DYNAMIC CAPABILITIES AND COMPETITIVE ADVANTAGE OF COMMERCIAL BANKS IN KENYA

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ABSTRACT

The current study sought to assess how dynamic capabilities influence competitive advantage of commercial banks in Kenya. The study centered on assessing the influence of marketing capability, knowledge management capability, technological capability and financial management capability on the competitive advantage of commercial banks in Kenya. Theories such as Marketing Mix Theory, Knowledge Based Theory, Technology Acceptance Theory, and Resource Based Theory were used to anchor the study. A descriptive survey research design was employed in the study. The target population comprised of all 42 licensed commercial banks operating in Kenya as outlined in the Bank Supervisory Report 2020. The unit of observation comprised of heads of research and development department, finance department, information technology department, and sales and marketing department from each commercial bank. Both primary and secondary data were used in the study where primary data was collected through a 5-point Likert scale questionnaires and secondary data was gathered through a secondary data collection sheet from audited financial reports. Both inferential and descriptive statistics were employed in analyzing the collected data. Both SPSS software and MS Excel were used in generating the statistics. The study results of the analysis were presented in form of tables and figures. The study established that marketing capability, knowledge management capability, technological capability, and financial management capability bears a positive and significant influence on competitive advantage of commercial banks in Kenya. This shown by beta values of 0.328, 0.256, 0.401, and 0.303 and significant values of 0.000, 0.006, 0.000, and 0.002 respectively. The results bears the implications that increasing each of the independent variable with one unit results to increase in the levels of competitive advantage of commercial banks with the respective beta values. The study recommended the need to enhance marketing capabilities, knowledge management capabilities, technological capabilities, and financial management capabilities by the commercial banks since the practices positively and significantly influences competitive advantage of the banks.

Keywords: Dynamic capabilities, competitive advantage, marketing capability, knowledge management capability, technological capability and financial management capability.

INTRODUCTION

The particular competencies that set a company different from its competitors are referred to as competitive advantage (Petrisor &Strain, 2013). The resources and capabilities of a corporation are thought to give it a competitive advantage. The notion of a resource-based view (RBV) is frequently used to conduct internal corporate analysis and assess a company's competitive advantage (Wang, 2014). It is based on the idea that businesses have a collection of resources and capabilities that enable them to achieve a Sustainable Competitive Advantage (SCA) and higher profits. The term "Valuable, Rare, In-Imitable, and Non-Substitutable" refers to a company's resources and competencies being Valuable, Rare, In-Imitable, and Non-Substitutable (Alharthi, 2012). Firms use value chain analysis or SWOT Analysis to enhance strategic analysis and identify their plans to compete in the market, utilizing the resource-based view as a general guideline.

Firms obtain a competitive advantage through focusing and growing strengths, as well as leveraging favorable market opportunities. Both value chain analysis and SWOT analysis aid in the introspection of businesses to determine their strengths and weaknesses. Following that, they work to innovate and build their competency, resulting in a long-term competitive advantage. Regardless of industry, some companies outperform others because they may have a distinctness that is difficult to duplicate, allowing them to surpass their competitors (Bharadwaj et al., 2015). In the field of strategic management, the inimitable, unique capabilities and resources are known as the sources of competitive advantage. Competitive advantage can result either from implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors or through superior execution of the same strategy as competitors.

Firms operate in an environment characterized by rapid changes brought about by technological advancements and globalization of the world. In order to be competitive, firms are therefore called upon to swiftly align their operations if they are to maintain their competitive position (Imbambi, 2018). To achieve this, adoption of dynamic capabilities that places a firm in a more competitive position is of utmost significant in the operations of the firms. According to Cabiddu and Pettinao (2018),dynamic capabilities refers to the potential of a firm tenaciously extend, build and modify resources at its disposal in order to be in line with changing operational environment. Laaksonen and Peltoniemi (2016) adds that dynamic capabilities refer to the firm’s abilities of creating, reconfiguring, and integrating both internal and external competencies in executing set tasks aiming at achieving a high performance level. To perform in the highly competitive environment, there is a need for firms to transform and consolidate both external and internal resources.

