International Journal of Science and Research (IJSR)
ISSN: 2319-7064
Impact Factor 2025: 7.089

Effect of Seizing Capability on the Performance of Commercial Banks in Kenya

Robert Mogere[1], Dr. Lydia Mwai, PhD[2]

[1]PhD Candidate
Email: *bamogere21[at]gmail.com*

[1]School of Business Management and Economics, Dedan Kimathi University of Technology

[2]School of Business Management and Economics, Dedan Kimathi University of Technology
Email: *lydiakmwai[at]gmail.com*

Abstract: ***This study examined the effect of seizing capability on the performance of commercial banks in Kenya. The study was guided by positivist philosophy and adopted a cross-sectional descriptive research design. Data were collected from managers of 38 commercial banks using structured questionnaires, while performance data were supplemented with secondary sources. Reliability and validity were assessed using Cronbach's alpha and Confirmatory Factor Analysis. Ordinary Least Squares regression was applied to test the study hypothesis. The findings revealed that seizing capability explained 29.4% of the variation in commercial bank performance and had a positive and statistically significant effect on performance. The study concludes that effective implementation of seizing capability practices enhances organizational performance. The study recommends strengthening change responsiveness, resource mobilization, and knowledge-sharing initiatives to improve the sustained performance of commercial banks in Kenya.***

Keywords: Commercial Banks; Seizing Capability; Dynamic Capabilities; Organizational Performance; Banking Sector; Kenya.

1. Introduction

1.1 Background of the Study

Commercial Banks are instrumental in fostering a nation's economic well-being by providing the crucial financial intermediation, fostering economic growth, industrial development, and creating employment. The financial sector in Kenya contributes approximately six percent (6%) to Gross Domestic Product.

Globally, a performing banking sector provides financial impetus critical to achieving some of the most important Sustainable Development Goals (SDGs). In Kenya, the financial industry is identified as a cornerstone for realizing Kenya's Vision 2030 strategic blueprint, which aims to foster long-term economic growth by increasing savings, attracting foreign direct investment (FDI), and ensuring resilience against global economic fluctuations ultimately establishing Kenya as a leading financial hub (Government of Kenya, 2007). During the second Medium Term Plan (MTP), the sector made great growth, and in the third MTP phase, the banking sub-sector was emphasized for its significant asset base and systemic importance, with adult banking usage rising from 29% in 2013 to 38% in 2016 (Government of Kenya, 2007).
.
In terms of asset base, the commercial banks control over Kes 6,589.8 billion out of which 68% held in local private commercial banks. The 38 commercial banks in Kenya have a wide branch network which stood at 1,459 as at December 2022 (Central Bank of Kenya, 2022). The Central Bank of Kenya categories these banks by market share and based on this categorization, nine (9) commercial banks control, approximately 75% of the market share and are classified as "large". Eight (8) of the thirty-eight commercial banks had a combined weighted market share of approximately 16% and are classified as "medium peer" banks, while twenty-one (21) are on the same criterial classified as "small peer" banks and command approximately nine percent of the market share.

The sector's performance has fluctuated significantly over the last five years (2018-2022). An analysis of staff efficiency, computed as the ratio of deposit account holders to staff members, indicated changes of 12.24%, 12.89%, 13.03%, -7.55%, and -13.25% during this time. Such performance fluctuation can be ascribed to a variety of variables, including changing consumer needs, the introduction of new financial products, technology improvements, and the diversity of service delivery channels. Regulatory authorities emphasize the importance of commercial banks continuously innovating by producing new products, improving existing offers, and expanding service channels in order to improve client accessibility and differentiate themselves in a competitive regional market.

