence, in order to fill these gaps, the present study

sought to establish the effect of dynamic capabilities on financial performance of the oil marketing firms in Kenya

1.3 Research Objectives

The study had general and specific objectives as detailed below:

1.3.1 General Objective

The general objective of the study was to establish the effect of effect of dynamic capabilities on financial performance of oil marketing firms in Kenya

1.3.2 Specific Objectives

The study was guided by the following specific objectives:

- i. To establish the effect of sensing capabilities on financial performance of oil marketing firms in Kenya
- ii. To determine the effect of seizing capabilities on financial performance of oil marketing firms in Kenya
- iii. To establish the effect of organization learning capabilities on financial performance of oil marketing firms in Kenya
- iv. To determine the effect of reconfiguration capabilities on financial performance of oil marketing firms in Kenya

1.4 Research Questions

The study sought to provide answers to the following research questions:

- i. What is the effect of sensing capabilities on financial performance of oil marketing firms in Kenya?
- ii. What is the effect of seizing capabilities on financial performance of oil marketing firms in Kenya?
- iii. How do organization learning capabilities affect financial performance of oil marketing firms in Kenya?
- iv. How do reconfiguration capabilities affect financial performance of oil marketing firms in Kenya?

1.5 Significance of the Study

The findings of the study would be important to the following:

1.5.1 Management of the Oil Marketing Firms

The management team of the respective OMFs in Kenya would leverage the findings of the study to reconfigure and modify the capabilities in place so as to improve on their financial performance. The study would recommend the best way that the managers can implement dynamic capabilities so as to gain superior financial performance.

1.5.2 Regulators and Policy Makers

Regulators including EPRA would leverage the findings of the study to develop relevant policies and regulations to govern the OMFs. This would be an important step towards promotion of resilience of the overall industry.

1.5.3 Scholars and Researchers

The study would add to the existing theories on dynamic capability and firm performance. Besides, the study would also grow and expand the available literature on dynamic capability as it relate with financial performance. This way, future scholars would be in position to review the information and literature of this study.

1.6 Scope of the Study

The study explored the nexus between dynamic capabilities and financial performance. The specific focused of the study was on sensing, seizing, organization learning and reconfiguration capabilities as they relate with financial performance. The study focused on OMFs operating in Kenya. These firms were targeted because they are experiencing challenges with regard to their financial performance. The study was conducted in the month of April, 2022.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is set out to review past related studies on dynamic capabilities and financial performance. The review of literature revolves around relevant theories that underpin the variables of the study. The conceptual framework is also presented indicating the variables and their operational measures.

2.2 Theoretical Review

A theory is an explanation of a given phenomenon for instances the variables of the study. This study was guided by the dynamic capability theory, the resource based view and the knowledge based view.

2.2.1 Dynamic Capability Theory

This theory was developed by Teece, Pisano and Shuen (1997) where dynamic capability is viewed as the ability of the firm to integrate, build and reconfigure both internal and external competencies in light of the changing environmental conditions. There exists a distinction between dynamic and operational capabilities: where the former one describes the firm's capacity of creating, extending or modifying resources while the latter one refers to the current events and operations in the firm. This theory is premised on the fact that core competencies should be embraced in modification of competitive positions on a short term horizon which are key in establishing long term competitiveness of the entity.

In meeting new challenges and dynamism posed by the environment, there is need for three capabilities: staff and the organization should have a quick learning ability so as to come up strategic assets, there is need to integrate the new strategic assets into the firm while the existing assets need to undergo transformation or reconfiguration (Schreiber, Tometich, Carneiro-Zen & Engelman, 2020). The theory argues that agility at the corporate level is what is so critical for the firm, this is the ability where the entity can sense and shape threats and opportunities while at the same time seizing opportunities. It is equally important that firms maintain the competitive position through enhancement, combination, protection and possibly reconfiguration of the tangible as well as intangible resources in the enterprise (Kiiru, 2015).

Learning helps the organization to create new knowledge that should be needed and applied in operations and the daily routines. Routines are interactions in form of patterns that act as a representation of a given form of behavior. Partnerships and collaborations are key sources of learning in the firm (Mak'Anyengo & Maina, 2019). Besides learning, an organization should always strive to build strategic assets that are important when it comes to gaining and sustaining competitive advantage. Besides learning, new assets should be built in the firm; these include integration of new technologies into the operations and routines in the firm. The existing assets should undergo transformation either internally or externally. The need for change in the firm is informed by the desire and ability for scanning the environment, evaluation of the markets while quickly working to realize reconfiguration and transformation before inherent competitive pressures. This can be reinforced by the desire of the firm to decentralize and form strategic alliance (Makabila, 2018).

Resources are possessions that the firm owns including physical facilities and staff. Capability is the capacity of the enterprise of deploying its resources in a way that is effective. A

competence is the ability to carry out a task in a way that is efficient and successful. Teece *et al.* (1997) recognizes core competencies as the competencies that provide a description of the firm in relation to its rivals. While resources have static attribute, dynamic capabilities are viewed as flows that have a bearing on the resources of the firm. Teece *et al.* (1997) viewed dynamic capabilities as the ability of the firm of integrating, building and reconfiguring both external and internal competences as a way of responding to environmental changes.

The theory has been criticized on several grounds: the nature of dynamic capability as the term itself is not clear. The theory has also been critiqued on account that there are difficulties in establishing the merits of the theory. The nature of the dynamic capabilities and their clear comprehension is a challenge. There is no clear model of measuring capabilities and their implication on performance of the firm (Hedayati, Khalilzadeh & Bahari, 2021). Another criticism of this theory is that it is so repetitive and it does not adequately provide an answer with regard to DCs and their operation. Another criticism towards this theory is that it does not have clarity about the constituents of its core concepts. Despite these criticism, the theory has undergone major developments by Teece (2007) when foundations of the dimensions of dynamic capabilities were established as follows: sensing that require the firm to identify and asses opportunities, seizing that allow the firm to mobilize resources for addressing the identified opportunities and transformation that that need the firm to continually renew the tangible and intangible assets in the firm. Therefore, this theory was used to underpin the whole concept of dynamic capabilities and its dimensions of sensing, seizing and transformation which were used as the independent variables in the current study.

2.2.2 Resource Based View

The major proponents of this resource based view include Penrose (1959), Wernerfelt (1984) and Barney (1991) and the theory is used to provide an analysis and interpretation of resources in the firm and their role in allowing the firm to be competitive. The theory provides a number of attributes of resources that should be owned by the firm which can be used to gaining competitive advantage: rareness, immitability, valuability and non-substitutability. A firm that has a bundle of resources with all these attributes can be utilized to gain competitive advantage. The theory views an organization as comprising of various resources that include physical facilities, people and funds.

Valuable resources are those that provide strategic value to an entity. Such resources allow the firm to exploit market opportunities or reduction of threats in the market. A firm should only possess resources that add value to it. Rareness is an attribute where it is hard to get the same resource possessed by the firm with other rivals. In a situation where several firms possess a given resource in the industry, competitive advantage may not accrue. Imperfect imitability is another attribute of dynamic capabilities; this is a situation where other rivals cannot copy or imitate the strategic resource owned by another firm. Non substitution is another attribute of a resource that can help the firm to gain competitive advantage. This is an attribute that implies that one give resource cannot be substituted with another one. As such, similar performance cannot be realized by competitors through replacement of resources without alternative assets (Koremo & Aila, 2018).

Through the RBV, managers in the firm can have a clear understanding of why a firm may perceive some competences as critically important while appreciating the essence of the

resources towards improvement of firm performance. Barney (1991) provides three broad categorization of resources in the firm; physical capital, human resources and organizational capital resources that include the formerly established structures. Wide spectrum of resources are possessed by firms, these include the tangible and intangible assets. The theory was used to underpin the dependent variable financial performance. The theory illustrated how firms can leverage on a bundle of strategic resources in place for gaining superior competitive position that may contribute to an improvement in financial performance.

2.2.3 Knowledge Based View of the Firm

The proponents of this theory include Nonaka (1994), Spender (1999) and Decarolis and Deeds (1999). The theory views knowledge as one of the strategically important resources that the firm can own. It provides the need for the firm to create, utilize and apply knowledge for viability and continuous existence. Dynamic capabilities can be harnessed through organizational learning activities and processes in the firm. The theory argues that firms should have knowledge-based assets that are so complicated when it comes to their emulation. Varied capabilities and knowledge bases among firms are the key components that help the firm to remain competitive. Lack of knowledge limits the ability which the firm can reconfigure and restructure their products to remain competitive.

The knowledge based view proponents stress that RBV does not efficiently operate in isolation. Ideally, knowledge is regarded as all-encompassing assets unlike possessing features that are distinctive. As such, the RBV fails to provide categorization of different versions of knowledge based capabilities. Information technology can be a critical component in the KBV, since information structures can be embraced for enhance knowledge management processes.

The theory is premised on the fact that knowledge is a critical strategic asset and resource that firms can leverage for gaining superior competitive position (Alshanty, Emeagwali, Ibrahim & Alrwashdeh, 2019).

The theory has been critiqued for being so descriptive and that its scope of variables is so limited. The theory over emphasize knowledge driven competition and thus it fails to acknowledge and recognize other factors that driven competitive advantage for instance the bargaining power of customers and suppliers. Despite these criticisms, this theory was used underpin the variable of learning capabilities. Learning helps the firm to acquire new knowledge that is needed for survival in a complex environment. Thus, the theory illustrated how learning capability can allow the firm to acquire new knowledge that is needed for superior financial performance.

2.3 Empirical Review

This section is a review of past empirical studies as guided by the existing recent information.

2.3.1 Effect of Sensing Capabilities on Financial Performance

In a study conducted by Sudrajata, Lasmyc, Herlinad and Syahcharie (2019), the focus was on sensing capability and the role it plays as far as financial performance at firm level is concerned. The context of this study was among logistic firms with operations in Indonesia. The methodology adopted in this study was quantitative where 150 respondents were sampled covering the managers of the firms. The analysis demonstrated that sensing capability plays a critical role in financial performance of the firm. However, the study presents a contextual gap given that it was done in Indonesia that operates in a different continent unlike the present study

whose focus will be on Kenya. The study by Khristianto, Suharyono, Pangestuti and Mawardi (2021) was on market sensing and its role as far as competitive advantage and innovation were concerned. The focus of the study was on tour operators with operations in Indonesia. Structured questionnaire was designed and utilized in gathering information whose analysis was done through the Structured Equation Modeling (SEM). The inquiry documented that market sensing has a direct and significant interplay with each other. It further emerged that market sensing and competitive advantage have a direct and significant connection with each other. However, the study presents a contextual gap given that it was done in Indonesia that operates in a different continent unlike the present study whose focus will be on Kenya.