The manner in which firms attain competitive advantage position which can be sustained over a period of time is of great importance to strategic management field. Famous authors in the field of strategy management such as Porter (Alharthi, 2012) suggest the need for an organization to come up with competitive strategies if they desire to achieve a competitive position in a given industry. A competitive position is normally one of the elements that provide a competitive edge to a business over and above the competition that it faces. Possession of strategic capabilities enable a firm to directly improve its value offering to the market or customers in terms of products or services which are a result of possession of core competencies (Wanjiku, 2017). Core competence describes an organization specific capability, which helps it stand out from the rest in the industry. It is the asset that defines the essence of the firm's business in terms of core capabilities which make it possible for the firm to compete with other firms in the industry effectively.

Countries in Asia such as Japan, India and China have also recorded a surge in IT sectors as a result of leveraging on their distinctive capabilities for improved competitive advantage (Marchand, Hennig-Thurau & Flemming, 2020). Companies such as Huawei and Alibaba in China and Samsung operating in South Korea have utilized their peculiar dynamic capabilities which has seen them expand beyond their countries into the global markets. Joyce and Slocum (2012) posits that these firms have been in a position to innovate products and services that meets customers' dynamic tastes and preferences which have enhanced customer loyalties. Consequently, the firms have managed to respond to market changes swiftly and to adjust on eventualities in the course of their operations.

In Ghana, Bonsu (2016) established existence of a direct relationship between organizational dynamic capabilities and performance of the organizations in areas of operations and finances. The scholar observed that despite the prevailing intensive competition in the markets, family lead small businesses that adapt managerial and marketing capabilities always outperforms the players in the same industry. Salama (2017) on his attempt to examine the relationship between inter-organizational practices and organizational capabilities on performance of organizations in Egypt established that the level of performance on the firms was affected by other indicators other than organizational learning and knowledge management capability. He concluded that the firm's ability of producing unique and distinctive service and goods is not direct ticket to outperforming its competitors in the same industry.

Fadhili and Muganda (2013) established that in Kenyan IT firms, there is a call for building dynamic capability that aims at recognizing crucial drivers underlying development of off-shore success. In the Agricultural Development Corporation, Hassan (2016) established a strong positive significant association between communication process and implementation of strategy and dynamic capabilities. An evaluation on how dynamic capability affects strategy implementation revealed that the variable fully supported the implementation process of strategies in the corporation. Similarly, adopting dynamic capabilities in areas of technology and knowledge management determines the success extent in strategy implementation process.

Statement of the Problem

Kenya's economy has recorded growth in recent years and the banking industry's role of facilitating sustainable development through affordable finance remains central. Today, new challenges stemming from global and regional geopolitics, technological disruption, social and environmental concerns have prompted a paradigm shift from traditional ways of doing business(Wandiga, Kilika & James, 2019). Notwithstanding these dynamics, banks have continued to create value for the economy and society. However, commercial banks in Kenya face many issues amongst them being challenges in growth, high failure rate and high competition. Several banks in Kenya have gone under receivership (for instance Prime bank and Chase bank). Others are on the brink of collapse (for instance the National Bank of Kenya)(CBK, 2021).

At the same time, there is an intense competition in the industry with the changing economic climate such as existence of interest caps and competition from digital lending companies. Additionally, commercial banks have experienced losses resulting from increased values of Non-Performing Loans. CBK Financial Sector Stability Report(2020) revealed that commercial banks operating in Kenya continues to face increased credit risk, deteriorating profitability, and liquidity risk which has eroded the sector's stability. In 2020, CBK revealed that the asset quality of commercial banks dropped from 37.6% in 2017 to 34.5% in 2018, liquidity increased to 43.7% while capital adequacy stagnated at 18.8% which was slightly above 14.5% required rate. On overall, combined with other external factors culminated into a decrease of 9.6% on profit before tax for the banking sector.

To stand competitively in the market, Muhura (2012) advocates for process and resource realignment in the operations of the commercial. This calls for commercial firms to re-align themselves in order to gain competitive advantage. With the challenge of a global Covid 19 pandemic that the world faces today, firms are forced to re-structure in order to remain competitive. Adoption of dynamic capabilities in areas of marketing capability, technological capability, knowledge management and financial capabilities comes in handy in the operations of commercial banks. Tuan and Yoshi (2013) evaluated the link between organizational capabilities, performance, and competitiveness and discovered that organizational capabilities play a vital influence in the firm's competitive standing. Organizational competencies have been shown to have a major impact on competitiveness. Because the study was carried out in Vietnam, there is a contextual gap that the current study will attempt to fill.