1.2 Problem Statement

A sound banking sector is crucial for attainment of the aspirations of African Agenda 2063 and the Sustainable Development Goals (SDGs). In Kenya, these institutions provide financial intermediation and reliable payment system and accounts for more than 5% of the country's GDP according to Kenya National Bureau of Statistics (KNBS). The financial industry is identified as a critical cornerstone for realizing Kenya's Vision 2030 strategic blueprint. Banks operate in a very dynamic and competitive business environment. This dynamism border on frequent changes in technology, customer tasks, changes in regulation, risk exposures and talent retention. Despite the general conception that banks in Kenya are highly performing in terms of profitability, the banks' performance in other performance metrics continue to be erratic. For

instance, in the period (2018-2022), the measures of staff efficiency score, a ratio of the number of deposit account holders to number of staff, indicates a diminishing change of 12.24%, 12.89%,13.03%, -7.55%) and -13.25%. Further, as at December 2022, statistics indicated that 15 out of the 38 (38.46%) banks were not offering products of different tenor, implying that two out of every five commercial banks were struggling with the Central Bank directive (Central Bank of Kenya, 2022). Most studies done on the concept of dynamic capabilities and performance; Protogerou et al. (2012), Zhou et al. (2017), Pichlak (2021) Ogunkoya et al. (2014), Nyachanchu et al. (2017), Odwaro et al. (2022), Ali and Wambua (2021) exhibit contextual gaps, methodological gaps and analytical gaps considering they were using the same methodologies despite the context, some in developed and emerging economics. This study sets out to offer an empirical foundation for developing interventions to improve the commercial banks' performance and inform strategic seizing capability practices informing sustained performance. Best practices on these drivers could enhance performance a commercial enterprise towards profitability and sustainability. This shift could support contribution of the SOEs towards shared prosperity as enshrined in the sustainable development goals (SDGs) and other development framework targets.

2. Literature Review

2.1 Knowledge Based View Theory

The knowledge-based view theory (KBV) was introduced by Robert Grant, (Grant, 1996). Within the context of corporate management, this theory serves as a widely recognized model for understanding the role that knowledge is essential in achieving organizational objectives, often centered around sustaining a competitive advantage (Imhanzenobe, Adejumo & Ikpesu (2021). In terms of business strategy, intangible knowledge-based resources have been shown to be more impactful than tangible assets (Zhao, 2019). Zhao point out that the shift is partly due to the accelerating pace of technological advancements, which has evolved competition from a primarily resource-based focus to one increasingly rooted in knowledge dynamics (Zhao, 2019). Based on the tacit knowledge, a firm can leverage on the same and identify unique market opportunities, develop innovations that can set the firm at a distinct advance for better performance. As such, this theory views that a bank can better "even-out" performance over time through knowledge- driven capabilities to scan and respond to external environment on one hand. This would imply that the same bank will be in a better position to management of volatility in performance and hence better manage the business risk. Nevertheless, the theory remains quite relevant to this study.

2.2 Dynamic Capabilities Theory

This theory builds on the resource-based paradigm by incorporating the concept of dynamic capabilities, which are the methods by which enterprises can adapt, integrate, and rearrange their resources to navigate quickly changing external situations (Teece, Pisano & Shuen, 1997). According to Teece and Pisano (1994), the capabilities of a firm are rooted in processes, positions, and developmental paths. These capabilities can only yield competitive advantages and generate value if they are composed of a unique blend of routines, skills, and complementary assets that are challenging to duplicate. This concept holds that firms must constantly modify their resources in order to remain competitive in an ever-changing market environment (Madhani, 2010). This study resonates with the dynamic capabilities' theory, as banks function in fluid and ever-changing settings that demand distinctive organizational capabilities for value creation performance as well as for survival in the financial sector. In order to effectively report progressively good performance in the sector, a firm has to make sure that the dynamic capabilities are all in resonance to manage all strategic risks of the intermediation business model. Within these theoretical imputations, the study will explore the relationship between dynamic capabilities and risk management practices and their possible effect on performance of the commercial banks in Kenya (Priyono & Hidayat, 2023). However, the theory provides a focused framework for evaluating the actual capabilities driving performance of commercial banks in Kenya, in the strategic management domain.