With a focus on Small and Medium Enterprises (SMEs) operating in Jordan, Alshanty, Emeagwali, Ibrahim and Alrwashdeh (2019) did an assessment of market sensing capability and its implication on knowledge creation and innovative ability. A total of 304 participants from SMEs were included in the study and analysis done through SEM. The analyzed results were that market sensing and innovation as well as knowledge creation is positively and significant related with each other. The study create conceptual gap as its focus was on market sensing unlike the present study that will look at sensing capability in general. The study by Dias and Lages (2021) focused on measuring market sensing capabilities for success in development of new products. A sample of 180 SMEs were included in this study where the constructs of market sensing were tested through the perceptions of managers. The methodology adopted in measuring these constructs was confirmatory factor analysis. The literature identified relevant constructs of market sensing to include organization articulation, business experience, customer relations and analytical processes and these constructs were seen to have a direct and significant implication on development of new products. This study create conceptual gap as it used new product

development as the dependent variable while financial performance will be linked with dynamic capabilities in the present study.

In a study by Kankam-Kwarteng, Sarpong, Amofah and Acheampong (2021), the focus was on marketing sensing and customer interaction orientation. The context of the study was among service oriented firms operating in Ghana. The adopted approach in this inquiry was survey where 200 participants were conveniently sampled. The analysis was supported by hierarchical multiple regression modeling. It emerged that market performance and market sensing capability have a significant interplay with each other. The conceptual gap created by this study is that it focused on market sensing capability and not specifically on the general sensing capability. The study by Sugiyarti and Ardyan (2017) focused on market sensing capability and their link with product innovation advantage. The specific emphasis of the study was on emerging markets. A total of 122 participants were targeted and sampled. SEM was the analytical technique used to process the result supported by AMOS version 21. The inquiry shared that market sensing capability has a significant link on quality of market entry although it does not significantly impacts on market performance. The methodological gap created by this inquiry is that it utilized AMOS tool for analysis and SEM was the technique unlike the present study that will rely on ordinary least square (OLS) for analysis to be done through SPSS version 24.

An inquiry by Rashidirad, Salimian and Soltani (2018) analyzed the role played product service strategy, sensing capability and turbulence within the environment. The approach used in this study was quantitative and it was done among telecommunication firms with operations in the United Kingdom (UK). The analytical methodology adopted was multiple regressions and it was critical in testing of the hypothesized interplay between the study variables. It emerged

from the results that sensing capability impacts on turbulence within the environment. The contextual gap created by this study is that it was conducted in UK within the IT based firms while OMFs will be the focus in the present study. In another study by Bayighomog Likoum, Shamout, Harazneh and Abubakar (2020), the focus was on market sensing capability, ability to remain innovative, systems of managing brands, market dynamism all in regard to performance. In this study, the available marketing and strategic management literature was reviewed and a framework was proposed that links the aforementioned variables. The framework was underpinned by the dynamic capability theory and the resource based view. In the developed framework, the management of the brand systems and innovative ability of the firm were regarded as mediators in the link market sensing capability and ability of the entity to perform. The methodological gap created by this study is that it was a desk review in nature while the present study will incorporate the aspect of field work in addition to review of the existing literature.

The study conducted by Okwemba (2018) sought to bring out how market sensing capabilities affected performance with emphasis on telecommunication entities in Kenya. The adopted design was survey design and 210 participants were selected through stratified random sampling. Established from the findings was the fact that market sensing capabilities and performance are significantly connected with each other. The study presents a contextual gap since it was done among telecommunication firms that are differently regulated from the oil marketing firms that will be covered in the present study. In a study by Ndambuki (2018), the focus was on key account management practices, market sensing capabilities, firm level attributes and performance of commercial banks with operation in Kenya. In total, 42 banks were targeted and covered. The adopted design was descriptive cross-sectional. It emerged that

market sensing significantly mediates the link between key accounts management practices and performance. The gap created by this study is that it focused on performance in general as the dependent variable while the present study will specifically focus on financial performance.

2.3.2 Effect of Seizing Capabilities on Financial Performance

A study was conducted by Darvizeh (2018) whose focus was on dynamic capabilities and their role in development of new products and performance of the entities. The methodology adopted in this study was desk review. The reviewed literature showed that seizing capability has a direct implication on development of new products. The gap created by this study is that it adopted desk review methodology while the present study will combine desk review and field work. In a study by Min and Kim (2021), the main focus was on opportunity seizing capability and its implication on development of new products. The context of the study was on SMEs. The methodology adopted was hierarchical ordinary least squares regression. In total, 215 SMEs that deal in information and technology (IT) products were covered. It was shown that seizing capabilities positively influences the development of new products. In a study by Tempelmayr, Ehrlinger, Stadlmann, Äeberwimmer, Mang and Biedersberger (2019), the focus was to link dynamic capabilities in servitizing firms. A total of 206 manufacturing firms were covered in this analysis. The inquiry documented that seizing has no significant interaction with performance of the firm in the perspective of servitization.

A study was conducted by Breznik, Lahovnik and Dimovski (2018) whose focus was on dynamic capabilities where seizing was one of the variables. This variable was exploited alongside other constructs of dynamic capabilities include sensing and reconfiguration capabilities. The inquiry majorly focused on reviewing the existing literature. It emerged that

enterprises should be in position of exploiting all relevant capabilities as underpinned by the DCT. The study argued that firms should continuously be committed to sensing, seizing and reconfiguring their models for viability. However, this study creates methodological gap given that it mostly utilized desk review method. Another study was conducted by Matysiak, Rugman and Bausch (2018) on dynamic capabilities within multinational firms, where seizing was covered besides sensing and transformation capability. The study acknowledged the fact that dynamic capabilities are critical in explaining the creation and sustenance of competitive advantages within firms in ever changing environment. The study leveraged desk review methodology and developed logic behind sensing capability as informed by RBV for firms operating on an international scale. The study noted that competitive advantage is a positive moderator of the link between sensing and evolutionary fit.

The study of Ali, Hussin, Haddad, Alkhodary and Marei (2021) appraised the role played by dynamic capabilities on innovation performance. The study was conducted within the banking sector within the context of Iraq. Survey was utilized to gather data whose analysis was done through SEM. The information was gathered with aid of the questionnaire hence survey. The analysis was supported by SPSS as well as AMOS software. It emerged that intellectual capital impacts on innovation performance but moderated by dynamic capabilities like seizing ability. The study create contextual gap since it was done in Iraq and not in Kenya with a focus on the banking industry unlike the present study whose focus will be on OMFs. In a study by Leemann, Kanbach and Stubner (2021), longitudinal case study of Axel Springer was adopted to explore how to break the paradigm of dynamic capabilities. The specific focus of the study was on transformation, seizing and sensing capabilities as proxies of dynamic capability. The firm that was used as a case study is a major media corporation where dynamic capability had widely been

embraced. The adoption of dynamic capability had seen the firm shift from printing to offering of internet based services. Information was gathered through interviews with managers of the firm. From the case, there were interlinking, overlaps and iteration when it came to the interpretation of transformation, seizing and sensing aspects of dynamic capability. It emerged that sensing through seizing is introduced as a dynamic capability that help in seizure of concrete opportunities. The gap created by this study is that it adopted case study approaches, where only one firm was involved. This is contrary to the present study where several OMFs will be used as the point of reference to obtained evidence for analysis.

The study by Leah, Michael and Joyce (2021) focused on dynamic capabilities as they relate with competitive advantage. The specific focus of the study was on manufacturing entities with operations in Nairobi. One of the specific focuses of the study was linking seizing capabilities and competitive advantage. Leveraging an explanatory research design, 762 manufacturing entities as registered by the Kenya Association of Manufacturers (KAM) were targeted and included in the analysis. From these, 321 firms were sampled and included in the analysis. Established was the fact that seizing capabilities have a positive and significant interplay with competitive advantage of the firm. This study create conceptual gap as it focused on competitive advantage and not financial performance as the dependent variable. The study done by Onyando (2018) assessed dynamic capabilities, leadership and performance of manufacturing entities in Kenya. By adopting a cross-sectional survey, a total of 369 firms were targeted from which 271 were sampled and included in the analysis. Factor analysis helped to determine validity. It was established that seizing capabilities have a direct and significant effect on firm performance. The study utilized manufacturing firms while the focus of the present study will be oil marketing firms thus a contextual gap.

The study conducted by Rono (2021) evaluated dynamic capabilities and their link with competitive advantage focusing on manufacturing firms in Kenya. Leveraging on positivism paradigm and explanatory research design, a total of 795 manufacturing entities were targeted where 321 were sampled. It was established that seizing capabilities have positive and significant interplay with competitive advantage. However, the gap created by this study is that it focused on competitive advantage as the dependent variable and not financial performance. The present study will fill this gap by focusing on financial performance as the dependent variable. In a study conducted by Mukhobe (2015), the focus was to predict the link between dynamic capabilities and performance with emphasis on shipping firms in Kenya. Both knowledge based and resource based view provided anchorage to the inquiry. In total, 30 shipping firms with operations in Mombasa were targeted and included in the study supported by cross sectional survey design. The response rate stood at 73.3%. The analysis demonstrated that dynamic capabilities and performance are strongly and positively correlated with each other. However, the study covered performance in general, unlike the present study that will relate seizing with financial performance. This therefore presents a conceptual gap that will be bridged by the present study.

2.3.3 Effect of Organizational Learning Capabilities on Financial Performance

Using a case of Ethiopia, Hailekiros and Renyong (2016) analyzed how organizational learning capability affected firm performance with technological innovation capability as a mediator. The approach embraced was survey with 243 SMEs being targeted. Both factor analysis and SEM were adopted in analysis. The study noted that organizational learning capability has a direct and significant implication on firm performance. Leveraging a case of SMEs in textile industry, Gomes and Wojahn (2017) analyzed the implication of organizational learning on performance.

The relevant methodologies that were embraced in this study include quantitative, causal, descriptive and cross sectional survey approaches. A total of 92 firms were covered and the analysis was supported by SEM. It was established that organizational learning capabilities have no significant effect on organizational performance. However, this study covered organizational performance as a dependent variable which is too broad unlike the present study whose focus will be on financial performance.

An assessment of organizational learning capability and individual performance at the firm level was done by Hedayati, Khalilzadeh and Bahari (2021). The methodology used in analyzing data in this study was SEM. It emerged that organizational learning has significant implication on individual performance. An investigation of organizational learning capability and its implication on innovation performance was done by Hongyun, Iqbal, Ashraf and Bashir (2021). It was also examined as a mediating variable. Information for the study was gathered from the staff of the banks utilizing the questionnaires. The results showed that organizational learning capability has a positive and significant implication on innovation performance. The gap created by this study is that it focused on innovation performance as the dependent variable.

