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**Effect of Dynamic Capability on the Performance of Matatu Saccos
in Meru County**

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Effect of Dynamic Capability on the Performance of Matatu Saccos in Meru County

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Abstract

Purpose: The purpose of this study was to determine the effect of dynamic capability on the performance of matatu Saccos in Meru County.

Methodology: A descriptive cross-sectional survey research design was utilized. The target population was eight Matatus Saccos operating in Meru County. The census approach was utilized to collect data from 42 board members of the 8 Saccos. Questionnaires were used to collect data. The method for the administration of the questionnaires was the drop-and-pick method. The study conducted a pre-test study where 5 board members from Menany Sacco in Maua were considered. They were selected through simple random sampling method. The reliability of the instruments was determined by Cronbach's alpha while content validity was determined through expert reviews on the quality of questions in the questionnaires. Data analysis was done using SPSS software which analyzed the data using means, percentages, and frequencies, and inferential statistics. The presentation of the data was done using frequency distribution tables. Data was tested to ensure conformity with regression assumptions.

Results: The results proved that Saccos were able to recognize the emerging external information assimilates and applied the same to increase competition. Dynamic capability had an average mean of 3.7422 and standard deviation of 1.0566. The R-square value of 0.239 indicated that 23.9 percent of variations in performance in matatu sector could be explained by dynamic capabilities in the matatu Saccos. Hence, dynamic capability significantly influenced the performance of matatu Saccos.

Unique contribution to theory, policy and practice: This study was able to add into the field of strategic management when it was known that dynamic capability significantly influenced the performance of matatu Saccos. It was also discovered that pursuing dynamic capability results in a substantial disruptions and changes, and processes that can affect the performance. Pursuing dynamic capability without taking into considerations of organizations processes and changes may not necessarily lead to improved performance. Also, executing dynamic capability requires significant investment in new technologies, models and training; hence it is important for the management to understand that the benefits associated with dynamic capability may not be realized

in the short-term. This meant that Management should also embrace the concept of dynamic capability. Dynamic capability is associated with the organization's ability to recognize emerging external information and use it to achieve competitive advantage. Therefore, organizations should promote learning to ensure that the external knowledge can be used to enhance the performance. In the theory, the dynamic capability enables the organization to achieve agility because it provides a framework that the managers should follow in pursuit of agility. For the organization to achieve agility, it must sacrifice the technical competencies. Failure to sacrifice the technical competencies will result in failures to achieve organizational agility. Thus, due to the costs associated with this tradeoff, the management needs to establish the ways to manage the risks by using various measures such as hedging

Keywords: *Dynamic capabilities, performance, Matatu Saccos, Meru County*

1.0 INTRODUCTION

Public transport sector includes all the firms that provide transportation services in an economy (Alotaibi & Potoglou, 2018). The sector plays crucial roles in the economy through facilitating the flow of people and goods (Charles, 2018). The transport sector covers all the major modes of transport such as marine, road, rail, air and road transport. The public transport regulator and providers are facing challenges due to increasing consumer expectations, cost cutting pressures from the shareholders, increasing and aging populations, and urbanization (Alotaibi & Potoglou, 2018). One of the major concerns for the players in the sector is to establish and embrace the emerging finance models to cut the costs, and utilize the emerging technologies to improve the customer experience, optimize the asset lifecycle and increase the capacity (KPMG, 2018).

The top five countries with the advanced public transport sector in the world are China, Singapore, United Arab Emirates, Netherlands and Switzerland (Charles, 2018). The transport advancement in the public transport system in developed countries is attributed to the availability of financial resources and good leadership that enables proper infrastructural development plans and policies to govern the sector (World Bank, 2014). In Africa, the public transport sector faces many problems such as poor infrastructure, high costs, lack of financial resources, among others. These challenges are caused by the lack of effective strategic plans and policies (Nzuve & Mbugua, 2012). In Kenya and neighboring countries, the public transport sector is dominated by privately owned vehicles. According to Myers (2014), the public transport sector in Kenya is inefficient due to poorly developed infrastructure such as roads and railway network, congestion and inefficient polices.

The emerging trends in the global transport sector are climate change, advancement in technology, globalization, and demographic shifts (Altshuler & Bachmann, 2018). These trends have forced the providers to cope with the shrinking labor pool in developed countries, high energy costs, and increase in costs due to more investments. According to Altshuler and Bachmann (2018), the large transport firms benefit from these trends because they are able to invest in latest technologies and lobby the government support. However, the small firms are disadvantaged because they do not have the capabilities to compete with multinationals. In the attempts to compete with the multinationals, the firms engage in unethical activities such as illegal trafficking, smuggling, criminal use of transport services, and, fraud and bribery (Anciães & Thomopoulos, 2016) The

large transport firms also engage in unethical practices; especially bribery and fraud to win the contracts.