3. Empirical Literature

Seizing capability is one of the dynamic capabilities documented to have influence on entity performance. This concept pertains to the strategic utilization of resource capabilities to capitalize on identified (sensed) opportunities (Matysiak, Rugman & Bausch (2018). Seizing capabilities embody the firm's learning processes, capturing both internal knowledge creation and external knowledge acquisition, as well as the synthesis of both through knowledge sharing, all of which are vital for capability development (Nyachanchu, Chepkwony & Bonuke (2017). Research by Kitenga, Kilika and Muchemi (2020) Markovich, Efrat and Raban (2021), Pichlak (2021), Garrido, et al., (2019) discovered a link between an organization's seizing capacities and overall performance. Tempelmayr, Ehrlinger, Stadlmann, Überwimmer, Mang & Biedersberger (2019), hypothesizes that and despite operating in highly turbulent environments, commercial bank could sustain performance through investing in seizing capabilities in the context of resource-based view and dynamic capability theory. This study premised that the seizing capabilities have a positive and statically significant effect on performance of commercial Banks in Kenya. The objective of this study is to provide a clarity on factors that could enhance performance of commercial banks in Kenya. This will serve as a critical indicator of internal and external policy direction geared to improve and sustain performance of commercial bank in Kenya.

3.1 Conceptual Framework of the Study

This study conceptualized seizing capability as the predictor for weighted scores of performances. Commercial banks performance was measured using Balanced Score Card (BSC) approach (customer perspective, internal business process, learning and growth practices). Financial performance was measured using secondary data for triangulation purposes.

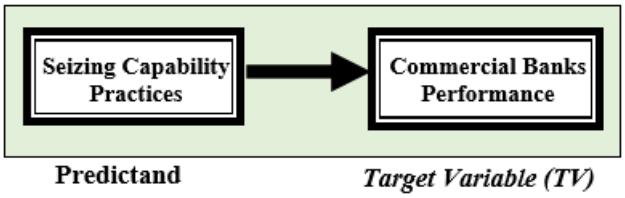

Figure 1: Conceptual Framework for Seizing Capability and Commercial Banks Performance

3.2 General Objective

The general objective of the study was to examine the effect of seizing capability on performance of commercial banks in Kenya.

3.3 Research Hypothesis

This study tested the hypothesis that $H_0$1: Seizing capability does not have a statistically significant influence on performance of commercial banks in Kenya.

3.4 Research Gaps

Many studies have been examined effect of dynamic capabilities in different contexts, applying various concepts and methodological approaches, and extensive analytical models. However, most of the reviewed selected studies used lagging measures for the target variable(s), limiting insights into the performance and sustainability of strategic seizing practices driving specific dynamic capability practices. This study focused on seeking empirically supported response to the question; does a commercial bank's seizing capability have a statistically significant effect on performance of commercial banks in Kenya? This study used a machine learning model using python libraries to train and test the integration of the study variables using stats models and Ordinary Lear Squares (OLS). The findings will provide insights if actually the initiatives of respective commercial banks can explain performance levels experienced among the banks in Kenya.

4. Method

4.1 Philosophy, Design, Instrumentation and Data collection

This study was premised on the four (4) principles of constructivism philosophy; phenomenalism, objectivism, deductivism and inductivism and adopted descriptive research design Mertens (2012). The unit of response was six managers from internal audit, finance, risk and compliance, operations, retail banking and corporate banking from each of the commercial banks. The target population in this study consisted of the 38 commercial banks in Kenya, licensed by the Central Bank of Kenya at December 2022. This population was assessed as a small population and hence the study adopted a census approach was used (Bryman, 2012, Cooper & Schindler, 2011). Primary data was collected using a structured questionnaire and in the case of secondary data, secondary data collection sheet. Measurement of seizing capability was based on opinion, belief and an attitude based on the bank managers. These practices and constructs do not have a direct measure. As such a five-point nominal scaled tool was used with the equivalences of strongly disagree (1) on one side with a scale, followed by disagree (2), neutral (3), agree (4) and strongly agree (5) on the other side of the scale (Charandrakandan, Venkatapirabu, Sekar & Anandakumar 2011). The measure for commercial bank performance was triangulated in measurement by using a secondary measure in addition to a primary measure. The study utilized the Statistical Package for Social Sciences (SPSS) version 26 and Python libaries, that is pandas, statsmodels.api, statesmodels.formula.api, statsmodel.api and statsmodel. stats. Anova. The results of the Statsmodel Linear Summary -Ordinary Least Squares Regression Results were generated for each null hypothesis in data analysis process. SPSS was preferred owing to its systematic capabilities on a wide range of statistical analyses and presentations (Porter & Gujarat, 2009).

