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Strategic Capabilities and Performance of Commercial Banks in Kenya: An Empirical Assessment

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***Abstract* – Strategic capabilities are increasingly important to the performance and competitiveness of commercial banks operating in dynamic and highly competitive environments. This study examined the relationship between strategic capabilities and the performance of commercial banks in Kenya, focusing on network capability, service quality capability, human capital capability, and market sensing capability. The study adopted a desktop research methodology, involving a systematic review and synthesis of relevant theoretical and empirical literature. The theoretical review was anchored on the Resource-Based View and Dynamic Capabilities Theory, complemented by the Balanced Scorecard and SERVQUAL models. Empirical studies from Kenya and other geographical and organisational contexts were reviewed to establish the relationship between the identified strategic capabilities and organisational performance. The review indicates that strategic capabilities provide commercial banks with important organisational resources and competencies for responding to changing customer needs, strengthening service delivery, accessing external resources, developing employee expertise and identifying emerging market opportunities. The reviewed empirical evidence generally indicates positive associations between the four strategic capabilities and organisational performance, although contextual and conceptual gaps remain within the Kenyan commercial banking sector. The study concludes that commercial banks can enhance their performance by developing and effectively integrating strategic networking, service quality, human capital and market sensing capabilities. The study contributes to strategic management literature by consolidating evidence on these capabilities within the Kenyan commercial banking context and provides a basis for future empirical research and managerial decision-making on capability development and sustained organisational performance.**

***Keywords* - Strategic capabilities; network capability; service quality capability; human capital capability; market sensing capability; organisational performance; commercial banks; Kenya.**

I. INTRODUCTION

1. Background of the Study

Performance is regarded as the outcome of an organisation's efficient utilisation of resources. A firm's capacity to achieve both short-term and long-term success is gauged by its capacity to realise strategic objectives through successful execution of business strategies (Wang & Ahmed, 2007). According to Hofer and Schendel (1978), organisations have to adapt to their internal and external environments to impact both efficiency and effectiveness.

Strategic management scholars have long examined why organisations in the same industry, facing similar environmental conditions, perform and compete differently (Barney, 1991; Teece, Pisano & Shuen, 1997). These performance differentials are often traced to firm specific resources and capabilities. Equally important is how these assets are organised, coordinated, and directed toward strategic ends (Helfat & Peteraf, 2003).

The RBV holds that an organisation's endowments and proficiencies provide a foundation for competitive advantage. This is especially the case when these capabilities possess strategic value, are uncommon, cannot be easily replicated, and have no equivalent alternatives (Barney, 1991; Barney, Ketchen & Wright, 2011). Supporting this line of reasoning, Grant (1996) observed that organisational capabilities reflect a firm's capacity to harmonise its resources, knowledge and core competencies. If this is done effectively, integration enhances value creation and aligns daily operations with broader strategic objectives.

Capabilities thus equip organisations to marshal internal strengths. They do so by combining skills, infrastructure, processes, and systems in ways that facilitate effective responses to shifting environmental conditions (Teece, 2007). These capabilities manifest through technological advancement, innovation practices, managerial expertise, learning processes, and human resource development. Collectively, they shape organisational competitiveness and overall outcomes (Wang & Ahmed, 2007; Kraaijenbrink, Spender & Groen, 2010).

General organisational capabilities support routine operations. However, sustained positive performance in highly competitive settings depends on strategic capabilities. Firms must continually adjust their structures, systems, and operational methods as environmental conditions evolve (Teece, 2007; Johnson, Scholes & Whittington, 2008). Strategic capabilities serve this need. They allow organisations to renew existing competencies and develop fresh approaches. This, in turn, strengthens adaptability within dynamic markets.

Dynamic Capabilities Theory posits that sustained performance is a product of continuous adjustment. Firms must modify, integrate, and effectively deploy internal resources as external conditions shift. Those that succeed in building and applying distinctive competencies gain clear advantages. They improve operations, drive innovation, respond to evolving customer needs, and maintain resilience during uncertain times (Helfat et al., 2023).

The global banking industry has experienced a substantial change. Technological advances, market liberalisation, rising digitalisation, and the emergence of financial technology providers have all contributed to this shift. These developments have reshaped traditional banking practices. Service delivery, customer engagement, and internal operating models have all been affected. Further, economic instability, regulatory changes, and inflationary pressures pose additional challenges, constraining banks' capacity to meet growth targets. Commercial banks must therefore cultivate adaptive capabilities to secure their position within an evolving financial ecosystem (OECD, 2020; World Bank, 2022).