Due to increased cases of unethical practices in the public transport sector, there has been increased emphasis of ethical leadership. Ethical leaders demonstrate virtues, morals, and good character during the performance of their duties, and also address the needs of the workers. Ethical leaders motivate the workers to comply with the organization code of conduct thereby minimizing unethical practices (Mihelic, Lipicnik & Tekavcic, 2010). The use of dynamic capability approach aims to reduce the ethical issues because the organization is able to adapt to changing environment through creation of value; thus, enabling the firm to remain competitive.

1.1 Definition of terms

Dynamic capability: The ability of an organization to build, integrate and reconfigure external and internal capabilities to cope with dynamic changes in the environment (Teece, 2013).

Performance: The output and outcomes of an organization when compared with the inputs, goals and objectives (Carvalho, Syguiry & Silva, 2015).

Sacco: An organization that is formed by the voluntary members to achieve certain goals such as saving or advancing credit to the members (Douglas, Philip & Nafula, 2015).

Matatus: Private owned vehicles operating in public transport sector in East Africa region (Mutongi, 2017).

Meru County: A county located in former eastern province in Kenya. It is among the 47 counties in Kenya.

1.2 Statement of the problem

The changes in global business environment should result in the improvement of performance of public transport sector due to emergence of technologies that improve efficiency, safety, and convenience. However, the changes in global business environment have caused dynamic changes such as changes in legislation, volatile oil prices, issues related to financing and mobility demand (Douglas, Philip & Nafula, 2015); that have negatively affected Kenyan transport industry. If not properly dealt with, these dynamic changes can have adverse effects on the performance of matatu Saccos.

One of the primary ways that the stakeholders such as the government deal with the challenges that face the matatu sector is the establishment of regulations (Mutongi, 2017); for instance, Traffic Act, Sacco company requirement, Central Business District Decongestion, and 14-seater requirements. These regulations are mainly aimed at reducing the indiscipline such as overcrowding and overloading; which have been blamed for many accidents. However, the enactments of policies have a limited impact on the performance of matatu Saccos; therefore, many stakeholders have resulted in self-regulations. One of the tenets of the self-regulations that various industries utilize is ethical leadership (KPMG, 2019). Ethical leaders enhance employees' self-efficacy, loyalty, recruitment policies, staff loyalty, and effective conflict resolution; which can lead to performance improvement (Medase & Barasa, 2019). That notwithstanding, there have been poor performance due to lack of dynamic capability (Darawong, 2018). This has led to some SACCOS to be phased out even before their 2nd year of establishment due to lack of competitive advantage (Alotaibi & Potoglou, 2018). This has been linked to unavailability of liquidity. That

is SACCOs lack enough capital to even enforce the purchase of licenses for their matatus hence making it impossible for them to operate legal business (Altshuler & Bachmann, 2018).

Most scholars who have researched the matatu sector have concentrated on the performance. For instance, Mutuira (2013) researched on the factors influencing the performance of the Matatu Saccos. The researcher established that business management and entrepreneurship skills have an impact on the performance of the Saccos. Other researchers who have studied the performance of the public transport sector in Kenya; with a specific focus on the matatus are Mwaura (2014); Walter, (2015) and Mwendwa (2016). Macharia, (2016) investigated the regulation in the transport sector and concluded that employment contracts, plays a crucial role in safeguarding the welfare of the drivers. Review of various scholarly works such as Mathivathanan, Govindan and Haq, (2017) indicates that dynamic capabilities have a positive impact on the performance; however, there exists a conceptual research gap because there is no study that has been conducted on effects of dynamic capacities on the performance of matatu Saccos. Therefore, this study aimed at determining the moderating effects of ethical leadership on the relationship between the dynamic capabilities and the performance of matatu Saccos.

1.3 Purpose of the study

To determine the effect of dynamic capability on the performance of matatu Saccos in Meru County.