4.2 Stability and Validity of Instrumentation of Data Collection Tool

The nine (9) parameters used to measure seizing capability produced a Cronbach coefficient of 0.757 while the twelve (12) measures for performance generated a coefficient of 0.748. and the results are presented in Table 1. Confirmatory Factor Analysis (CFA) was used to analyze the numerical construct validity. Kaiser-Meyer-Olkin (KMO) coefficient of 0.718, Chi- Square of 1355.184 and associated p-value of .000 was generated for the seizing capability and a KMO of 0.671, Chi- Square of 619.596 and an associated p-value of .000 for performance measures. Confirmatory Factor Analysis (CFA), varimax rotation generated three components for seizing capability with cumulative rotations sums of 83.742%. On the other hand measures of performance achieved a cumulative rotations sums of squared loadings had a cumulative rotations sums of squared loadings of 60.540%.

Table 1: Reliability test Results

Variable	Number of Measures	KMO	Cronbach Alpha	Chi-Square & p-value	p-value	Rotations Sums of Squared Loadings (%)	Factor Loadings Range
Seizing Capability	9	0.805	0.757	1355.184	0.000	83.742	0.968 - 0.702
Performance	12	0.718	0.748	619.596	0.000	60.540	0.943- 0.575

4.3 Data Analysis and Presentation of Results

Data analysis was phased out into four; that is, descriptive analysis (means and standard deviation), Confirmatory Factor Analysis (CFA), test of regression assumptions and then inferential analysis. The nine (9) parameters' mean of 3.711 and standard deviation of 1.290 were generated for preliminary evaluation of the seizing capability. On ethe other hand, performance achieved a mean of 3.355 and a standard deviation of 1.295, pointing to a high level of agreement to the measures for performance and the measures for seizing capability. Hypothesis testing was done

using simple OLS linear model variate. OLS were extracted and interpreted. The equation used in this study was in the form; Perf = $\alpha + \beta_1 X_1 + \epsilon$; where ($\beta_1$) seizing capability (independent variable) and Perf is performance of commercial banks (dependent variable variable). This equation is supported by Garson, (2012).

5. Results and Discussions

5.1 Response Rate

This study targeted 228 respondents from 38 commercial banks distributed by bank Tier (s) as; 9 Tier 1 commercial banks, 9 Tier 2 commercial banks and 20 Tier 3 commercial banks, all operating in Kenya as at 30th June 2024. Fifty-four questionnaires were distributed to Tier 1, 54 questionnaires to Tier 2 and 120 questionnaires to Tier 3. As such, the study distributed two hundred and twenty-eight (228) questionnaires, six to each of the licensed commercial banks in Kenya. Out of the 228 questionnaires distributed, 210 were properly filled and returned, giving a response rate of 92.11%. This response rate was deemed as adequate for this study. (Charandrakandan, Venkatapirabu, Sekar & Anandakumar, 2011).

5.2 Test of Linear Discriminant Analysis Assumptions

Miles and Shevlin (2010) view that before testing of study hypothesis for ratio-scaled data, it is necessary to carry out tests of statistical assumptions Test of Gaussian Distribution, test of independence and test of linearity were carried out.

5.2.1 Test of Gaussian Distribution for Bank Performance

The twelve primary data measures and the four secondary data measures for performance were weighted and subjected to a Q-Q plot using Python. The null hypothesis that, the data is not normally distributed was tested. The test statistics generated for Kolmogorov-Smirnov statistics was 0.0795 with an associated p-value of 0.9543. The conclusion of these two values was that the null hypothesis was rejected and thus also upheld that the data for commercial banks performance was normally distributed.