The African financial services sector has continued to grow. Digital solutions have become more widely adopted, and several initiatives aimed at reaching previously underserved populations have also played a part (AfDB, 2022). It is also noted that technology-enabled platforms have opened new opportunities for financial institutions. These include wider market reach, improved service delivery, and the introduction of innovative business models.

Despite this progress, the industry faces operational inefficiencies and technological disruptions. Competition from new entrants in the financial ecosystem has also intensified (EIB, 2020). Institutions that invest in strong organisational competencies are therefore more likely to adapt to market shifts and achieve sustainable growth.

In Kenya, commercial banking has evolved considerably following the expansion of digital platforms, changing consumer expectations and increased use of financial innovations. These advancements have enhanced accessibility, convenience and delivery of banking services. However, banks continue to face rising levels of non-performing loans, cyber-related exposures, and operating expenses, as well as disruption from fintech companies (KBA, 2025).

According to the Central Bank of Kenya, non-performing loans rose to approximately KES 647.4 billion in 2024, reflecting ongoing pressure on asset quality and credit performance in the banking sector (CBK, 2025). In addition, there are reports of slower economic growth and persistent inflationary pressures, which adversely affected business performance and customer purchasing power (KNBS, 2025).

2. Performance

The concept of performance broadly reflects the effectiveness of a firm's use of its internal capabilities and proficiencies to achieve its declared goals and long-term strategic intentions (George, Walker & Monster, 2019). Fundamentally, the concept focuses on how successfully an organisation executes its activities, creates value, and sustains desired outcomes within its operating environment. In banking, performance reflects the potential of institutions to achieve profitability, operational effectiveness, customer satisfaction, competitiveness, and sustainable growth while operating within a highly regulated business environment (Richard et al., 2009).

Over time, performance measurement has transitioned from an exclusive reliance on financial indicators to a multidimensional approach that captures diverse aspects of organisational success. Accounting-based metrics have long served as standard measures of organisational success. Earnings, ROA, ROE, and market capitalisation are among the most commonly used indicators in the past (Beaver, 1968; Lev, 1989).

Management scholars have questioned this exclusive reliance on financial measures. Their concern rests on the observation that such indicators largely reflect past managerial decisions. They may not adequately capture future capabilities, competitiveness, or long-term strategic outcomes (Kaplan & Norton, 1992; Zhang & Li, 2009). Contemporary performance assessment has therefore evolved. It now combines financial metrics with operational and strategic dimensions to offer a more rounded evaluation of organisational achievements.

From a strategic management standpoint, organisational success is tied to a firm's capacity to build distinctive competencies, improve operations, secure competitive positioning, and ensure long-term viability (Drucker, 1954; Crook, Todd, Combs, Woehr & Ketchen, 2011). Performance, in this view, should be evaluated in light of organisational objectives, environmental conditions, and available strategic capabilities. Applied to banking, this perspective suggests that institutional outcomes depend on how effectively banks deploy valuable resources. Key considerations include responses to technological change, regulatory shifts, customer expectations, and competitive pressure.

The Balanced Scorecard advanced performance evaluation by introducing both fiscal and non-fiscal dimensions into the assessment framework. Four key perspectives are proposed: financial achievements, customer-focused outcomes, internal operations, and workforce development (Kaplan & Norton, 2005). The approach recognises that successful organisations are defined by several aspects other than profitability, including customer satisfaction, operational efficiency, innovation, employee competencies, and continuous learning (Wanzallah & Muathe, 2024).

Empirical studies on commercial banks reveal varied approaches to performance measurement. Some researchers have relied on financial indicators. ROA, ROE, net interest margin, and earnings growth feature prominently in this stream of work (Ongore & Kusa, 2013; Kela-Kahingo, Kinyua & Muchemi, 2025). These parameters are valued for what they reveal about management's effectiveness in deploying institutional resources to generate returns and enhance shareholder value. Return on assets, in particular, has remained a common measure in banking research. Financial institutions depend heavily on efficient asset utilisation to achieve profitability (Ochuka, Okiro & Okeyo, 2024).

Growing attention has turned to non-financial indicators which explain future organisational success and sustainability. Common measures in this category include customer satisfaction, customer retention, service quality, internal process efficiency, innovation, market positioning, turnaround time, and employee-related outcomes (Kori, Muathe & Maina, 2020; Parajuli & Shrestha, 2020). These indicators extend the assessment of organisational effectiveness beyond financial results and capture aspects tied to stakeholder value and operational improvement.