In Turkey, Seyhan, Ayas, Sönmez, and Uurlu (2013) looked at the link between strategic competencies and competitive performance. Strategic capabilities, according to the study, have a beneficial impact on competitive performance. This study also was conducted in a different context as the current study hence the need to bridge the contextual gaps. Studies conducted locally include, Imbambi, (2018) who focused influence on strategic capabilities on competitive advantage of sugar manufacturing firms. The study established a statistically significant and direct link between technology and material capabilities and competitiveness. However, the study focused on technology capability and material capability while the current study focuses on marketing capability, technological capability, knowledge management and financial management capability.

Objectives of the Study

The study sought to assess the influence of dynamic capabilities on the competitive advantage of commercial banks in Kenya.

The study was guided by the following specific objectives;

1. To determine the influence of marketing capability on the competitive advantage of commercial banks in Kenya.
2. To determine the influence of knowledge management capability on the competitive advantage of commercial banks in Kenya.
3. To determine the influence of technological capability on the competitive advantage of firms of commercial banks in Kenya.
4. To determine the influence of financial management capability on the competitive advantage of commercial banks in Kenya.

THEORETICAL REVIEW

Marketing Mix Theory

The marketing mix theory was formulated by Neil Borden in 1949 and aims at translating marketing value efforts in a demonstrable and direct connection to something that occurs in market share, sales and ROI. Marketing mix according toBasuki (2018) is a business foundation model which is historically centered on product, price, place and promotion simply referred as 4Ps. The model outlines marketing tools that a firm can apply in pursuing its set marketing objectives in its target market (D'Esopo & Almquist, 2017). The study adopts the marketing mix model aiming at explaining how the adoption of the model in the marketing strategy of firms contributes to competitive advantage. During the formulation of a marketing strategy, a firm need to put into consideration factors such as what target consumers wants, how the products or services offered by the firm meets the customer’s needs, the level of perception of the firms’ products, how the products stands out compared to the competitors as well as the level of interactions with customers. When these marketing aspects are combined, a firm stands a better position of competing in the competitive market. The model specifically informs on the marketing capability of a firm.

Knowledge-Based Theory

Knowledge-Based Theory was initially proposed by Penrose in 1959 and Wernerfelt in 1984 and later expounded by Barney in 1991 and Conner in 1991. The theory perceives knowledge as one of the most significant resource that a firm can possess. According to the proponents of the theory, knowledge based resources are not easy to imitate and are generally complicated in respect to heterogeneous capabilities and knowledge. These aspects form the main aspect that determine superior performance of firms as well as sustainability in the competitive advantage of the firm. The theory indicates that firms bear the capability of differentiating themselves through adopting knowledge management strategies. The study adopts the knowledge based theory to explain how knowledge capability in a firm contributes to its competitive advantage. When a firm is well endowed with knowledge resources, it bears the possibility of formulating ways and means that places it ahead of competition compared to its competitors.