5.2.2 Test of Autocorrelation for Seizing Capability

The test for independent for seizing capability was carried using Durbin-Watson test. A D-W (*d*) statistic an of 1.586 was generated. This statistic confirmed absence of absence of autocorrelation in the parameters measuring reconfiguring capability. (Argyrous, 2011).

5.2.3 Test of Homoscedasticity and Test of Outliers

This test of outlier for the study seizing capability and performance of commercial banks was carried out using residual probability -probability plots. The output is presented in Figure 2 below. The statistics associated with seizing capability (8.27E-15,0.986) imply that the model residuals were fairly homoscedastic and hence the regression model chosen (bivariate linear regression) was appropriate to the data. The test of outliers was caried out using violon plot. The violin plot for seizing capability is presented in Figure2

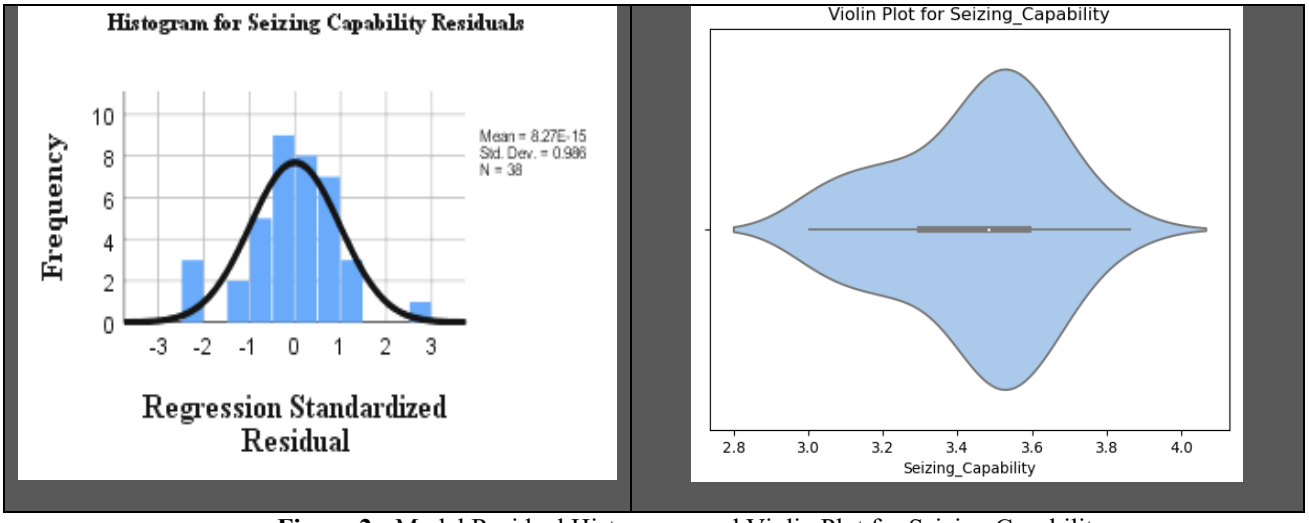

Figure 2: Model Residual Histograms and Violin Plot for Seizing Capability

The violin plot for shows that there was an elevated/ high-density distribution of values around the mean values (represented by the white dot corresponding with the modal values of the respective variable). It can also be observed that there were no significant cases of outliers as the black bar of each violin plot appear to have a proportionate subdivision within it and none is overly plotted toward either end of the violin plot. The mutation of the interquartile range shows that the median was also not significantly affected by any extreme values and hence all the values did not require any further treatment. Based on these observations, the study variables were deemed to be theoretically valid and that test of no outliers could be upheld for the study variables.

5.3 Inferential Results

This study tested the null hypothesis *$H_0$1: Seizing capability does not have a statistically significant effect on performance of commercial banks in Kenya*. The weighted measures seizing capability were processed using python libraries that is, pandas, statsmodels.api, statesmodels.formula.api, statsmodel.api and statsmodel. stats. Anova. This study applied80% to 20% proportions for

the train and test respectively. Simple OLS output generated and the results are presented in Table 2.