Using a case of Sarova Whitesands Beach Resort and Spa, Mak'Anyengo and Maina (2019) sought to provide the link between organizational learning and performance. In this study, the proxies of organizational learning included shared vision, personal mastery, mental modes and team learning. The theories that informed the study include the RBV, human capital and organizational learning theory. By adopting descriptive research design, 300 staff from the organization were targeted from which 171 were sampled out. It was discovered that

organizational learning through its proxies has positive and significant effect on performance. However, this was a case study that utilized Sarova Whitesands Beach Resort and Spa as the point of reference, the present study will focus on oil marketing firms in Kenya. The study by Pham and Hoang (2019) focused on organizational learning capability and its interaction with business performance. The context of the study was in Vietnam. Comprehensive literature was reviewed where hypotheses were developed and tested through survey involved masters students undertaking business related courses that were employed in varied firms. It emerged from the results that organizational learning capability positively affects performance. However, this study was conducted in Vietnam and not in Kenya thus creating contextual gap.

In a study conducted by Hussain, Wahab, Zeb, Khan, Javaid and Khan (2018), the interplay between learning capabilities and their implication on performance of the firm was determined. The mediating role of organizational innovation was also explored in this study. The study was conducted within the context of Pakistan within the telecommunication sectors. The hypotheses were tested through regression analysis. The inquiry showed that there exists a positive link between organizational learning capability and organizational innovation with performance of the firm. The study conducted by Kanwal, Nawaz, Nisar and Azeem (2017) was interested to exploring if organization learning capability had a link with effectiveness. The study covered absorptive capacity as a moderating variable. Both SEM and CFA were embraced in the analysis of the results. It was noted that organizational learning capability had a positive and significant correlation with effectiveness within the entity. In a study by Afshari and Hadian-Nasab (2021), the focus was assessing organizational learning capability and its implication talent management. Intellectual capital was a mediator. SEM was adopted during the analysis of the findings. It emerged that talent management and organizational learning capability are

significantly connected with each other. Tambosi, Gomes and Amal (2020) evaluated the link existing between organization learning capability and innovation. The context was the textile firms and survey was adopted. SEM was adopted during the analysis. The inquiry showed that organizational learning capability and innovation performance are positively linked with each other.

The study done by Makabila (2018) was on organizational learning and the way it relates with competitive advantage. The focus of the study was on state corporations in Kenyan context. The indicators of organizational learning adopted in this study include systems thinking, leadership practices, learning processes and learning culture. Utilizing cross-sectional and correlational research design, the study was reinforced by mixed approaches. The study noted that organizational learning through its proxies has a significant effect on competitive advantage at the firm level. However, this study focused on competitive advantage as the dependent variable while the present study will concentrate on financial performance. Using a case of used Maritime Industry in Kenya, Kulthum (2018) sought to link organizational learning and performance. The relevant theories that were reviewed include organizational learning theory, knowledge based view and the theory of transactive memory. A total of 9 firms in maritime industry were targeted and included in the study. The inquiry noted that organizational learning exerts a strong and significant correlation on performance at the firm level. The gap created by this study is that it focused on performance as a whole while the present study will specifically focus on financial performance as the dependent variable.

The study done by Gachanja, Nga'nga and Kiganane (2020) focused on organizational learning and the implication on innovation. The focus of the study was on manufacturing firms in Kenyan context. The study was informed by the Schumpeter's (1934) innovation theory of and

the Gleick (1987) complexity theory. The adopted methodology was mixed research supported by cross-sectional design. Multi-stage sampling was utilized in selecting 303 participants from a total of 101 firms. It emerged from the results that organizational learning has significant influence on innovation in the firm. The study creates a conceptual gap in that it focused on organizational innovation as the dependent variable financial performance will be explored as the dependent variable in the present study. In a study by Oregó and Wainaina (2019), the focus was on strategic learning capability and performance of the firms. The study used Tourism Fund in Kenya as the case. The constructs of organizational learning adopted in this study were organization's dialogue, risk taking, knowledge transfer and employee empowerment. Both descriptive and cross sectional research designs were adopted in this study. The study established that organizational learning has a significant effect on organizational performance. This study create methodological gap since it utilized case study approach unlike the present study that will focus on several oil marketing firms operating in Kenya.

2.3.4 Effect of Reconfiguration Capabilities on Financial Performance

The studyb done by Wogwu and Hamilton (2018) focused on Nigeria to provide the interplay between reconfiguration capability and competitive advantage. The knowledge based view and Porter's five forces provided the theoretical anchorage to the study. The methodology adopted was desk review. The study raised the need for utilization and expansion of all important components of reconfiguration capabilities in the firm. The gap created by this study was that it was done in Nigeria and not in Kenya. The study done by Hawass (2010) used 83 British software firms to provide the determinants of reconfiguration capability at the firm level. Factor analysis and regression were adopted in processing the gathered data. The inquiry showed that

inter-firm collaborations, group level learning and organizational level learning are key predictors of reconfiguration capability at the firm level.

The study conducted by Girod and Whittington (2017) was on reconfiguration and restructuring as they are linked with performance. This was a dynamic panel data analysis of large U.S. corporations between 1985 and 2004. Reorganization was recognized in two versions: pervasive and limited restructuring. The study noted that a more pervasive restructuring is linked with greater performance outcomes in an organization. It further emerged that in turbulent environment, reconfiguration may have positive outcomes as opposed to restructuring whose outcomes may be negative in respect to performance of the firm. The study was done in USA and not in Kenya thus creating a gap. The study done by Steward, Koester, Collins, Maiorana and Myers (2012) was an appraisal of the role that reconfiguration capabilities played as far as the implementation of health related information exchange was concerned. The study was supported by 111 semi-structured interviews that were conducted with IT and project specialists. The analysis was informed and guided by the dynamic capability framework, whose components were information systems, absorptive and reconfiguration capacity. From these constructs, reconfiguration capacity was established as the most salient construct of dynamic capabilities that shape the implementation of health related information exchange. The gap created by this study is that it was conducted in the health care sector as the context and it exclusively relied on interview as a data collection technique. The present study will be conducted among the oil marketing firms.

In a study by Kurnadi, Tirta, Pantri and Boto (2019), the focus was on continuous reconfiguration capability and its implication on disruptive innovation. The study focused on digital startups operating in Indonesia. The adopted methods were in their quantitative form

including the use of partial least-squares structural equation modeling (PLS-SEM). The perceptions of the founders of the firms were captured through survey approach with a total of 107 firms being included. A significant link was noted between reconfiguration capability and innovation in a firm. The conceptual gap created by this study is that it utilized disruptive innovation as the dependent variable while financial performance will be the dependent variable in the present study. Methodologically, the gap created by this study is that it leveraged SEM for analysis while OLS will be adopted in the present study for analysis to generate insights. The study by Cuong, Lo and Linh (2021) studied how capability reconfiguration to cope with dynamism in the external environment impacts on performance of entities in Vietnam. The method used in the study was survey where 266 SMEs involved in manufacturing were covered. It was shown that external dynamisms and internal endowments are positive predictors of capability reconfiguration. This study creates a contextual gap since it was done in Vietnam and not in Kenya. The conceptual gap created by the study is that it failed to incorporate the aspects of financial performance in the analysis.

An analysis done by Konlechner (2017) was on reconfiguration and reorientation of capabilities. It was shown that decision makers in firms perceive gaps in capabilities when they are of the opinion that aspirations of the firm cannot be realized by the prevailing capability reconfiguration. The study developed a framework relevant in explaining factors shaping perceptions towards capability gaps. It was determined that perceptions towards capability gaps provide a basis that would initiate the search processes and activities in the firm. This can result into varied responses including renewal of capability, replacement of capability, redeployment or even replication of the capability. Replacement and renewal of capability covers capability reconfiguration while replication and redeployment of the capability act in position of capability

reorientation. The gap created by this study is that it failed to cover issues to do with performance which will be central in the present study. The study by Nyachanchu, Chepkwony and Bonuke (2017) determined the role played by dynamic capabilities on performance. The specific focus of the inquiry was on manufacturing entities with operations in Nairobi. Among the variables covered as proxies of dynamic capability was reconfiguration capability. The RBV provided anchorage to the study. The design adopted was explanatory that supported cross sectional survey. The CEOs of the firms were administered with survey questionnaires to complete. It emerged that deploying reconfiguration capability significantly contributes towards performance of the firm. This study focused on manufacturing firms and not the OMFs thus creating the contextual gap. In a given study, Leah, Michael and Joyce (2021) appraised the role of dynamic capabilities on competitive advantage with focus to the manufacturing entities in Nairobi. The study utilized reconfiguration capability as one of the proxies of dynamic capabilities. The design adopted was explanatory and data was gathered through survey method. It was shown that reconfiguration capability is a significant predictor of performance of the entity. The study focused on competitive advantage as the dependent variable while the present study will concentrate on financial performance as the dependent variable.

2.4 Summary of Literature Review

This chapter has focused on review of literature that has presented a number of conceptual, contextual and methodological gaps. For instance, Khristianto et al. (2021), Leah et al. (2021), Rono (2021), Makabila (2018) as well as Wogwu and Hamilton (2018) all used competitive advantage as the dependent variable and not financial performance thus creating conceptual gap. Studies by Okwemba (2018), Ndambuki (2018), Darvizeh (2018), Onyando (2018), Mukhobe (2015), Oregu and Wainaina (2019) as well as Nyachanchu et al (2017) covered performance in

general as the dependent variable while the present study will focus on financial performance thus bridging a conceptual gap.

There are studies that create contextual gaps, after being done in countries like Indonesia (Khristianto et al., 2021), Jordan (Alshanty et al., 2019), Iraq (Ali et al., 2021) as well as USA (Girod & Whittington, 2017). The OMFs in these countries operate in different regulatory environment as compared to those in Kenya. Other studies for instance Tempelmayr et al. (2019), Leah et al (2021), Onyando (2018), Rono (2021) as well as Cuong et al (2021) were done in manufacturing sectors; others like Ali et al. (2021) were done in the banking industry. The present study will fill this gap by focusing oil marketing firms in Kenya.

In majority of the studies for instance, Khristianto et al (2021), Alshanty et al (2019), Sugiyarti and Ardyan (2017), Ali et al (2021), Hailekiros and Renyong (2016), Gomes and Wojahn (2017) and Kurnadi et al. (2019), the analysis involved the use of SEM. The present study will fill this methodological gap by adopting ordinary least square method (OLS) in analysis. Other studies for instance Leemann et al. (2021), Mak'Anyengo and Maina (2019) as well as Oregu and Wainaina (2019) were case studied where a single firm was involved and the present study filled this gap by covering 105 OMFs in Kenya. There are those studies for instance Wogwu and Hamilton (2018), Darvizeh (2018) and Bayighomog et al. (2020) that merely relied on review of the existing literature thus adopting desk review method unlike the present study that will review literature and reinforce with field work.

2.5 Conceptual Framework

Figure 2.1 is the conceptual framework illustrating the relationship between dynamic capabilities and financial performance.