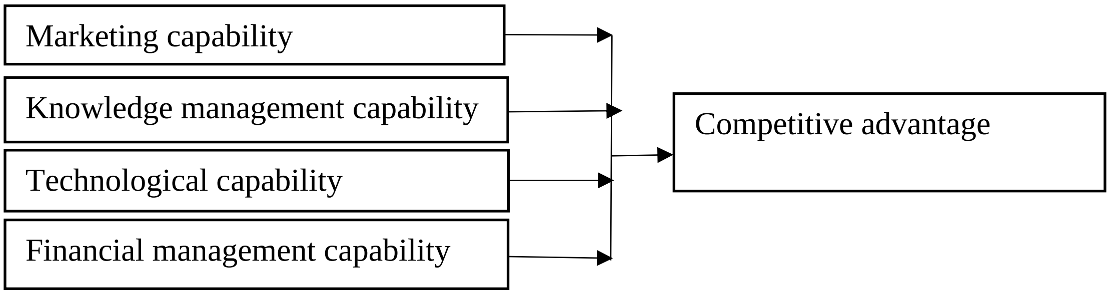
Technology Acceptance Theory

The model was developed by Davis in 1986 to specifically deal with predicting the degree of acceptability of information systems. The model plays a role in predicting acceptability of tool and in identifying modifications which have to be brought in to the system aiming at making it user-acceptable. According to the model, information system acceptability is determined and by its perceived usefulness and associated perceived usage ease. According to He (2014), various factorial analysis usage demonstrates that perceived usage ease as well as perceived usefulness can be construed as two different dimensions. According to Khoi (2020),TAM hypothesizes a direct association between perceived usefulness and ease of use. Perceived usage ease significantly influences individual attitude through instrumentality and self-efficacy. The more as system bears ease of use attributes, the greater the user efficacy in usage. This theory aims at explaining how adoption and usage of technology influences competitiveness of firms. The theory recommends firms to adopt technologies that are useful to the operations of the firms as well as easiness in using the technology. According to the theory, adoption of technology heavily relies on the user know-how, and that, people will adopt a new technology only if its user friendly and they can easily manage it. The theory is relevant to this study as it links the independent variable of technological capability to the study.

Resource Based Theory

The theory was proposed by Birger Wernerfelt in 1984 and advanced by Barney in 1991. The theory states that a firm’s heterogeneity results from being in possession of resources that appear heterogeneous implying that the firm possesses varied strategies form the distinct resources. The theory mainly centers its attention on the internal resource management while at the same time trying to establish these resources competencies and capabilities that bears the capability of brining the firm a sustained competitive advantage. According to the theory, the technique of identifying a firm’s strategic advantage through examining various combination of assets, skills, capabilities and other resources intangible in a firm is referred to as resource base. The theory explains the needs of a firm to be in possession of key resources that plays a significant role in the operations. Being in possession of the resources such as finances and knowledge puts a firm in a high competitive position in the market. Through the resources, a firm is in a position of capitalizing on impending opportunities and the same time curbing any potential threat that may interfere with the firm's operations.

Conceptual Framework



Marketing Capability

Ejrami, Salehi and Ahmadian (2016) conducted a study on how marketing capabilities affects competitive advantage of importation companies operating in Iran. The study employed a descriptive survey research approach and targeted 100 importing companies operating in Imam Khomeini International Airport. Questionnaires were distributed to a sample of 80 companies where 120 respondents were involved in the study. The collected data was analyzed through inferential statistics comprising of both regression and Pearson correlations. The statistics were generated through the help of SPSS. The results of the study established that the companies marketing potentials positively affect competitive advantage of the companies while marketing capability bears a positive impact on the company's performance.

Cacciolatti and Lee (2016) sought to assess the relationship between marketing capabilities and performance of firms of UK firms using marketing strategy, market orientation and organizational power as moderating variables. The study employed a case study research approach and targeted 222 respondents comprising of top financial and marketing executives, top managers and CEOs of both large and medium sizes firms. An online questionnaire was used in collecting data for the study. Both descriptive and inferential statistics were employed in analyzing the collected data and results presented in form of tables and figures. The study's findings showed a significant and positive relationship between a company's performance and its marketing capabilities, with higher performance levels being the outcome of improved marketing capabilities.

Using empirical data from Nigeria, Salisu, Abu-Bakr, and Rani (2017) conducted a study on how marketing competency influences company performance. The research design used in the study was descriptive. and targeted 361 firms in Nigeria. The target respondents were surveyed using a five-point Likert scale to gather both quantitative and qualitative data. The average variance extracted and composite reliability statistics were used to determine how the independent variable affects the dependent variable. The results of the analysis revealed that marketing capability significantly influences firm performance and that for performance realization in the firms, there must be an effective marketing capability.

Karanja, Muathe, and Thuo (2014) focused on mobile service providers acting as intermediary firms in Nairobi County in an effort to associate marketing capabilities with performance. Explanatory cross-sectional survey research was used in this study and targeted 397 intermediary mobile service providers. Both stratified and random sampling methods were employed in developing a sample of 219 respondents for the study. Secondary data was utilized in the study whereas a panel regression model was used in analyzing the collected data. The results of the study revealed a statistical significant relationship between marketing capabilities and performance of mobile service providers.