1.4 Hypothesis

H₀: There is no statistically significant relationship between dynamic capability and performance of matatu Saccos in Meru County.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

The study was guided by dynamic capability theory. The dynamic capability approach emerged due to the dynamic environment which poses challenges to the firms when attempting to achieve sustainable competitive advantage (Teece, Pisano & Shuen, 1997). The underlying assumption of this approach is that the firms are able to seize opportunities and reconfigure them with the environmental change; thus, achieving a sustainable competitive advantage. Cohen & Levinthal (1990) stated that the organization uses its dynamic ability to recognize the emerging external information, assimilate, and apply it to gain a competitive advantage. The ability of the firm to acquire, assimilate, and use the new information is crucial in every industry; especially in the sectors that require innovation such as telecommunication, or the pharmaceutical. According to Lane, Salk and Lyles (2001) learning occurs through a series of acquisition of external knowledge, application of knowledge and maintaining the knowledge. Lane et al. (2001) established that the absorptive capability is crucial for the organization performance and the firms-inter-learning.

Dynamic capability promotes innovation and learning which enhances the research and development (Medase & Barasa, 2019; Schweisfurth & Raasch 2018); thus, in this study, the dynamic capability was expected to improve the performance of the firm. In this study, the

capabilities explained how the matatu Saccos acquire new knowledge from partners and other industries; thus, enabling the development of innovative services.

2.2 Empirical Review

The firms that operate in industries that are characterized by competition require continuous development of dynamic capabilities to maintain business continuity and competitive advantage. The businesses that successfully apply the dynamic capabilities approach reconfigure, integrate, recreate and renew resources and capabilities to keep in pace with the changes in the market place (Teece, Peteraf & Leih, 2016). The success in dynamic capabilities is determined by the management competencies at examining the environment and development of models that address the identified issues (Arend, 2012); therefore, it is not guaranteed that the firm that adopts dynamic capability will witness the improved performance. According to Teece et al. (2016), dynamic capabilities fall into three. The first one is identifying, developing, co-development, and assessing the threats and opportunities in relation to the needs of the customers. The second one is resource mobilization to take advantage of opportunities and the third one is continuous renewal.

Although the dynamic capabilities must be in line with the strategic direction of the company, it can be separated from the formulation of strategy. The organization strategy that is coherent, consistent and flexible is just as crucial in assisting the firms to achieve a competitive advantage, just like dynamic capabilities (Teece et al., 2016). There is a relationship between managerial competence and the effective adoption and implementation of the dynamic capabilities approach. For the firms' dynamic capabilities to be effective, the managers must have the ability to analyze and guide the employees, and other stakeholders towards strengthening the dynamic capabilities approach. The organization's culture, values, and the ability to implement the new business model promptly are also crucial for dynamic capabilities (Darawong, 2018). The decision by the executive determines how the firms develop, shapes and implements capabilities. When the management makes good decisions, the results are resources that are combined effectively that; and that enables the firm to achieve a competitive advantage. The firms face difficulties when distinguishing ordinary and dynamic capabilities Teece et al. (2016) defines ordinary capabilities as capabilities that enable the production of static products or services. Ordinary capabilities are outsourced, hence the organization is not required to own or practice them, for instance, the manufacturing operations in many firms are outsourced; therefore, owning them will not increase the competitive advantage. The firms benefit from the ordinary capabilities through efficient utilization of plant and assets, human resources, administrative systems and processes (Teece et al., 2016). The efficient application of ordinary capabilities enables the organization to finish the set goals and tasks proficiently. However, according to Teece, the ordinary capabilities do not result in the growth of the firms; except for geographical growth because they are unable to help in responding creatively to change in market environmental conditions such as changes in technology. The firms that concentrate on ordinary capabilities is often defeated due to new inventions, for instance, Kodak had ordinary capabilities in the manufacture of films, but it was defeated by the invention and production of digital cameras. The ordinary capabilities are primarily demonstrated in operations and administrative processes. The operations units deal with service provision or delivery of goods, and the related supply management and planning and administration (Teece et al., 2016).

The dynamic capabilities enable the organization to achieve agility. Organizational agility is the ability of an entity to respond to changes (Khoshlahn & Ardabili, 2016) Small organizations can achieve agility in a better way than large firms because it is possible to obtain the feedback from the customers and partners promptly; hence enabling them to respond quickly to the changes. On the other hand, although large organizations have capabilities of obtaining the enormous amount of data from the market, they may be unable to respond quickly to the changes because of challenges in breaking the organization culture that is resistant to change (Appelbaum et al., 2017). The dynamic capability enables the organization to achieve agility because it provides a framework that the managers should follow in pursuit of agility. For the organization to achieve agility, it must sacrifice the technical competencies. Failure to sacrifice the technical competencies will result in failures to achieve organizational agility. Thus, due to the costs associated with this tradeoff, the management needs to establish the ways to manage the risks by using various measures such as hedging (Teece et al., 2016).