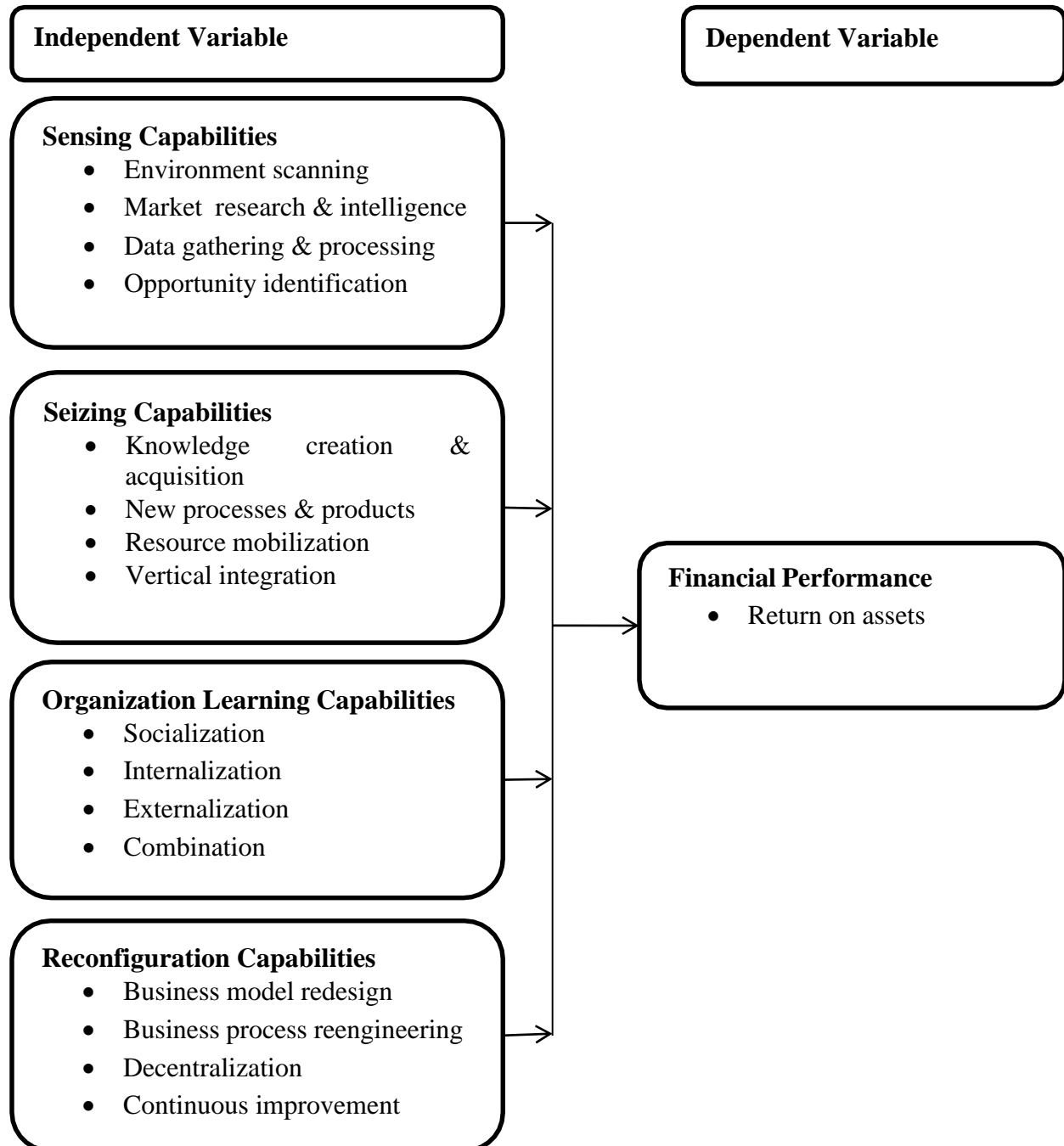


FIGURE 2.1:
Conceptual Framework

2.6 Operationalization of Variables

Table 2.1 gives an indication of how the study variables were operationalized including the measures.

TABLE 2.1
Operationalization of Variables

Type of variable	Scale of measurement	Indicators	Data collection	Data analysis techniques
Independent sensing capabilities	Ordinal scale	Environment scanning Market research & intelligence Data gathering & processing Opportunity identification	Questionnaire section B	Descriptive statistics Regression analysis
Independent seizing capabilities	Ordinal scale	Knowledge creation New processes & products Resource mobilization Vertical integration	Questionnaire & section C	Descriptive statistics Regression analysis
Independent organization learning capabilities	Ordinal scale	Socialization Internalization Externalization Capacity building	Questionnaire section D	Descriptive statistics Regression analysis
Independent reconfiguration capabilities	Ordinal scale	Business model redesign Business process reengineering Decentralization Continuous improvement	Questionnaire section E	Descriptive statistics Regression analysis
Dependent financial performance	Ordinal scale	ROA	Data collection sheet, appendix II	Descriptive statistics

Source: Author (2021)

CHAPTER THREE

RESEARCH METHODS

3.1 Introduction

The chapter covers the design, target population, sampling and sample size determinations as well as data collection. The other contents of the chapter include the information on validity and reliability and data analysis as well as the ethical concerns that were of importance to the inquiry.

3.2 Research Design

Research design is an overall structure and plan that guide the researcher on how to gather and analyze the data. It is an overall blue print of the study. In this study, a descriptive survey was undertaken covering quantitative methods (Harris, Holyfield, Jones, Ellis & Neal, 2019). Descriptive design provides an explanation of the way things exist in their original state without manipulation. The design helped in describing and determining the current dynamic capabilities among the oil marketing firms and their implication towards financial performance.

3.3 Target Population

Target population is a collection of individuals and things and this provides the basis of generalization of the results (Thanem & Knights, 2019). It is from the target population that a sample is drawn for inclusion in the study. The study targeted 105 oil marketing firms as the unit of analysis and the Human Resource Managers, finance managers, operations manager and corporate affairs managers from each of these firms adding to 440 respondents as the unit of observation. The oil marketing firms are categorized into large and medium based on their market shares as shown in Table 3.1.

TABLE 3.1
Unit of Analysis

Category of firm	Target population
Large OMFs	45
Medium OMFs	65
Total	105

The details of the respondents from each of the OMFs are as indicated in Table 3.2

TABLE 3.2
Unit of Observation

Category of firm	Position Held	Population
Large OMFs	Human Resource Managers	45
	Finance Managers	45
	Operations Manager	45
	Corporate Affairs Managers	45
Medium OMFs	Human Resource Managers	65
	Finance Managers	65
	Operations Manager	65
	Corporate Affairs Managers	65
Total		440

3.4 Sample Size and Sampling Procedure

The sample size of the study was determined scientifically through the formula of Yamane (1967) as under:

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

Where n= the required sample size

N = is the Target Population

e = accuracy level required. Standard error = 5%

$$n = \frac{440}{1 + (440)0.05^2}$$

$$n = \frac{440}{2.1}$$

= 210 respondents

Table 3.3 gives a breakdown of how the firms and respondents were selected.

TABLE 3.3
Sampling of the Oil Marketing Firms

Category of firm	Position Held	Population	Sample proportion	Sample size
Large OMFs	Human Resource Managers	45	$45/440 * 100\% = 10\%$	$10\% * 210 = 21$
	Finance Managers	45	$45/440 * 100\% = 10\%$	$10\% * 210 = 21$
	Operations Manager	45	$45/440 * 100\% = 10\%$	$10\% * 210 = 21$
	Corporate Affairs Managers	45	$45/440 * 100\% = 10\%$	$10\% * 210 = 21$
Medium OMFs	Human Resource Managers	65	$65/440 * 100\% = 15\%$	$15\% * 210 = 31$
	Finance Managers	65	$65/440 * 100\% = 15\%$	$15\% * 210 = 31$
	Operations Manager	65	$65/440 * 100\% = 15\%$	$15\% * 210 = 31$
	Corporate Affairs Managers	65	$65/440 * 100\% = 15\%$	$15\% * 210 = 31$
Total		440	100	210

The study adopted multi-stage sampling approach. First of all, the OMFs were stratified into their respective categories of medium and large as shown in Table 3.3. Thereafter, stratified random sampling method was used where a representative proportion was selected from each strata represented by the Human Resource Managers, finance managers, operations manager and corporate affairs managers from each of the firms resulting into 210 respondents.

3.5 Instrumentation and Data Collection

The study collected primary data supported by the questionnaire (appendix I) on dynamic capabilities and secondary data on financial performance using data collection sheet (appendix II). The reason for utilizing primary data is because it contains the first hand information that was critical in answering the research questions and hypotheses of the study. The questionnaire

was structured into sections covering the variables of the study. Some of the items on the questionnaire were designed using a five-point Likert scale where 1-strongly disagree and 5 is strongly agree. The questionnaire had closed ended questions that reinforced the quantitative methods that were used in this study.

3.6 Validity and Reliability of Research

Valid instruments measure a given aspect the way they purport to measure (Rose, McKinley & Baffoe-Djan, 2019). The study tested for content validity with the aid of the supervisor and one expert in the field of strategic management. In this regard, the questionnaire was shared with the supervisor and the experts who reviewed the contents in light of the theories and the literature and provided their suggestions that were included in the final version.

Reliable instrument provide results that are always consistent even when replicated in a different sample population (Ghauri, Grønhaug & Strange, 2020). The reliability of the questionnaire in this study was determined through computation of the Cronbach Alpha Coefficient values. This figure was determined from the dully filled questionnaires in a pilot study. The value 0.7 was considered as a threshold.

3.7 Data Analysis and Presentation

Data analysis is the processing of the gathered data so as to generate insights (Lo, Rey-Martí & Botella-Carrubi, 2020). The analysis of the gathered information was supported by SPSS tool version 24. The values of means and standard deviations were utilized as the descriptive statistics. Inferential statistics covered correlation and regression analysis. The analytical model is as specified below:

3.7.1 Model Specification

The following regression model was adopted in this study:

$$FP = Q_0 + Q_1SC + Q_2SEC + Q_3OLC + Q_4RC + s$$

Where:

<i>FP</i>	=	Composite index for financial performance
<i>Q₀</i>	=	Constant
<i>Q₁, Q₂, Q₃, and Q₄</i>	=	Beta coefficients
<i>SC</i>	=	Composite index for sensing capability
<i>SEC</i>	=	Composite index for seizing capability
<i>OL</i>	=	Composite index for Organization Learning capability
<i>RC</i>	=	Composite index for Reconfiguration capabilities
<i>s</i>	=	Error Term

The suitability of adopting the above regression model as an inferential statistic is due to most empirical studies like Kankam-Kwarteng et al (2021) that equally adopted the model. Under this model, the assumption to be made was that the variable dynamic capability and financial performance have a linear relationship.