The R-Squared coefficient of 0.294 confirm that an estimated 29.48% of the variations in commercial bank performance is accounted for by seizing capability. In addition, the Table shows that the F-statistics of 11.64 and an associated Prob (F-statistic) of 1.98e-03. These statistics indicate that simple linear measures in the restricted model of seizing capability and performance of commercial banks are not a random occurrence. This study rejects the null hypothesis that *seizing capability does not have a statistically significant effect on performance of commercial banks in Kenya.* The Table shows that coefficient (β) for seizing capability was 0.3017 and an associated, p>|t| value of 0.000 which was less than a p-value of 0.05, implying that seizing capability is statistically significant in predicting performance of commercial banks in Kenya. These OLS regression model coefficients show that a 0.3017 change in seizing capability would have a unit change increase in performance of commercial bank in Kenya. The results further shows that while the estimated beta coefficient is 0.3017, we have a 5% probability of error in stating that the true value will always be in the confidence interval (0.121, 0.483). The reviewed model for seizing capability and performance is;

Perf = 1.1649 + 0.3017 (Seizing capability)…..

Table 2: OLS Regression Summary for Seizing Capability

Statsmodels Linear Regression Summary:
OLS Regression Results

Dep. Variable:	Bank_Performance	R-squared:	0.294
Model:	OLS	Adj. R-squared:	0.268
Method:	Least Squares	F-statistic:	11.64
Date:	Sun, 20 Apr 2025	Prob (F-statistic):	0.00198
Time:	09:52:31	Log-Likelihood:	29.029
No. Observations:	30	AIC:	-54.06
Df Residuals:	28	BIC:	-51.25
Df Model:	1		
Covariance Type:	nonrobust		

	coef	std err	t	P>|t|	[0.025	0.975]
const	1.1649	0.304	3.834	0.001	0.543	1.787
Seizing_Capability	0.3017	0.088	3.411	0.002	0.121	0.483

Omnibus:	1.592	Durbin-Watson:	1.691
Prob(Omnibus):	0.451	Jarque-Bera (JB):	0.548
Skew:	0.034	Prob(JB):	0.760
Kurtosis:	3.659	Cond. No.	65.1

These results are consistent with findings by Kitenga, Kilika and Muchemi (2020) who also found that seizing capability and influence on food manufacturing firms in Kenya. These findings are similarly to those of Nyachanchu, Chepkwony & Bonuke (2017). Research by Kitenga, Kilika and Muchemi (2020) Markovich, Efrat and Raban (2021), Markovich et al. (2021), Pichlak (2021), Garrido, et al. (2019) who also found a link between an organization's seizing capacities and overall performance. On the contrary, these results are inconsistent with those of Garrido et al. (2019) and those of Markovich et al. (2021) who found that investment in dynamic capability drivers did not yield performance benefits and poised that the same might even lead to resource losses and hence it can be negatively correlated with an entity's performance.

6. Conclusions and Recommendations

6.1 Conclusions

The study established that seizing capability has a positive and statistically significant effect on the performance of commercial banks in Kenya. The findings demonstrate that banks that effectively mobilize resources, respond to change, strengthen knowledge-sharing practices, and support technology adoption are more likely to achieve superior organizational performance. The study therefore confirms the importance of dynamic capabilities as strategic drivers of sustainable performance within the banking sector.

6.2 Recommendations

The study further finds that seizing capability measured by change responsiveness; review, monitoring and adopting practices in knowledge sharing, resource mobilization orientation practices; policy framework; investment in information system and knowledge search, invested in technology, clear reporting system for technological resource mobilization within the ban, knowledge mobilization milestones are selected strategic determinants for commercial banks performance. These should be monitored and reviewed in response to changes n the external environment. Further, the study recommends innovative approaches to crafting policies on change

responsiveness and resources mobilization orientation for enhanced and sustained performance of these commercial banks.