Knowledge Management Capability

In their 2017 study, Patma, Djajanto, and Mauludin sought to understand the relationship between knowledge management skills and product innovation, as well as how each affected marketing performance in Indones. The study targeted 200 small and medium businesses registered under East Java Indonesia. A census approach was employed where all the businesses were involved in the study. The study adopted a 5-point Likert scale questionnaire in gathering the data for the study. In analyzing the collected data, the study employed a structural equation modelling approach combined with partial least squares.

In a 2012 study, Kamya, Ntay, and Ahiauzu examined how market orientation affected the relationship between knowledge management and competitive advantage among Ugandan firms. The research design for the study was a cross-sectional survey and targeted 11,153 organizations. A sample of 718 was selected through a simple random sampling method. Primary was used in the study and was gathered through self-administered questionnaires. The analysis of the data collected was conducted through inferential and descriptive statistics. The study findings revealed a positive correlation between organizational competitive advantage and knowledge management which is greatly impacted by the interaction of market orientation.

Chengecha and Ogutu (2016) led a review on what information capacity means for company's intensity zeroing in on the financial area in Kenya. The concentrate further wail to lay out how banks make due, make and offer information. A distinct overview research configuration was taken on in the review and the objective populace involved all business banks working in Kenya. Semi organized surveys were utilized to gather both quantitative as well as subjective information. Thematic analysis was employed in analyzing the qualitative data while descriptive statistics analyzed the quantitative data. The findings of the study revealed that knowledge management capability that a big percentage of bank operating in Kenya capitalize on technology and customer knowledge which enables the institutions to relate well with their customers.

In their 2016 study, Kiptalam, Komene, and Buigut attempted to determine how innovation can moderate the impact of knowledge management on the competitiveness of SMEs in Kenya. The study used a descriptive research design and focused on 2120 SMEs in Nairobi's manufacturing industry. Surveys were used to gather the study's data, which SPSS was then used to qualitatively analyze. The study's findings showed that processes for managing knowledge had a favorable impact on firms' levels of innovation, which in turn have a positive mediating effect on the relationship between innovation and company competitiveness. According to the study, innovativeness should be included as a moderating factor between knowledge management and company competitiveness.

Technological Capability

Rahim and Zainuddin (2019) set out to determine how Malaysian automotive manufacturers' performance and competitive advantage are impacted by their ability to innovate technologically. The dynamics considered in the study comprised of manufacturing capability, R&D capability, HR capability and networking capability. The study employed a survey and interview methods to collect data from automotive firms. With the help of WarpPLS 6.0 software, the data was analyzed using the partial least square approach. The findings of the study demonstrated that the organizations' networking and R&D skills improved their performance and competitive advantage. Manufacturing and HR capabilities only help businesses improve their performance and gain a competitive advantage.

Ahmad and Lazim (2019) aimed to demonstrate a connection between Malaysian manufacturing enterprises' performance and technological prowess. 322 manufacturing companies operating in Malaysia were the focus of the study, which used a descriptive research design. A stratified random sampling method was adopted in dividing the population into strata in respect to the sector of operation. Questionnaires formed the main data collection instruments. Hypothesis testing was through Pearson Correlation analysis. The results of the study established positive significant relationship between technological capabilities and performances of the manufacturing firms.

Imbambi *et al.,* (2017) conducted a study to assess how technology capability influences competitive advantage of Kenyan sugar companies operating in Western region. The study adopted a combination of both correctional and descriptive research design and targeted 727 managers from both senior and middle levels. Yamane sampling formula was employed to derive a sample of 88 respondents. Correlation analysis was utilized in testing the hypothesis of the study. The results revealed existence of a positive influence of technology capability and competitive advantage of the sugar firms. The study however revealed that the sugar companies in the study had a limitation in technology capabilities and recommended them to focus on adopting proper capabilities in areas of technology.

Financial Management Capability

Fonseka, Tian and Li (2014) conducted a study seeking to establish how financial capabilities impact sustainability and competitiveness of firms focusing on Chinese highly regulated market. The study targeted all firms registered under China Stock Market for the period between 2000 and 2009. A sample of 4530 firms were involved in the study. Secondary data was utilized and was assessed hierarchical regression analysis models. The results of the study revealed that the internal financing abilities of a firm does not offer a significant competitive advantage compared to firm's external financing abilities.