3.7.2 Diagnostic Tests

Diagnostic tests are conducted to validate the assumptions of regression analysis. This makes the results from secondary data analysis to be valid and trusted. The diagnostic tests tested in this study include normality, multicollinearity and Heteroscedasticity.

Normality Test

This is a diagnostic test that validates whether the data set has a normal distribution which is a desirable quality for running regression analysis. In this study, the values of Skewness and Kurtosis were computed to test for normality. Kothari (2004) shared that Skewness and Kurtosis values within the range of +2 or -2 indicate the data is normally distributed.

Multicollinearity Test

Multicollinearity is a situation where at least one of the independent variables has high relationship with each other and this is undesirable condition. This study determined the values of Variance of Inflation Factors (VIF) to test for multicollinearity and the rule of thumb was that a range of 1-10 for VIF signified absence of multicollinearity in the data set.

Heteroscedasticity Test

Heteroscedasticity is a condition where there is huge variance in a sample data. On the other hand, existence of constant variance of error across the predicted value is a situation called homoscedasticity which is desirable (Khaled, Lin, Han, Zhao & Hao, 2019). Levin test was used to detect this condition and Berenguer-Rico and Wilms (2021) argue that p-value above 0.05 show absence of this condition.

3.8 Ethical Considerations

Ethics is a prescribed code of conduct that influence how the study is conducted and the manner in which parties relate with each other (Gravetter & Forzano, 2018). The researcher sought for informed consent of the respondents before participating in the study. All information shared by the respondents was handled with strict confidentiality. Participants in the study were not

required to disclose their names hence their responses were anonymous. The literature reviewed in the study was appropriately cited using APA style to avoid possible plagiarism.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Introduction

The chapter details the analysis and presentation of the findings as informed by the objectives. The specific contents in the chapter include the response rate, reliability results, the general information, descriptive statistics, diagnostic tests, and correlation and regression results.

4.2 Response Rate

From the 210 questionnaires that were administered to respondents, 150 of them were dully completed and returned back. This was equivalent to a response rate of 71.4% as summarized in Figure 4.1.

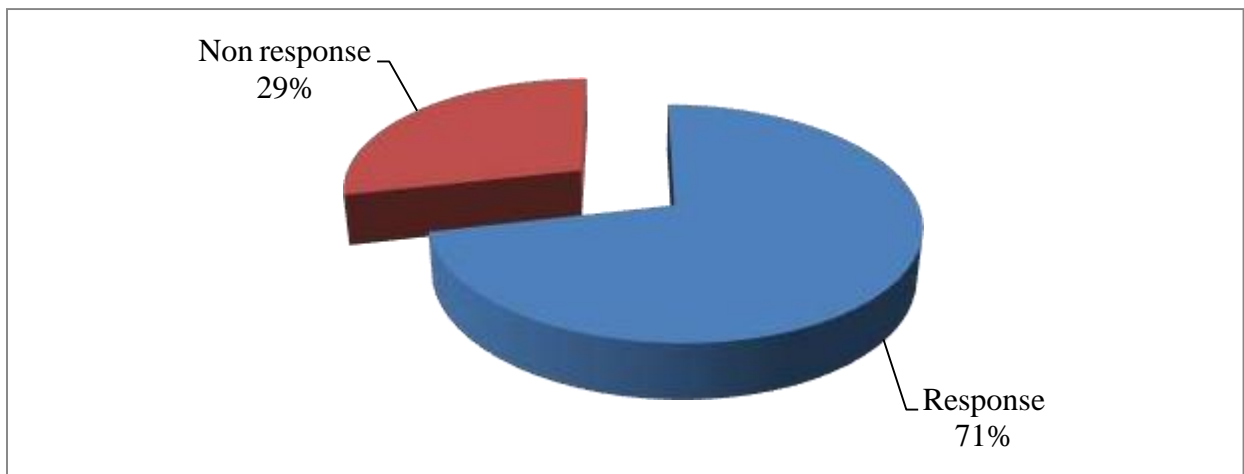


FIGURE 4.1

Response Rate

The response rate in Figure 4.1 is consistent with the assertion of Nair and Adams (2009) who observed that an above 70% response rate is ideal for a study.

4.3 Reliability Results

Reliability analysis was conducted through use of Cronbach Alpha Coefficients and the findings were established and summarized as shown in Table 4.1.

TABLE 4.1
Reliability Results

Variable	No of Items	Cronbach Alpha Coefficient
Sensing Capabilities	7	.765
Seizing Capabilities	7	.883
Organization Learning Capabilities	7	.793
Reconfiguration Capabilities	7	.885
Average		.832

The findings in Table 4.1 indicate the average value of Cronbach Alpha Coefficient as 0.832 while the values for the respective variables are all above 0.7. This finding implies that a reliable scale was used in design of the questionnaire that was used to gather and this concurs with Ghauri, Grønhaug and Strange (2020) who noted that when testing for reliability, the value 0.7 is usually considered as the threshold.

4.4 General Information

The general information of the respondents were determined and summarized as shown in the subsequent sections.

4.4.1 Number of years of operation

Table 4.2 gives a summary of the results on number of years of operations in the studied firms.

TABLE 4.2
Number of Years of Operation

	Frequency	Percent
Less than 10 years	18	12.0
11-20 years	45	30.0
21-30 years	62	41.3
Over 31 years	25	16.7
Total	150	100.0

Table 4.2 shows that while 413% of the studied organizations had been in operation for 21-30 years, 12% had operated for less than 10 years. This means that the OMFs that the study focused on had operated for long period of time and probably they had adopted different dynamic capabilities for survival which the present study focused on.

4.4.2 Position Held in the Firm

The findings on position that respondents held in their firms were determined and summarized as indicated in Table 4.3.

TABLE 4.3
Position Held in the Firm

	Frequency	Percent
HR Manager	18	12.0
Operations Manager	51	34.0
Finance Manager	49	32.7
Corporate affairs manager	32	21.3
Total	150	100.0

The findings in Table 4.3 indicate that while 34% of the respondents were operational managers, 12% were human resource managers. This means that respondents who participated in the study were drawn from different departments and functions meaning diverse views on dynamic capabilities were sought from them.

4.4.3 Years of Experience

The findings on years of experience of the respondents were established and summarized as shown in Figure 4.2.

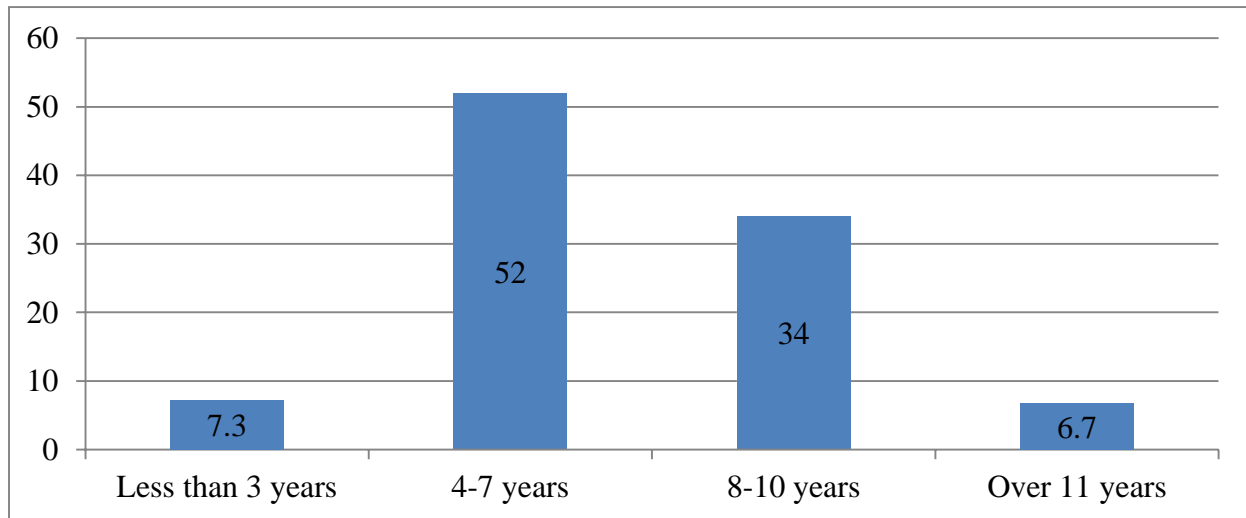


FIGURE 4.2

Years of Experience

The findings on years of experience were that while 52% of the respondents noted that they had worked for 4-7 years, 6.7% had worked for over 11 years. This means that respondents who took part in the study had worked for a significant period of time implying that they had an in-depth knowledge and understanding of dynamic capabilities that they firms had adopted.

4.4.4 Level of Education

The findings on level of education were established and summarized as indicated in Figure 4.3.

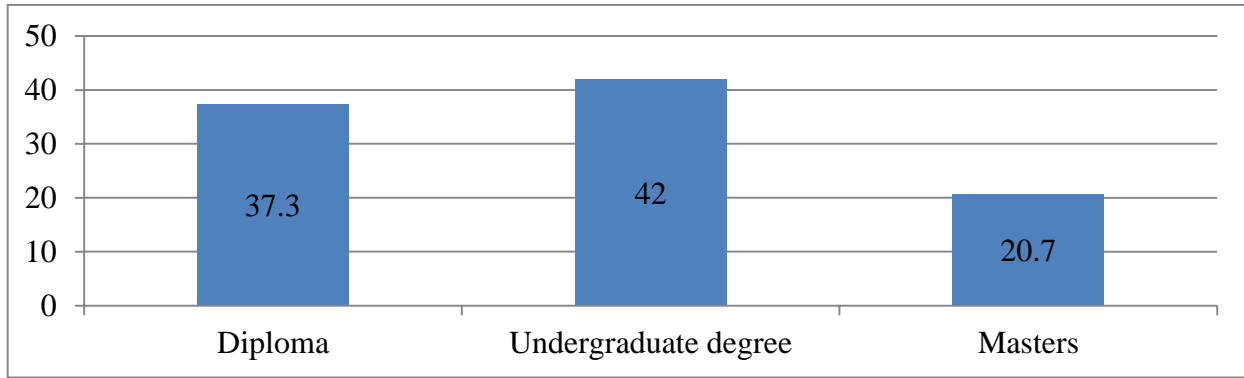


FIGURE 4.3

Level of Education

Figure 4.3 shows that 42% of the respondents had undergraduate degrees and 20.7% had masters. This implies that respondents who participated in the study were generally learnt and probably they had a strong mastery of the dynamic capabilities that had been adopted.

4.5 Descriptive Statistics

The subsequent sections are set out to document the descriptive statistics guided by means and standard deviation on sensing capabilities, seizing capabilities, organizational learning capabilities as well as reconfiguration capabilities.