2.3 Research gaps

The reviewed literature has strongly brought some various shortcomings. These shortcomings range on instances where the ordinary capabilities do not result in the growth of the firms; except for geographical growth because they are unable to help in responding creatively to change in market environmental conditions such as changes in technology. The firms that concentrate on ordinary capabilities is often defeated due to new inventions, for instance, Kodak had ordinary capabilities in the manufacture of films, but it was defeated by the invention and production of digital cameras.

3.0 RESEARCH METHODOLOGY

A descriptive cross-sectional survey research design was utilized. The target population was eight Matatus Saccos operating in Meru County. The census approach was utilized to collect data from 42 board members of the 8 Saccos. Questionnaires were used to collect data. The method for the administration of the questionnaires was the drop-and-pick method. The study conducted a pre-test study where 5 board members from Menany Sacco in Maua were considered. They were selected through simple random sampling method. The reliability of the instruments was determined by Cronbach's alpha with a minimum significance value of 0.7 while content validity was determined through expert reviews on the quality of questions in the questionnaires. Data analysis such as model summary, ANOVA and regression coefficient was done using SPSS software version 24 which analyzed the data using means, percentages, and frequencies, and inferential statistics. The presentation of the data was done using frequency distribution tables.

4.0 FINDINGS AND PRESENTATION

4.1 Reliability statistics

The Cronbach alpha of the pre-test questionnaires was analyzed. The analysis indicated that the questionnaires were highly reliable with the alpha value of 0.899. According to George and Mallery (2011), the alpha values of $0.8 > \alpha \geq 0.7$; hence the overall reliability of the study's instrument was acceptable as indicated on Table 1.

Table 1: Reliability Test Statistics

Cronbach's Alpha	N of Items
.899	5

Source: Research data (2020)

4.2 Response rate

Out of 54 participants, only 42 agreed to participate in the study. The questionnaires were administered to these 42 subjects, which gives a response rate of 78 percent, which was deemed suitable for statistical analysis.

4.3 Background profiles of the respondents

The questionnaires included a section for collecting participants' demographic information. The demographic questionnaire collected information on gender, education level, work experience, and employment position.

4.3.1 Gender

The study collected data on the respondents' gender. The findings are presented in Table 2.

Table 1: Respondents' Gender

Gender	N	Percentage
Male	34	81%
Female	8	19%
Total	42	100

Source: Research data (2020)

As shown on Table 2, male respondents constituted 81 percent of the respondents, while females formed 19 percent. This information indicates that most of the management committee members of Matatu Saccos are men.

4.3.2 Level of education

The study collected data on the respondents' level of education. The findings are presented in Table 3.

Table 2: Education Level

Education Level	N	Percentage
Postgraduate	3	7%
Graduate	8	19%
Undergraduate	13	31%
Diploma	13	31%
Professional qualification	5	12%
Total	42	100%

Source: Research data (2020)

Table 3 indicates that most of respondents had a college diploma (31 percent) and undergraduate degree (31 percent), followed by graduate (19 percent), professional qualification (12 percent), and postgraduate (7 percent). These statistics indicate that respondents could understand the questions asked and provide a reliable answer.

4.3.3 Work Experience

The researcher asked the respondents about their work experience in the management committee. This information was required to determine how often the committee members are reelected. A majority (36 percent) had less than one-year experience, followed by 1-2 years (29 percent), above 4 years (19 percent) and 3-4 years (17percent). This information implies that during the AGMs, the Sacco members prefer electing new committee members to replace the retirees. Sacco Societies Act requires the board members to serve for three years after which they are eligible for re-election. These statistics indicate that most of the committee members chose to retire after 3 years or are not re-elected.

Table 3: Gender

Number of years	N	Percentage
Less than 1 year	15	36%
1-2 years	12	29%
3-4 years	7	17%
Above 4 years	8	19%
Total	42	100%

Source: Research data (2020)

4.3.4 Management Committee

The questionnaires sought to establish the management committee that the respondents belonged to. 38 percent of the members belonged to the finance committee, 26 percent to the supervisory committee, 19 percent to the education committee, and 17 percent to the management committee. The supervisory committee formed a significant portion of respondents; which indicated that the

results were not biased because they act independently of other board members, and do not regularly participate in board meetings. This is shown on Table 5.