Shigang and Guozhi (2016) conducted an empirical study on how a financial management capabilities of a firm influences performances focusing on Chinese Construction Firms. 184 respondents from general building and civil engineering firms participated in the study, and their responses were gathered using self-developed five point Likert Scale questionnaires. In order to ascertain the link between the study's variables, regression analysis was used. The study's findings showed that the construction businesses' performances were significantly and favorably influenced by the financial management capabilities of the study.

The study by Imbambi (2018) examined how financial resources affect competitive advantage with a focus on sugar firms operating in Western Kenya. Six sugar firms were the focus of the study, which included descriptive and correlational research methodologies. The study made use of first-hand information gathered through questionnaires. The methods used to analyze the data gathered were correlations, logit, and hypothesis analysis. The study's findings showed that the firms' competitive advantage was not greatly impacted by their financial management capacity.

RESEARCH METHODOLOGY

Research Design

The study adopted a descriptive research design. The research design was appropriate for the current study since the aim of the study was to acquire facts and opinions in respect to how dynamic capabilities influences competitive advantage of commercial banks in Kenya.

Target Population

The target population of the study comprised all 42 licensed commercial banks operating in Kenya as outlined in the Bank Supervisory Report 2020. The unit of observation comprised of heads of research and development department, finance department, information technology department, and sales and marketing department from each commercial bank making a population of 168 respondents.

Sampling Frame

The sampling frame of the current study comprised of 42 licensed commercial banks operating in Kenya. The unit of observation comprised of heads of research and development finance, information technology and sales and marketing departments. The study applied Yamane (1967) sampling formula to develop the sample size of the study. From the target population, 30 respondents from Research and Development Department, 30 from Finance Department, 29 from Information Technology Department and 29 from Sales and Marketing Department were purposively selected and involved in the study. This made a sample of 118 respondents.

Data Collection

The study relied on primary and secondary data. Secondary data was collected through a secondary data collection sheet from audited financial reports of respective banks from 2017 to 2021. The researcher started the data collection process after the proposal was approved by the university and issued with an approval letter. The researcher sough data collection authority from the university prior delivering the questionnaires to the respondents. Remarkably, permission was sought from the management of the commercial banks where the research was carried out.

Pilot Testing

The pilot study was carried out on 10% of the sample size which comprised of 18 questionnaires. Internal consistency method was used to find out the reliability and the threshold to be used was 0.7 whereby any values below this cut off indicated that the data collection instrument was not reliable thus called for re-editing. To ensure content validity, the supervisor was involved in assessing questionnaire’s concepts and determine whether they measure what they purports to measure. Component Factor Analysis was employed in assessing construct validity. Factor loading values were used in determining whether to delete or retain an item in the questionnaire where a factor loading value of 0.4 was adopted as a threshold and items with a factor loading value of below 0.4 were deleted.

Data Analysis and Presentation

Questionnaires were scrutinized for completeness and if they had being completed as required. The data was coded and classified in terms of their similarities and then tabulated. Descriptive statistics such as percentages, means and standard deviation were used to analyze quantitative data and results presented in form of pie charts, graphs and frequency tables. Inferential statistics (regression and correlation) were used to determine the degree of association between independent and dependent variables. Data analysis was done by the use of SPSS (Statistical Package for Social Scientist) program. The program was also used to refine data using a multiple regression analysis that showed the link between dependent and independent variables.

$Y= \beta_0 + \beta_1X_1+ \beta_2X_2+ \beta_3X_3 + \beta_4X_4+ \varepsilon$……………………………………Equation 1

Where:

Y = Competitive Advantage of Commercial Banks; X_1 = Marketing Capability; X_2 = Knowledge Management Capability; X_3 = Technological Capability; X_4 = Financial management capability; ε represents Error term.

RESEARCH FINDINGS AND DISCUSSIONS

Marketing Capability

All respondents agreed with the statements about marketing capability and its impact on competitive advantage, according to the results of the descriptive analysis. The results of the correlation research also revealed a significant positive link between marketing capability and competitive advantage among Kenyan commercial banks. The regression study further confirmed that marketing capability has a positive and significant impact on Kenyan commercial banks' capacity to compete. The findings suggest that improving marketing capabilities boosts commercial banks in Kenya's levels of competitive advantage.