4.5.1 Sensing Capabilities

Descriptive statistics on sensing capabilities were determined and presented as shown in Table 4.4.

TABLE 4.4
Sensing Capabilities

	Mean	Std. Dev
This firm constantly scans its external business environment to establish viable opportunities	3.76	.711
Your firm scans the operating environment to establish possible threats	3.68	.786
Market research is conducted in your firm to establish viable gaps	3.66	.826
Market research provide intelligent information from competitors of this firm	4.09	.708
Relevant data on customer needs is gathered during market research in this firm	3.86	.851
The data captured from market research is processed to support decision making in your firm	3.90	.678
Market opportunities are identified in this firm through market research	3.87	.582
Average	3.83	.735

The overall findings in Table 4.4 are as follows; (M=3.83, SD=0.735), this means that the studied OMFs had adopted sensing capabilities. Market research provided intelligent information from competitors (M=4.09, SD=0.708) and that the data captured from market research was processed to support decision making (M=3.90, SD=0.678). This implies that sensing capabilities allowed the studied firms to have in place market research that reinforced the level of intelligence and the decision making abilities. This finding concurs with Peng *et al* (2019) who noted that large enterprises have capabilities of gathering large amount of market intelligence which allow them to quickly respond to changes in the market.

The study established that market opportunities were identified through market research (M=3.87, SD=.582) and that relevant data on customer needs was gathered during market research (M=3.86, SD=0.851). This implies that sensing capabilities allowed the studied firms to embrace market research that helped to obtain information and data on customers. It was observed that the firms constantly scanned external business environment to establish viable opportunities (M=3.76, SD= .711), it scanned the operating environment to establish possible threats (M=3.68, SD=.786) and that market research was conducted to establish viable gaps (SD=3.66, SD=0.826). This means that seizing capabilities in the studied firms facilitated environmental scanning and market research. The finding is consistent with Nair, Ramanan and

Keelath (2021) who noted that sensing capability is reflected in the ability of the firm to continuously scan, search and explore new opportunities across the markets and technologies.

4.5.2 Seizing Capabilities

The findings in Table 4.5 indicate that descriptive statistics on seizing capabilities.

TABLE 4.5
Seizing Capabilities

	Mean	Std. Dev
New knowledge is created in this firm from past experiences	3.68	1.099
The firm has put in place relevant infrastructures to create new knowledge	3.76	.840
The newly created knowledge is acquired by staff in various departments of your firm	3.83	.649
The new information created helps to create new products in your firm	3.65	.827
New process are developed from the knowledge acquired by staff of your firm	3.78	.879
Adequate resources are mobilized in development of new products in this firm	3.99	.728
Vertical integration has allowed your firm to take over key supply chain functions	3.81	.869
Average	3.79	0.842

The average value in Table 4.5 is (M=3.79, SD=0.842), this means that respondents were in agreement that there was seizing capabilities in the studied firms. Through this seizing capabilities, respondents observed that adequate resources were mobilized in development of new products (M=3.99, SD= .728) and that the newly created knowledge was acquired by staff in various departments (M=3.83, SD=.649). This implies that seizing capabilities allowed the firms to mobilize resources and create new knowledge. The finding is supported by El-Hanchi and Kerzazi (2020) who noted that seizing capability is the ability of the firm to mobilize resources to address the opportunities and needs.

The study observed that vertical integration had allowed the firm to take over key supply chain functions (M=3.81, SD=.869), new process were developed from the knowledge acquired by

staff (M=3.78, SD=.879). This means that seizing capabilities allowed the studied firms to adopt vertical integration and develop new processes. This finding is consistent Cao, Duan and El-Banna (2019) who noted that the various elements and activities that define seizing capability include market oriented product development, vertical integration and clarity of strategic goals as well as the leadership of those in management.

It was established that the firm had put in place relevant infrastructures to create new knowledge (M=3.76, SD= .840), new knowledge was created from past experiences (M=3.68, SD=1.099) and that the new information created helped to create new products (M=3.65, SD=.827). This shows that seizing capabilities allowed the studied firms to create knowledge from different sources like past experiences. The finding is supported by El-Hanchi and Kerzazi (2020) who established that seizing capability is the utilization of the newly created knowledge to develop new products. It is the ability of the enterprise to seize an opportunity sensed while selecting relevant business models that may support development of new products.

4.5.3 Organization Learning Capabilities

The findings of descriptive statistics on organization learning capabilities were established and summarized as shown in Table 4.6.

TABLE 4.6
Organization Learning Capabilities

	Mean	Std. Dev
New staff joining this firms are socialized to the existing norms	3.70	.587
Socialization allow employees to share new experiences	3.80	.931
The firm interacts with its external stakeholders to generate the required information	3.72	.961
Training manuals are utilized by staff to internalize the tacit	4.02	.566
Quality circles are used solve process related challenges in this firm	3.61	.825
Information from different departments are used to generated consolidated financial reports	3.98	.737
Databases are creatively used to generate new reports in this firm	3.66	.609
Average	3.78	0.745

From Table 4.6, the value of average is (M=3.78, SD=0.745), this implies that respondents were in agreement on the fact that their firm had adopted organization learning capabilities. The study noted that training manuals were utilized by staff to internalize the tacit (M=4.02, SD=.566) and that information from different departments was used to generate consolidated financial reports (M=3.98, SD=.737). These findings imply that learning capabilities in the studied firms helped in knowledge translation. The finding is consistent with the knowledge based view theory by Nonaka (1994), Spender (1999) and Decarolis and Deeds 1999). The theory views knowledge as one of the strategically important resources that the firm can own besides providing the need for the firm to create, utilize and apply knowledge for viability and continuous existence.

The study noted that socialization allowed employees to share new experiences (M=3.80, SD=.931), the firm interacted with its external stakeholders to generate the required information (M=3.72, SD= .961) and that new staff joining the firms were socialized to the existing norms (M=3.70, SD=.587). This means that organization learning in then studied firms entailed socialization. The findings of the study showed that databases were creatively used to generate new reports (M=3.66, SD=.609) and that quality circles were used solve process related challenges (M=3.61, SD=.825). This means that databases and quality circles were important mechanisms that the studied firms leveraged to enhance organization learning.

4.5.4 Reconfiguration Capabilities

The findings on reconfiguration were established and summarized as indicated in Table 4.7.

TABLE 4.7
Reconfiguration Capabilities

	Mean	Std. Dev
The firm constantly redesigns the business model	3.78	.661
The business model is redesigned to achieve reconfiguration with the environment	3.49	.902
Core business process in your firm have been redesigned	4.06	.539
Business process reengineering has improved efficiency in this firm	3.80	.872
Decision making is decentralized in this firm	3.76	.469
Decentralization has facilitated the flow of information in your firm	3.60	.989
This firm seeks to continuously improve on its processes	4.04	.516
Average	3.79	0.707

The results in Table 4.7 indicate that respondents were in agreement that reconfiguration capabilities had been adopted by their firms (M=3.79, SD=0.707), which helped to redesign the core business process (M=4.06, SD=.539) and to continuously improve on processes (M=4.04, SD=.516). This means that the studied firms leveraged reconfiguration capabilities to redesign and improve the business processes. The findings of the study were that business process reengineering had improved efficiency (M=3.80, SD=.872), the firm constantly redesigned the business model (M=3.78, SD=0.661), that decision making was decentralized (M=3.76, SD=.469) and decentralization had facilitated the flow of information (M=3.60, SD=.989). This means that reconfiguration capabilities in the studied firms entailed the adoption of reengineering, business redesign and decentralization of activities.

4.5.5 Financial Performance

Financial performance was the dependent variable of the study and the findings of descriptive statistics are as indicated in Table 4.8.

TABLE 4.8
Financial Performance

	Mean	Std. Dev
Financial Performance	.0176	.04194

Table 4.8 indicate the value of mean on financial performance as 0.0176, this means that on average, the studied OMFs generated 1.76% of their new incomes by leveraging the pool of assets in place.

4.6 Diagnostic Tests

Diagnostic tests were conducted to determine if there was violation in the assumption of regression analysis. The specific tests that were performed include normality and multicollinearity.

4.6.1 Normality Test

This is a diagnostic test that validates whether the data set has a normal distribution which is a desirable quality for running regression analysis. In this study, the values of Skewness and Kurtosis were computed to test for normality.

TABLE 4.9
Normality Test

	n	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Sensing Capabilities	150	-1.232	.198	1.363	.394
Seizing Capabilities	150	-1.139	.198	2.206	.394
Organization Learning Capabilities	150	-.711	.198	.662	.394
Reconfiguration Capabilities	150	-.095	.198	-.694	.394
Average	150	-0.794	0.198	0.884	0.394

Table 4.9 indicates the average value of Skewness and Kurtosis as -0.794 and 0.884 respectively. This implies that there was normality in the sample which was consistent with Kothari (2004) who shared that Skewness and Kurtosis values within the range of +2 or -2 indicate the data is normally distributed.

4.6.2 Multicollinearity Test

Multicollinearity is a situation where at least one of the independent variables has high relationship with each other and this is undesirable condition. This study determined the values of Variance of Inflation Factors (VIF) to test for multicollinearity and the rule of thumb was the range of 1-10 for VIF signified absence of multicollinearity in the data set.

TABLE 4.10
Multicollinearity Test

	Collinearity Statistics	
	Tolerance	VIF
Sensing Capabilities	.614	1.627
Seizing Capabilities	.293	3.413
Organization Learning Capabilities	.256	3.900
Reconfiguration Capabilities	.621	1.610
Average	.446	2.638

The average value of VIF in Table 4.10 is 2.638 with the individual values for the respective variables being less than 10. In most cases, VIF values within range 1-10 provide signal of absence of multicollinearity symptom. Thus, it can be deduced that multicollinearity was not an issue in the sample data used in the study.

4.6.3 Heteroscedasticity Test

Heteroscedasticity is a condition where there is huge variance in a sample data. On the other hand, existence of constant variance of error across the predicted value is a situation called

homoscedasticity which is desirable (Khaled, Lin, Han, Zhao & Hao, 2019). Levin test was used to detect this condition. Table 4.11 is a summary of the findings.

TABLE 4.11
Heteroscedasticity Test

	Levene Statistic	df1	df2	Sig.
Sensing Capabilities	13.528	13	132	.293
Seizing Capabilities	5.562	13	132	.332
Organization Learning Capabilities	68.052	13	132	.332
Reconfiguration Capabilities	35.389	13	132	.123

Table 4.11 indicates the p-values under Levene test. From the findings, all the p-values are over 0.05 ($p > 0.05$). This concurs with Berenguer-Rico and Wilms (2021) who argued that p-value above 0.05 show absence of this condition.

4.7 Inferential Statistics

Correlation and regression analysis were the inferential statistics that were adopted in this study and the findings were determined and presented as shown in subsequent sections.