Empirical evidence has been seen to support this shift. Operational capability, customer relationships, organisational flexibility, and sustainability-oriented practices have all been linked to future achievement (Kinyua, Muathe & Kilika, 2015; Gabow & Kinyua, 2018). Within financial services, competition now centres on service excellence, technological adoption, innovation capability, and responsiveness to customer needs. This trend reinforces the relevance of non-financial measures in evaluating overall performance.

This study interprets organisational performance as the effectiveness with which commercial banks deliver their desired outcomes. These include improved financial outcomes, operational efficiency, customer value, innovation, competitive positioning, and sustainable growth. Achievement of the mentioned objectives depends on the effective deployment of strategic capabilities. The BSC approach (Kaplan & Norton, 1992) and the strategic management perspective (Richard et al., 2009; Crook et al., 2011) inform the choice of indicators. Profitability, customer satisfaction, operational efficiency, and innovation will serve as performance measures. The dimensions offer a wider assessment of organisational outcomes. They are particularly suited to the dynamic nature of the banking environment.

3. Strategic Capabilities

Strategic capabilities, as Drennan, McConnell and Stark (2015) argue, include the collective abilities, organisational routines, and processes that a firm controls. These competences allow organisations to adjust to changing market conditions while supporting the achievement of strategic objectives. This perspective is consistent with the RBV, which maintains that competitive superiority is achieved through both the ownership of valuable resources and their effective configuration, application, and insulation from imitation (Barney, 1991).

As a result, differences in organisational performance are often explained by variations in internal capabilities and in firms' ability to convert available resources into activities that create value. Gicheru and Kariuki (2019) reported that organisations with well-developed strategic capabilities are well positioned to improve operational efficiency, stimulate innovation, and respond to changing market conditions.

Such capabilities also enable firms to derive greater value from their internal resources. However, the development of these capabilities is influenced by the external environment. Ali and Wambua (2021) found that factors such as technological change, market dynamics, and environmental uncertainty shape the capabilities organisations develop and the strategies they adopt to achieve their objectives.

Existing literature treats strategic capabilities as a multidimensional construct. Ulrich and Lake (1990) conceptualised organisational capability as the proficiency with which an enterprise coordinates its people, structures, and processes. The aim is to create superior customer value. Stalk, Evans and Shulman (1992) offered a complementary view. Sustained advantage, they argued, stems less from products themselves and more from unique organisational processes and systems. Their opinion positions capabilities as the means through which resources are integrated and converted into desired outcomes.

Capabilities are not static assets. They evolve as organisations interact with changing environmental conditions. Helfat and Peteraf (2003) described a life cycle process involving founding, development, maturity, and renewal stages. Organisations must therefore continuously improve and reconfigure their competencies. This ensures continued alignment with market requirements.

Within the Kenyan financial sector, Barasa, Kitigin and Auma (2017) found that technological, human resource, and relational capabilities contributed to improved organisational outcomes. The current study adopts four key dimensions for operationalising strategic capabilities among commercial banks. These are network capability, service quality capability, human capital capability, and market sensing capability.

Network capability, as viewed by Gulati, Nohria and Zaheer (2000), is a firm's capacity to establish, manage, and leverage external relationships for strategic gain. The relational view corroborates this perspective. Inter organisational relationships grant firms access to valuable resources, specialised knowledge, and complementary competencies. These may not be sufficiently developed internally (Dyer & Singh, 1998). Networks thus serve as strategic mechanisms. They strengthen the resource base, enhance learning, and support effective responses to emerging market needs.

Network capability carries particular weight in financial services. Digital transformation, strategic partnerships, and interconnected financial ecosystems have all heightened its importance. Ziggers and Henseler (2016) contend that strong organisational networks facilitate knowledge exchange. They also create opportunities for innovation. Chang (2019) found that firms with superior relationship management capabilities tend to achieve better organisational outcomes.

Evidence from Kenya illustrates this point. Strategic partnerships between commercial banks and mobile money providers, M-Pesa being a notable example, demonstrate the value of external collaboration. Such alliances have enhanced financial access and improved transaction efficiency (Mbiti & Weil, 2011). Based on the foregoing arguments, this study operationalises network capability using relationship-building, network coordination, and resource mobilisation as key indicators.