References

[1] Ali, Z.M., & Wambua, P.P. (2021). Dynamic capabilities and performance of selected commercial banks in Nairobi City County, Kenya. *International Academic Journal of Human Resource and Business Administration,* 3(10), 273-298.
[2] Central Bank of Kenya. (2022). *Bank supervision annual report 2023.*
[3] Charandrakandan, K., Venkatapirabu, J., Sekar, V., & Anandakumar, V. (2011). *Tests and measurements in social research*. APH Publishing Corporation
[4] Garrido, I. L., Kretschmer, C., Luis de Vasconcellos, S., & Gonçalo, C. R. (2019). Dynamic Capabilities: A Measurement Proposal and its Relationship with Performance. *Brazillian BusinessReview,* 17(1), 46-65.
[5] Government of Kenya. (2007). *Kenya Vision 2030: A globally competitive and prosperous Kenya*. Ministry of Planning and National Development.
[6] Grant, R. M. (1996). Toward a knowledge- based theory of the firm. *Strategic Management Journal*, 17:109–122. *International Journal of Quantitative and Qualitative Research Methods*, 6(1), 27-38.
[7] Imhanzenobe, J., Adejumo, O., & Ikpesu, O. (2021) A review of knowledge management and its application in the contemporary business environment. *African Journal of Business Management* 15 (10), 274-282.
[8] Kitenga, G., Kilika, J. M., & Muchemi, A. W. (2020). Dynamic capabilities and performance: the mediating role of firm competence. *Journal of Economics and Business*, 3(1), 450-474.
[9] Markovich, A., Efrat, K., & Raban, D. R. (2021). Dynamic capabilities: interrelations and distinct effects on performance in low and high competitive intensity environments. *BalticJournal of Management*.
[10] Mertens, D. M. (2010). Research & Evaluation in Education and Psychology. Integrating Diversity with Quantitative, Qualitative & Mixed Methods. London, UK: Sage Publications.
[11] Miles, J., & Shevlin, M. (2010). *Applying regression & correlation: A guide for students and researchers.* London: Sage.
[12] Nyachanchu, T. O., Chepkwony, J., & Bonuke, R. (2017). Role of dynamic capabilities in the performance of manufacturing firms in Nairobi County, Kenya. *European Scientific Journal,* 13(31), 438-454
[13] Odwaro, N. C., Abongo, B., & Mise, J. K. (2022). Moderating effect of dynamic capabilities on the relationship between porter's generic strategies and performance of commercial banks. *European Journal of Business and Management Research*, 7(4), 217-224
[14] Ogunkoya, O. A., Banjo, H., & Shobayo, P. B. (2014). Dynamic capabilities and competitive advantage: An analysis of the Nigerian banking sector. *Journal of Accounting and Management*, 4(2), 24-36.
[15] Pichlak, M. (2021). The drivers of technological eco-innovation-dynamic capabilities and leadership. *Sustainability*.
[16] Priyono, A., & Hidayat, A. (2023). Dynamic capabilities for open innovation: a typology of pathways toward aligning resources, strategies and capabilities. *Journal of open Innovation: Technology, Market and Complexity*.
[17] Protogerou, A., Caloghirou, Y., & Lioukas, S. (2012). Dynamic capabilities and their indirect impact firm performance. *Industrial and Corporate Change*, 21(3), 615-647.
[18] Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18, 509–533.
[19] Teece, D.J., & Pisano, G. (1994). The *Dynamic Capabilities of Firms*: An Introduction. Oxford University Press.
[20] Tempelmayr, D., Ehrlinger, D., Stadlmann, C., Überwimmer, M., Mang, S., & Biedersberger, A. (2019). The Performance Effect of Dynamic Capabilities in Servitizing Companies. *Journal of International Business Research and Marketing Volume*, 4(6), 42-48.
[21] Zhao, J. (2019). The knowledge-based view framework: capability of knowledge integration leads to capability of innovation or imitation. *International Journal of Economics, Commerce and Management,* 7(10), 240-267.
[22] Zhou, S. S., Zhou, A. J., Feng, J., & Jiang, J. (2017) Dynamic capabilities and organizational performance: the mediating role of innovation. *Journal of Management & Organization*.