4.7.1 Correlation Matrix

The findings of correlation analysis were determined and summarized as shown in Table 4.12.

TABLE 4.12
Correlation Matrix

		Financi al Perfor mance	Sensing Capabiliti es	Seizing Capabiliti es	Organizati on Learning Capabilitie s	Reconfigurati on Capabilities
Financial Performance	Pearson Correlation	1				
Sensing Capabilities	Pearson Correlation	.573	1			
Seizing Capabilities	Pearson Correlation	.673	.574	1		
Organization Learning Capabilities	Pearson Correlation	.683	.581	.831	1	
Reconfiguration Capabilities	Pearson Correlation	.525	.240	.532	.594	1

The findings in Table 4.12 indicate that sensing capabilities ($r=0.573$), seizing capabilities ($r=0.673$), organization learning capabilities ($r=0.683$) and reconfiguration capabilities ($r=0.525$) all have strong and positive relationship with financial performance of the OMFs. Thus, it can be deduced that dynamic capabilities have strong and positive relationship with financial performance. This finding is consistent with Peng *et al* (2019) who established a significant link between dynamic capabilities and performance. Kareem and Alameer (2019) shared that whereas sensing capability was not significant, learning and reconfiguration capabilities were significant. Manyara *et al* (2020) observed that dynamic capabilities have significant effect on firm performance. Nyachanchu *et al* (2017) noted that sensing capabilities had the greatest effect on performance followed by seizing and reconfiguration capabilities. Gicheru and Kariuki (2019) covered Kenyan commercial banks to explore dynamic capabilities and their effect on performance and a significant relationship was established.

4.7.2 Regression Results

Regression analysis was conducted to predict the effect of dynamic capabilities on financial performance. Table 4.13 is an overview of the model summary.

TABLE 4.13

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.751 ^a	.565	.553	.02804

a. Predictors: (Constant), Reconfiguration Capabilities, Sensing Capabilities, Seizing Capabilities, Organization Learning Capabilities

The findings in Table 4.13 indicate that 55.3% change in financial performance of the OMFs is explained by dynamic capabilities (Adj. R²=0.553). Therefore, aside from dynamic capabilities, there are still other factors that affect financial performance that future studies should focus on. Table 4.14

TABLE 4.14
ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	.148	4	.037	46.997	.000 ^b
Residual	.114	145	.001		
Total	.262	149			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Reconfiguration Capabilities, Sensing Capabilities, Seizing Capabilities, Organization Learning Capabilities

Table 4.14 indicate that the overall regression model that was used in this study was significant and thus a good predictor of dynamic capabilities on financial performance (F=46.997, p<0.05). The findings of regression beta coefficients and significance were established and shown in Table 4.15.

TABLE 4.15
Beta Coefficients and Significance

	Unstandardized Coefficients		Standardized Coefficients		
	β	Std. Error	Beta	t	Sig.
(Constant)	-.554	.056		-9.902	.000
Sensing Capabilities	.009	.002	.268	3.830	.000
Seizing Capabilities	.005	.002	.236	2.328	.021
Organization Learning Capabilities	.003	.002	.205	1.893	.060
Reconfiguration Capabilities	.004	.001	.214	3.076	.003

a. Dependent Variable: Financial Performance

Based on the findings in Table 4.15, the following regression model is predicted between dynamic capabilities and financial performance:

$$FP = -.554 + .009SC + .005SEC + .003OLC + .003RC$$

Where:

- FP** = Composite index for financial performance
- SC** = Composite index for sensing capability
- SEC** = Composite index for seizing capability
- OLC** = Composite index for Organization Learning capability
- RC** = Composite index for Reconfiguration capabilities

The findings in Table 4.15 indicate that sensing capabilities ($\beta=0.009$, $p<0.05$) was a significant predictor of financial performance of the OMFs. Sudrajata, Lasmyc, Herlinad and Syahcharie (2019), the analysis demonstrated that sensing capability plays a critical role in financial performance of the firm. The study by Khristianto, Suharyono, Pangestuti and Mawardi (2021) documented that market sensing has a direct and significant interplay with each other. Alshanty, Emeagwali, Ibrahim and Alrwashdeh (2019) noted that market sensing and innovation as well as knowledge creation is positively and significant related with each other.

Seizing capability ($\beta=0.005$, $p<0.05$) had significant effect on financial performance. Darvizeh (2018) showed that seizing capability has a direct implication on development of new products. In a study by Min and Kim (2021), it was shown that seizing capabilities positively influences the development of new products. In a study by Tempelmayr, Ehrlinger, Stadlmann, Åœberwimmer, Mang and Biedersberger (2019), the inquiry documented that seizing has no significant interaction with performance of the firm in the perspective of servitization.

Organizational learning capability ($\beta=0.003$, $p>0.05$) had insignificant effect on financial performance. Hailekiros and Renyong (2016) noted that organizational learning capability has a direct and significant implication on firm performance. Gomes and Wojahn (2017) established that organizational learning capabilities have no significant effect on organizational performance. Hedayati, Khalilzadeh and Bahari (2021) noted that organizational learning has significant implication on individual performance. Hongyun, Iqbal, Ashraf and Bashir (2021) showed that organizational learning capability has a positive and significant implication on innovation performance. Mak'Anyengo and Maina (2019) discovered that organizational learning through its proxies has positive and significant effect on performance. Hussain, Wahab, Zeb, Khan, Javaid and Khan (2018) showed that there exists a positive link between organizational learning capability and organizational innovation with performance of the firm.

Reconfiguration capabilities ($\beta=0.004$, $p>0.05$) had significant effect on financial performance. Wogwu and Hamilton (2018) raised the need for utilization and expansion of all important components of reconfiguration capabilities in the firm. Hawass (2010) showed that inter-firm collaborations, group level learning and organizational level learning are key predictors of reconfiguration capability at the firm level. Girod and Whittington (2017) noted that a more pervasive restructuring is linked with greater performance outcomes in an

organization. In a study by Steward, Koester, Collins, Maiorana and Myers (2012), reconfiguration capacity was established as the most salient construct of dynamic capabilities that shape the implementation of health related information exchange. In a study by Kurnadi, Tirta, Pantri and Boto (2019), a significant link was noted between reconfiguration capability and innovation in a firm.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter covers the summary of the analysis and conclusion. The recommendations and areas that require further research are also discussed.

5.2 Summary

The subsequent sections provide a summary of the findings:

5.2.1 Sensing Capabilities and Financial Performance

The OMFs had adopted sensing capabilities ($M=3.83$, $SD=0.735$) that facilitated market research which provided intelligent information from competitors ($M=4.09$, $SD=0.708$) and that the data captured from market research was processed to support decision making ($M=3.90$, $SD=0.678$). This implies that sensing capabilities allowed the studied firms to have in place market research that reinforced the level of intelligence and the decision making abilities. The study established that market opportunities were identified through market research ($M=3.87$, $SD=.582$) and that relevant data on customer needs was gathered during market research ($M=3.86$, $SD=0.851$). This implies that sensing capabilities allowed the studied firms to embrace market research that helped to obtain information and data on customers. Correlation analysis showed that sensing capabilities ($r=0.573$) had strong and positive relationship with financial performance of the OMFs. Regression analysis showed that sensing capabilities ($\beta=0.009$, $p<0.05$) was a significant predictor of financial performance of the OMFs.

5.2.2 Seizing Capabilities and Financial Performance

Respondents were in agreement that there was seizing capabilities in the studied firms ($M=3.79$, $SD=0.842$) and this ensured that adequate resources were mobilized in development of new products ($M=3.99$, $SD=.728$) and that the newly created knowledge was acquired by staff in various departments ($M=3.83$, $SD=.649$). The study observed that vertical integration had allowed the firm to take over key supply chain functions ($M=3.81$, $SD=.869$), new process were developed from the knowledge acquired by staff ($M=3.78$, $SD=.879$). This means that seizing capabilities allowed the studied firms to adopt vertical integration and develop new processes.

From correlation analysis, seizing capabilities ($r=0.673$) had strong and positive relationship with financial performance of the OMFs. Regression analysis showed that seizing capability ($\beta=0.005$, $p<0.05$) had significant effect on financial performance.

5.2.3 Organization Learning Capabilities and Financial Performance

Respondents were in agreement on the fact that their firm had adopted organization learning capabilities ($M=3.78$, $SD=0.745$). The study noted that training manuals were utilized by staff to internalize the tacit ($M=4.02$, $SD=.566$) and that information from different departments was used to generated consolidated financial reports ($M=3.98$, $SD=.737$). Correlation results were that organization learning capabilities ($r=0.683$) had strong and positive relationship with financial performance of the OMFs. Organizational learning capability ($\beta=0.003$, $p>0.05$) had insignificant effect on financial performance.

5.2.4 Reconfiguration Capabilities and Financial Performance

The results indicate that respondents were in agreement that reconfiguration capabilities had been adopted by their firms ($M=3.79$, $SD=0.707$), which helped to redesign the core business process ($M=4.06$, $SD=.539$) and to continuously improve on processes ($M=4.04$, $SD=.516$). This means that the studied firms leveraged reconfiguration capabilities to redesign and improve the business processes. The findings of the study were that business process reengineering had improved efficiency ($M=3.80$, $SD=.872$), the firm constantly redesigned the business model ($M=3.78$, $SD=0.661$) and that decision making was decentralized ($M=3.76$, $SD=.469$). This means that reconfiguration capabilities in the studied firms entailed the adoption of reengineering, business redesign and decentralization of activities. The findings on correlation analysis indicated that reconfiguration capabilities ($r=0.525$) had strong and positive relationship with financial performance of the OMFs. Reconfiguration capabilities ($\beta=0.004$, $p>0.05$) had significant effect on financial performance.

5.3 Conclusion

The OMFs in Kenya have adopted sensing capabilities that have allowed them to embrace market research which provided intelligent information from competitors. The data captured from market research was processed to support decision making. Market opportunities were identified through market research and that relevant data on customer needs was gathered during market research. Sensing capabilities had strong and positive relationship with financial performance of the OMFs. Sensing capabilities were significant predictors of financial performance of the OMFs.

Seizing capabilities had been embraced by the OMFs and these ensured that adequate resources were mobilized in development of new products and that the newly created knowledge was acquired by staff in various departments. Vertical integration had allowed the firm to take over key supply chain functions, new process were developed from the knowledge acquired by staff. Seizing capabilities had strong and positive relationship with financial performance of the OMFs. Seizing capability had significant effect on financial performance.

Organization learning capabilities had been adopted in the studied OMFs which ensured that manuals were utilized by staff to internalize the tacit and that information from different departments was used to generated consolidated financial reports. Organization learning capabilities had strong and positive relationship with financial performance of the OMFs. Organizational learning capability had insignificant effect on financial performance.