Table 4: Management Committee

Committee	N	Percentage
Finance	16	38%
Education	8	19%
Credit	7	17%
Supervisory	11	26%
Total	42	100%

Source: Research data (2020)

4.4 Descriptive statistics of Dynamic Capabilities

The researcher asked the respondents on their levels of agreement with various statements related to dynamic capabilities. Specially, three types of dynamic capabilities namely adaptive capabilities, absorptive capabilities and innovative capabilities were assessed. The results are indicated in Table 6.

Table 6: Descriptive statistics of Dynamic Capabilities

Absorptive capability	N	Mean	Std. Deviation
The knowledge gathered from the external sources is integrated into Sacco's strategies.	42	4.0238	1.04737
The externally sourced capabilities are combined with the existing capabilities.	42	3.3571	1.28446
There are mechanisms and processes to assimilate the new knowledge in the organization processes and strategies	42	4.1905	.99359
The board uses the information gathered to plan to implement new management approaches that suit the business processes.	42	3.3333	1.14053
The Sacco transforms the information gathered to new capabilities such as offering new services.	42	4.2195	.85183
There are activation triggers that assist in the movement of knowledge gathered across the Sacco.	42	3.0714	1.09082
There are strategies to maximize utilization of the knowledge gathered than our competitors.	42	4.0000	.98773
Average mean		3.7422	1.0566

Source: Research data (2020)

The findings on absorptive capabilities as indicated on Table 6, confirms that the respondents agreed that knowledge gathered from the external sources is integrated into Sacco's strategies ($M=4.02$, $SD=1.05$), the existence of the processes and mechanism to assimilate the new knowledge in the organization processes and strategies ($M=4.19$, $SD=0.99$), transformation of the information gathered to new capabilities such as offering new services ($M=4.22$, $SD=0.85$) and existence of strategies to maximize utilization of the knowledge gathered than our

competitors ($M=4.00$, $SD=0.99$). The practice of combining the external and existing capabilities ($M=3.56$, $SD=1.28$), use of information gathered to plan to implement new management approaches that suit the business processes ($M=3.33$, $SD=1.14$) and the existence of activation triggers that assist in the movement of knowledge gathered across the Sacco ($M=3.07$, $SD=1.09$) have been adopted moderately. The grand mean for absorptive capabilities was 3.74; an indication that the Saccos are able to recognize the emerging external information, assimilates, and applies it to increase competition. These findings are in line with Medase & Barasa (2019) and Teece et al. (2016) assertion that adaptive capabilities enable the organization to use the external information to gain competitive advantage.

4.5 Performance

In this section of the questionnaire, the respondents were asked to indicate the level of agreements with various statements regarding the Saccos performance. Specifically, the participants were asked to rate various aspects of performance per scale of 1-5. 5- Very great extent, 4 great extent, 3 moderate extent, 2 low extent and 1 none.

Table 7: Descriptive Statistics of Performance

Performance	N	Mean	Std. Deviation
The revenue turnover is increasing	42	4.5000	.77302
The increase in the number of the customers relative to the competitor is high	42	3.5238	.89000
The extent at which the firm reaches the revenue targets is high	42	4.5476	.63255
The level of the shareholders' satisfaction with the growth is satisfactory	42	3.4048	.88509
There is growth relative to the market leaders.	42	3.6429	1.18572
The interest on members deposit is increasing	42	2.7381	1.19060
The rate dividends are increasing	42	3.8571	1.07230
There is increase on loan to members.	42	3.1429	1.15972
The member deposits are growing at a steady rate.	42	3.8333	1.05730
Average mean		3.6878	0.9831

Source: Research data (2020)

The respondents were asked about the Saccos revenues. Most of them agreed that the Saccos; revenues are increasing ($M=4.50$, $SD=0.77$) and that they reach the set targets ($M=4.54$, $SD=0.63$). Furthermore, the respondents agreed that there is moderate increase in the number of customers relative to the competitors ($M=3.52$, $SD=0.89$), moderate growth relative to the market leaders ($M=3.64$, $SD=1.19$) and moderate increase in dividends ($M=3.83$, $SD=1.06$). The level of stakeholders' satisfaction ($M=3.40$, $SD=0.89$), the increase in member deposits ($M=2.74$, $SD=1.19$), and loan to members ($M=3.14$, $SD=1.16$). The average mean for revenue growth was 3.69 and standard deviation of 0.9831 which implied that matatu Saccos revenues are increasing.

4.6 Regression Analysis

The study sought to establish the effects of dynamic capability on performance. This was closely guided by explaining the model summary, analysis of variance and regression coefficients of the study.