Knowledge Management Capability

According to the findings of the descriptive analysis, every respondent agreed with the statements regarding knowledge management capabilities and their effect on competitive advantage. A significant and positive association between Kenyan commercial banks' competitive advantage and knowledge management capabilities was also revealed by the correlation study' results. The regression analysis further indicated that knowledge management capability has a positive and significant impact on Kenyan commercial banks' competitive advantage. The results imply that increasing knowledge management capabilities increases Kenya's commercial banks' levels of competitive advantage.

Technological Capability

All respondents agreed with the claims about technological capability and its impact on competitive advantage, according to the results of the descriptive analysis. The results of the correlation analysis also revealed a significant positive link between technological capability and the competitive advantage of Kenyan commercial banks. The regression analysis further confirmed that technological skill has a positive and significant impact on Kenyan commercial banks' ability to compete. The findings suggest that improving technological capabilities leads to higher levels of competitive advantage for Kenya's commercial banks.

Financial Management Capability

All respondents agreed with the statements about financial management capability and its impact on competitive advantage, according to the results of the descriptive analysis. The results of the correlation analysis also revealed a significant and positive association between Kenyan commercial banks' competitive advantage and their financial management capabilities. The regression study further confirmed that the competitive advantage of commercial banks in Kenya is positively and significantly influenced by financial management capabilities. The findings suggest that improving financial management capabilities leads to higher levels of competitive advantage for Kenya's commercial banks.

Inferential Analysis

R	R Square	Adjusted R Square	Std. Error of the Estimate
.796[a]	0.634	0.586	0.147821

	Sum of Squares	df	Mean Square	F	Sig.
Regression	43.219	4	10.80475	34.3806	0.000[b]
Residual	29.227	93	0.314269		
Total	72.446	97			

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.713	0.11		15.573	0.000
Marketing Capability	0.328	0.079	0.296	4.152	0.000
Knowledge Management Capability	0.256	0.119	0.213	2.151	0.006
Technological Capability	0.401	0.054	0.372	7.424	0.000
Financial Management Capability	0.303	0.108	0.286	2.806	0.002

Dependent Variable: Competitive Advantage

		Marketing Capability	Knowledge Management Capability	Technological Capability	Financial Management Capability	Competitive Advantage
Marketing Capability	Pearson Correlation	1				
	Sig. (2-tailed)					

Knowledge Management Capability	Pearson Correlation	-0.141	1			
	Sig. (2-tailed)	0.109				
Technological Capability	Pearson Correlation	-0.06	0.016*	1		
	Sig. (2-tailed)	0.96	0.112			
Financial Management Capability	Pearson Correlation	0.009	0.059	-0.196**	1	
	Sig. (2-tailed)	0.118	0.092	0.034		
Competitive Advantage (CA)	Pearson Correlation	0.429**	0.214	0.526**	0.329**	1
	Sig. (2-tailed)	0.000	0.006	0.000	0.001	
	N	98	98	98	98	98

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

From the correlation analysis, marketing capability and competitive advantage of commercial banks in Kenya positively and significantly correlates. This is shown by a correlation value of 0.429 and significance value of 0.000. The results bears the implications that enhancing marketing capabilities by commercial banks results to enhanced competitive advantage. The R-value was 0.796 implying existence of a moderately high relationship between the independent variables and the dependent variable. The marketing capability, knowledge management competence, technological capability, and financial management capability taken together as independent variables account for 63.4% of the dependent variable (Competitive Advantage) according to the coefficient of determination represented by the R-square value of 0.634.

Competitive Advantage = 1.713 =0.401(Technological Capability) + 0.328(Marketing Capability) + 0.303 (Financial Management Capability) +0.256(Knowledge Management Capability)

From the ANOVA test, the significance value was 0.000 which was less than 0.05 implying that the model linking independent variables(marketing capability, knowledge management capability, technological capability and financial management capability) with the dependent variable was statistically significant thus a good fit for the study. The regression analysis shows that Kenyan commercial banks' competitive advantage is positively and significantly influenced by their marketing linking capabilities. A beta value of 0.328 and a significant value of 0.000<0.05 demonstrate this. The findings imply that expanding marketing linking capability by one unit results in a 0.328 unit rise in the commercial banks in Kenya's competitive advantage.