The OMFs that were studied had embraced reconfiguration capabilities which helped to redesign the core business process and to continuously improve on processes. Business process reengineering had improved efficiency, the firm constantly redesigned the business model and that decision making was decentralized. Reconfiguration capabilities had strong and positive relationship with financial performance of the OMFs. Reconfiguration capabilities had significant effect on financial performance.

5.4 Recommendations

Based on the findings, the study suggests the following recommendations:

On sensing capabilities, the study recommends that the marketing managers working in the OMFs in Kenya should continuously invest in market research to gather intelligence for

improved competitive advantage. The top managers working in the OMFs in Kenya should constantly scan both their internal and external environment to identify viable opportunities.

In regard to seizing capabilities, the study recommends that the HR managers working in the OMFs should invest in new methods and systems of creating new knowledge through the recruitment practices. The top managers of the OMFs in Kenya should mobilize and allocate adequate resources towards strategies.

In view of organization learning capabilities, this study recommends that new staff being recruited by the OMFs in Kenya should be socialized to the existing norms and culture in place. The OMFs in Kenya should put place adequate mechanisms of knowledge conversion.

On reconfiguration capabilities, the study recommends that the business analysts working among OMFs in Kenya should continuously redesign their business processes to create value. Decentralization should be adopted when it comes to decision making in the OMFs in Kenya.

5.5 Areas for Further Research

The present study related dynamic capabilities with financial performance. Future studies should be done with other variables like competitive advantage, growth or organizational performance. Apart from focusing on OMFs, future studies should concentrate on other firms like commercials banks or even manufacturing firms that are non-service oriented. All these suggestions will give room for comparison of the findings.

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APPENDICES

Appendix I: Questionnaire

INTRODUCTION

Kindly provide relevant responses by way of ticking in the spaces provided after each question. Please, do not indicate your name anyway in this survey questionnaire. All information you will provide will be treated with high level of confidentiality and will only be used for academic purpose. This questionnaire is divided into five sections informed by a research study titled: **EFFECT OF DYNAMIC CAPABILITIES ON FINANCIAL PERFORMANCE OF THE OIL MARKETING FIRMS IN KENYA.**

SECTION A: GENERAL INFORMATION

1. Kindly indicate the number of years your firm has been in operation

- | | |
|--------------------|--------------------------|
| Less than 10 years | <input type="checkbox"/> |
| 11-20 years | <input type="checkbox"/> |
| 21-30 years | <input type="checkbox"/> |
| Over 31 years | <input type="checkbox"/> |

2. Please indicate the position you hold in this firm

- | | |
|---------------------------|--------------------------|
| HR Manager | <input type="checkbox"/> |
| Operations Manager | <input type="checkbox"/> |
| Finance Manager | <input type="checkbox"/> |
| Corporate affairs manager | <input type="checkbox"/> |
| Other..... | <input type="checkbox"/> |

3. Kindly indicate the number of years you have worked with this firm

- | | |
|-------------------|--------------------------|
| Less than 3 years | <input type="checkbox"/> |
| 4-7 years | <input type="checkbox"/> |
| 8-10 years | <input type="checkbox"/> |
| Over 11 years | <input type="checkbox"/> |

4. Please, indicate your highest level of education

- Certificate
- Diploma
- Undergraduate degree
- Masters
- Other

SECTION B: SENSING CAPABILITIES

2. Indicate the extent of your agreement with each of the following statements designed using a 5-point Likert scale and provided under knowledge management infrastructure capability of your commercial bank.

	Strongly disagree	disagree	undecided	agree	Strongly agree
This firm constantly scans its external business environment to establish viable opportunities					
Your firm scans the operating environment to establish possible threats					
Market research is conducted in your firm to establish viable gaps					
Market research provide intelligent information from competitors of this firm					
Relevant data on customer needs is gathered during market research in this firm					
The data captured from market research is processed to support decision making in your firm					
Market opportunities are identified in this firm through market research					

SECTION C: SEIZING CAPABILITIES

3. Indicate the extent of your agreement with each of the following statements designed using a 5-point Likert scale and provided under knowledge management process capability of your commercial bank.

	Strongly disagree	disagree	undecided	agree	Strongly agree
New knowledge is created in this firm from past experiences					
The firm has put in place relevant infrastructures to create new knowledge					
The newly created knowledge is acquired by staff in various departments of your firm					
The new information created helps to create new products in your firm					
New process are developed from the knowledge acquired by staff of your firm					
Adequate resources are mobilized in development of new products in this firm					
Vertical integration has allowed your firm to take over key supply chain functions					

SECTION D: ORGANIZATION LEARNING CAPABILITIES

3. Indicate the extent of your agreement with each of the following statements designed using a 5-point Likert scale and provided under knowledge management process capability of your commercial bank.

	Strongly disagree	disagree	undecided	agree	Strongly agree
New staff joining this firms are socialized to the existing norms					
Socialization allow employees to share new experiences					
The firm interacts with its external stakeholders to generate the required information					
Training manuals are utilized by staff to internalize the tacit					
Quality circles are used solve process related challenges in this firm					
Information from different departments are used to generated consolidated financial reports					
Databases are creatively used to generate new reports in this firm					

SECTION E: RECONFIGURATION CAPABILITIES

3. Indicate the extent of your agreement with each of the following statements designed using a 5-point Likert scale and provided under knowledge management process capability of your commercial bank.

	Strongly disagree	disagree	undecided	agree	Strongly agree
The firm constantly redesigns the business model					
The business model is redesigned to achieve reconfiguration with the environment					
Core business process in your firm have been redesigned					
Business process reengineering has improved efficiency in this firm					
Decision making is decentralized in this firm					
Decentralization has facilitated the flow of information in your firm					
This firm seeks to continuously improve on its processes					

THANK YOU

Appendix II: Data Collection Sheet

Year	Net income	Total assets
2021		
2020		

Appendix III: List of Oil Marketing Firms in Kenya

1. ACEE LIMITED
2. ACER PETROLEUM LIMITED
3. AFRO PETROLEUM LTD
4. AFTAH PETROLEUM(K)LTD
5. AINUSHAMSI ENERGY LIMITED
6. ALBA PETROLEUM LIMITED
7. ALSAA PETROLEUM KENYA LIMITED
8. AMANA PETROLEUM (KENYA) LIMITED
9. ARECH PETROLEUM LIMITED
10. ASPAM ENERGY KENYA LIMITED
11. ASTROL PETROLEUM COMPANY LIMITED
12. AWALI GROUP LIMITED
13. AXON ENERGY LIMITED
14. BACHULAL POPATLAL (KENYA) LIMITED
15. BANODA OIL LIMITED
16. BE ENERGY LIMITED
17. BENMATT ENTERPRISES LIMITED
18. BLUE SKY ENERGY LIMITED
19. BUSHRA ENERGY LIMITED
20. BUZEKI ENTERPRISES LIMITED
21. CITY OIL (K) LIMITED
22. DALBIT PETROLEUM LIMITED
23. EAST AFRICAN GASOIL LIMITED
24. ECO OIL KENYA LIMITED
25. ELIORA ENERGY LIMITED
26. ELITE ACTIVATE LTD
27. ELK ENERGY KENYA LTD
28. EMKAY INTERNATIONAL LIMITED
29. ENGEN KENYA LIMITED
30. EPPIC OIL (K) LIMITED
31. EQWIPETROL LIMITED
32. FASTNETT ENERGY LIMITED
33. FINEJET LIMITED
34. FOSSIL FUELS LIMITED
35. FUEL LINK ENERGY LIMITED
36. FUTURES ENERGY COMPANY LIMITED
37. GALANA OIL KENYA LIMITED
38. GAPCO KENYA LIMITED
39. GASLINE PETROLEUM LIMITED
40. GUUL ENERGY LIMITED
41. HAMMEX ENERGY LIMITED
42. HARED ENERGY LIMITED
43. HASMACK COMPANY LIMITED
44. HASS PETROLEUM KENYA LIMITED
45. HELLER PETROLEUM LIMITED

46. JAK LINE COMPANY LTD
47. KENCOR PETROLEUM LIMITED
48. RUBIS
49. KENYA PETROLEUM REFINERIES LIMITED
50. KIPEDA HOLDINGS LIMITED
51. KOSMOIL PETROLEUM (EA) LIMITED
52. LADE OIL CO. LIMITED
53. LAKE OIL LIMITED
54. LEXO ENERGY KENYA LIMITED
55. LIBYA OIL KENYA LIMITED
56. LINK OIL LTD
57. LUQMAN PETROLEUM LIMITED
58. MDK HOLDINGS LIMITED
59. MENA ENERGY LIMITED
60. MERIDIAN ENERGY LIMITED
61. MOGAS KENYA LIMITED
62. MOIL KENYA LIMITED
63. MS OIL LIMITED
64. NATIONAL OIL CORPORATION OF KENYA
65. NETGAS AND ENERGY LIMITED
66. NGUVU SERVICE STATION LIMITED
67. NOMAD PETROCHEM LTD
68. OCEAN ENERGY LIMITED
69. OIL ENERGY KENYA LIMITED
70. OLYMPIC PETROLEUM LIMITED
71. ONE PETROLEUM LIMITE
72. ORYX ENERGIES KENYA LIMITED
73. OXIUM ENERGY LIMITED
74. PERFORMANCE PARTS LIMITED
75. PETRO OIL KENYA LIMITED
76. PETROCAM KENYA LTD
77. PETROKENYA OIL CO. LIMITED
78. PETROSUN KENYA LTD
79. PICCALILLY INTERNATIONAL LTD
80. PRIME REGIONAL SUPPLIES LIMITED
81. R.M.F PETROLEUM LTD
82. RAMJI HARIBHAI DEVANI LIMITED
83. RANWAY TRADERS LIMITED
84. RED STAR PETROLEUM LIMITED
85. REGNOL OIL (K) LIMITED
86. ROYAL ENERGY (K) LIMITED
87. SABILI ENERGY LIMITED
88. SAVANNA ENERGY KENYA LIMITED
89. SHEIKH PETROLEUM INTER (K) LIMITED
90. SOCIETE PETROLIERE KENYA LIMITED
91. SPARK PRODUCE LTD

92. STABEX INTERNATIONAL LTD
93. TAAM PETROLEUM LIMITED
94. TECAFLEX LIMITED
95. TESLOR CORPORATION LIMITED
96. TEXAS ENERGY LTD
97. TIBA OIL COMPANY LIMITED
98. TORCH ENERGY LTD
99. TOSHA PETROLEUM (KENYA) LIMITED
100. TOTAL KENYA LIMITED
101. TOWBA PETROLEUM COMPANY LIMITED
102. TRISTAR TRANSPORT LIMITED
103. VIVO ENERGY KENYA LIMITED
104. WORLD FUEL SERVICES KENYA LIMITED
105. ZACOSIA TRADING LIMITED

Source: Energy and Petroleum Regulatory Authority (2020)