Service quality capability reflects a firm's competence in aligning its service processes, organisational practices, and operational resources to deliver reliable, superior customer experiences consistently (Cruz-Ros & Gonzalez-Cruz, 2015). Considering the intangible nature of banking services, customers' evaluation of service encounters is a critical determinant of satisfaction, trust, and continued relationships with financial institutions (Uddin, Rahman & Hossain, 2020).

Minta and Oduro (2017) established that reliability, responsiveness, and assurance significantly influenced customer satisfaction with banks in Ghana. Similarly, Yusuf and Bala (2021) found that superior service delivery practices were associated with customer retention within retail banking. Furthermore, Mwapinga and Kisawike (2025) argue that investment in employee development, customer feedback systems, and digital service channels strengthens firms' capacity to deliver value. In this study, service quality capability is measured through service assurance, reliability and responsiveness.

Human capital capability represents the stock of knowledge, skills, experience and competencies embedded within employees that facilitate achievement of organisational objectives (Becker, 1964; Wright, McMahan & McWilliams, 1994). Practices related to recruitment, training, knowledge sharing, and talent development are essential mechanisms by which organisations strengthen their human capital base (Lepak & Snell, 1999). Within banking institutions, human capital capability plays a central role in customer relationship management, risk assessment, regulatory compliance and implementation of digital solutions (Ployhart & Moliterno, 2011).

Kianto, Sáenz and Aramburu (2017) observed that continuous learning and employee development facilitate innovation and superior organisational outcomes. Similarly, Al-Qudah, Osman and Al-Qudah (2020) noted that retention of skilled employees preserves organisational knowledge and minimises costs associated with employee turnover. Based on these arguments, employee competence, employee development and employee retention were adopted as measures of human capital capability.

Market sensing capability describes a firm's ability to systematically gather, analyse, and apply market intelligence about customers, competitors, and environmental changes in order to anticipate market opportunities and respond effectively to evolving conditions (Day, 1994). The capability improves an organisation's responsiveness to evolving market opportunities and environmental uncertainties (Eisenhardt & Martin, 2000). Market sensing is closely linked to market orientation, which emphasises continuous understanding of customer expectations and competitor actions (Narver & Slater, 1990).

There is considerable agreement among scholars that organisations with strong market-related capabilities are more responsive to environmental developments. Nwokah (2008) established that customer and competitor orientation influenced the performance of commercial banks in Nigeria, while Awino (2007) observed that market-oriented firms in Kenya achieved better profitability and market outcomes.

The expansion of financial technology and digital banking has further increased the need for effective market intelligence systems. Cohen and Levinthal (1990) contend that absorptive capacity enables firms to recognise and apply external knowledge, whereas Vorhies and Morgan (2005) argue that market capabilities support superior organisational results. Taking into account the focus of the proposed research, market sensing capability is operationalised through customer sensing, competitive sensing, and environmental scanning, which represent critical mechanisms through which firms identify and respond to changes within the business environment.

4. Commercial Banks in Kenya

Banking institutions in Kenya operate under the oversight of the CBK, whose regulatory framework is designed to promote financial stability. Apart from financial intermediation, the sector makes a significant contribution to economic development through employment creation, tax revenue, and expanded access to financial services (CBK, 2024).

The industry's economic contribution is substantial. In 2024, commercial banks provided approximately 109,260 direct jobs and generated about KES 195 billion in government revenue (KBA, 2025). Over the past two decades, financial inclusion has also improved considerably. Formal financial inclusion expanded markedly, with access rising from 26.7 per cent in 2006 to 84.8 per cent, while the share of adults without access to formal financial services fell substantially from 41.3 per cent to 9.9 per cent.

The sector comprises 39 licensed commercial banks, most of which are headquartered in Nairobi City County (CBK, 2025). In line with the CBK's supervisory structure, these institutions are classified into small, medium and large categories based on a composite assessment of asset base, capital strength, and market share.

Although subject to the same regulatory environment, commercial banks differ markedly in size and market concentration. As at the end of 2024, nine large banks controlled 75.6 per cent of the market, while nine medium-sized institutions accounted for 16.7 per cent and the remaining twenty-one banks shared only 7.7 per cent (CBK, 2025). These disparities point to differences in resource endowment and ability to develop capabilities that sustain performance.