CONCLUSIONS

The results of the study culminated into conclusions that marketing capability bears a positive and significance influence on competitive advantage of commercial banks in Kenya. Consequently, marketing capability practices undertaken by the commercial banks such as continuously conducting market surveys aiming at establishing new markets and establishing expansion opportunities, developing a unique selling and product promotion channels technique in the market, evaluating marketing trends to enhance its marketing activities, and tuning promotions in respect to the demands of customers further enhances competitive advantage of commercial banks in Kenya.

The results of the study further culminated into conclusions that knowledge management capability bears a positive and significance influence on competitive advantage of commercial banks in Kenya. Consequently, knowledge management capability practices undertaken by the commercial banks such as putting up mechanisms to enhance understanding of dynamic competition, having a full understanding of the nature of products and services offered by the bank by staffs, putting up mechanisms to enhance the knowledge on the dynamic demands of the customers, extending knowledge to staffs through training and putting up mechanisms to promote continuity in extending knowledge on products and services to new staffs further enhances competitive advantage of commercial banks in Kenya.

The results of the study also culminated into conclusions that technological capability bears a positive and significance influence on competitive advantage of commercial banks in Kenya. Consequently, technological capability practices undertaken by the commercial banks such as having a technology associated with investment on research on new products and services, innovating products that competes competitively in the market, deploying technologies that enables efficient reaching of customers, investing in technologies that encourages automation of processes and having a technology that is associated with using IT in developing key business operational strategies further enhances competitive advantage of commercial banks in Kenya.

The results of the study finally culminated into conclusions that financial management capability bears a positive and significance influence on competitive advantage of commercial banks in Kenya. Consequently, financial management capability practices undertaken by the commercial banks such as having an efficient management of cash flows in the operations, repaying debts in respect to set repayment policies, putting in place mechanisms for managing finances, making financial decisions that ensures the bank invest in profitable areas, managing expenditure to ensure a balance in its cash flows and putting in place mechanisms in managing expenditures which ensures existence of a balance between cash flows and expenses further enhances competitive advantage of commercial banks in Kenya.

RECOMMENDATIONS

The study provides recommendation to the commercial banks operating in Kenya to enhance their marketing capabilities since the practices bears a positive and significant influence of on competitive advantage. The commercial banks can achieve this through practices such as continuously conducting market surveys aiming at establishing new markets and establishing expansion opportunities, developing a unique selling and product promotion channels technique in the market, evaluating marketing trends to enhance its marketing activities, and tuning promotions in respect to the demands of customers.

The study also provides recommendation to the commercial banks operating in Kenya to enhance their knowledge management capabilities since the practices bears a positive and significant influence of on competitive advantage. The commercial banks can achieve this through practices such as putting up mechanisms to enhance understanding of dynamic competition, having a full understanding of the nature of products and services offered by the bank by staffs, putting up mechanisms to enhance the knowledge on the dynamic demands of the customers, extending knowledge to staffs through training and putting up mechanisms to promote continuity in extending knowledge on products and services to new staffs.

The study further provides recommendation to the commercial banks operating in Kenya to enhance their technological capabilities since the practices bears a positive and significant influence of on competitive advantage. The commercial banks can achieve this through practices such as having a technology associated with investment on research on new products and services, innovating products that competes competitively in the market, deploying technologies that enables efficient reaching of customers, investing in technologies that encourages automation of processes and having a technology that is associated with using IT in developing key business operational strategies.

The study finally provides recommendation to the commercial banks operating in Kenya to enhance their financial management capabilities since the practices bears a positive and significant influence of on competitive advantage. The commercial banks can achieve this through practices such as having an efficient management of cash flows in the operations, repaying debts in respect to set repayment policies, putting in place mechanisms for managing finances, making financial decisions that ensures the bank invest in profitable areas, managing expenditure to ensure a balance in its cash flows and putting in place mechanisms in managing expenditures which ensures existence of a balance between cash flows and expenses.

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