4.6.1 Model Summary

The main objective of the study was to establish whether there was statistically significant relationship between dynamic capability and the performance of matatu Saccos in Meru County. Table 8 gave the outcome of the analysis.

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.489 ^a	.239	.234	.508

a. Predictors: (Constant), dynamic capability

Source: Research data (2020)

From the results indicated on Table 8, R square value of 0.239 indicated that 23.9 percent of variations in performance in matatu sector could be explained by dynamic capabilities in the matatu Saccos; leaving 76.1 percent unexplained.

4.6.2 Analysis of Variance

Analysis of variance (ANOVA) was used to test the hypothesis of the study. In this study, the null hypothesis stated that there was no statistically significant relationship between dynamic capability and performance of matatu Saccos in Meru County. The analysis generated is shown on Table 9.

Table 9: ANOVA Analysis

Model		Sum of Squares	Df	Mean Square	Sig.
1	Regression	42.118	3	14.039	.000 ^b
	Residual	134.300	520	.258	
	Total	176.418	523		

Source: Research data (2020)

Table 9 shows that dynamic capability had a significant p- value of 0.000 ($p < 0.05$). These results indicate that the performance (dependent variable) was more reliable; hence the model was suitable for explaining significant variance in Sacco's performance.

4.6.3 Regression Coefficient

The study also conducted the regression coefficient of the variables as shown on Table 10.

Table 10: Regression Model Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	β	Std. Error	Beta		
1 (Constant)	2.510	.192		13.101	.000
Dynamic capability	.445	.037	.479	11.975	.000

a. Dependent Variable: Performance

Source: Research data (2020)

Table 10 shows that the absorptive capability had a significant p-value of 0.000 which proved that it had a significance influence on the performance of matatu saccos. The beta value of absorptive capacity was 0.445, which indicates that a unit change in absorptive capability would lead to 0.445 change in matatu saccos performance. This finding is in agreement with the findings of Sako and Chondrakis (2016) who established that absorptive capability leads to enhanced performance. One possible explanation for positive relationship between absorptive capability and the performance is that Saccos regularly hold inter-organizational meetings and conferences to discuss the issues facing the sector. During these meetings, the members of the board and the employees exchange information; which is later used to make strategies to improve performance.

Another explanation could be that the individual Saccos' employees and board of directors have the knowledge required to incorporate and evaluate external; knowledge to make strategies. This argument is supported by the Schweisfurth and Raasch (2018) who established that established that individual knowledge of employee to use and absorb external knowledge can result in enhanced firms' performance. Another explanation would be the availability of incentives to properly diagnose and use new knowledge due to the associated benefits such as increase in competitiveness.

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of the findings

The purpose of the study was to determine the effects of dynamic capability on performance of matatu Saccos in Meru County. The research was motivated by the limited empirical information on how ethical leadership affects the relationship between dynamic capabilities and performance of Saccos. The results proved that Saccos were able to recognize the emerging external information assimilates and applied the same to increase competition. Dynamic capability had an average mean of 3.7422 and standard deviation of 1.0566. The R-square value of 0.239 indicated that 23.9 percent of variations in performance in matatu sector could be explained by dynamic capabilities in the matatu Saccos. Hence, dynamic capability could be used to envisage performance.

5.2 Conclusion

The study found out that dynamic capability significantly influenced the performance of matatu Saccos. Pursuing dynamic capability results in a substantial disruptions and changes, and processes that can affect the performance. Pursuing dynamic capability without taking into considerations of organizations processes and changes may not necessarily lead to improved performance. Also, executing dynamic capability requires significant investment in new technologies, models and training; hence it is important for the management to understand that the benefits associated with dynamic capability may not be realized in the short-term.

5.3 Recommendations and Contributions of the Study

Management should also embrace the concept of dynamic capability. Dynamic capability is associated with the organization's ability to recognize emerging external information and use it to achieve competitive advantage. Therefore, organizations should promote learning to ensure that the external knowledge can be used to enhance the performance. The organizations should also make the necessary commitment to cope with the tradeoffs associated with perusing any type dynamic capabilities. In the theory, the dynamic capability enables the organization to achieve agility because it provides a framework that the managers should follow in pursuit of agility. For the organization to achieve agility, it must sacrifice the technical competencies. Failure to sacrifice the technical competencies will result in failures to achieve organizational agility. Thus, due to the costs associated with this tradeoff, the management needs to establish the ways to manage the risks by using various measures such as hedging

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