II. STATEMENT OF THE PROBLEM

Kenya's commercial banking sector experienced notable performance setbacks between 2022 and 2024 despite making substantial progress in digital innovation, workforce capacity building, and risk governance (CBK, 2025; KBA, 2025). These difficulties, reflected in deteriorating asset portfolios, macroeconomic volatility, and operational frictions, reveal the limitations of prevailing strategic responses.

Evidence from the CBK shows that the gross non-performing loan ratio rose from 11.7 per cent in 2022 to 16.4 per cent by December 2024, driven by elevated borrowing costs, restrictive monetary policy, and persistent inflationary pressures (CBK, 2024; CBK, 2025). Pre-tax earnings also dropped by 9.1 per cent in 2023 as provisioning against bad debts intensified, while aggregate net assets shrank by 1.6 per cent in 2024 (KBA, 2025). These trends suggest that strategic initiatives have not yielded consistent outcomes across the industry, which is characterised by significant differences in competitive standing.

Large-tier institutions continue to dominate the sector, with nine banks controlling over 75 per cent of the total market share, while medium- and small-sized institutions face increasing pressure to sustain profitability and retain customers (CBK, 2025). The variation in outcomes among institutions operating under similar economic conditions suggests possible differences in the nature and application of internal competencies, resource utilisation approaches, and organisational abilities adopted to respond to environmental changes.

Empirical literature has demonstrated that organisational capabilities influence firm outcomes. However, existing studies exhibit variations in the conceptualisation, measurement, and contextual application of strategic capabilities. A study conducted by Amoni, Singoro and Manini (2020) established that network capability improves organisational outcomes through enhanced collaboration, access to resources and knowledge sharing.

Similarly, Thornton, Henneberg and Naudé (2015) and Peter and Agogo (2022) confirmed the contribution of network relationships in supporting firm activities. However, these studies mainly examined network capability in isolation, resulting in a limited understanding of how it operates alongside other organisational competencies to influence commercial banks.

Empirical evidence shows that service quality capability contributes to improved organisational outcomes (Mbugua & Kinyua, 2020; Uddin, Rahman & Hossain, 2020; Maranatha, Winarto & Gunawan, 2021). These studies consistently reported that effective service delivery enhances customer-related outcomes and strengthens organisational effectiveness. However, the existing literature has examined service quality from the perspective of customer satisfaction, without due consideration of its role as a strategic capability that supports performance.

Previous studies associate human capital capability with improved performance through employee knowledge, learning, and development (Kianto, Sáenz & Aramburu, 2017). Market sensing capability has also been linked to favourable organisational outcomes by enabling firms to recognise customer needs, monitor competitors, and address emerging business challenges (Hernández-Linares, Kellermanns & López-Fernández, 2021; Kankam-Kwarteng, Sarpong, Amofah & Acheampong, 2021). However, much of this evidence is from manufacturing firms, SMEs, retail organisations, and institutions outside Kenya, limiting its applicability to the commercial banking sector.

The studies reviewed confirm the utility of individual capabilities, although a few have examined their joint contribution to organisational outcomes. The studies reviewed confirm the utility of individual capabilities, although a few have examined their joint contribution to organisational outcomes. As a result, there is insufficient evidence on how these capabilities collectively support operational efficiency, customer satisfaction, innovation, and sustained competitiveness in commercial banks. The gaps identified in the literature justify the need to analyse strategic capabilities and their effects on the performance of commercial banks in Kenya.

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III. THEORETICAL LITERATURE REVIEW

1. The Balanced Scorecard

The Balanced Scorecard (BSC) was established by Kaplan and Norton in 1992 as a tool that evaluates performance without solely relying on financial metrics. Its development emerged from the opinion that financial indicators offered a limited view of success, since these measures captured past performance while neglecting key non-financial factors that drive future growth (Wanzallah & Muathe, 2024). The BSC thus combines financial and operational perspectives, ensuring that strategy execution is closely tied to long-term value creation.

According to the framework, a firm's true effectiveness can only be ascertained by looking at four interrelated perspectives. The financial aspect tracks profitability, returns, and revenue growth, while the customer aspect focuses on satisfaction, loyalty, and competitive standing.

Concurrently, the process perspective considers the effectiveness of internal activities and service delivery, whereas the learning dimension emphasises workforce development and continuous improvement. Kaplan and Norton (1992) contended that when organisations invest in upgrading their employees' skills and knowledge, those investments strengthen internal operations, boost customer experiences, and ultimately drive stronger financial outcomes.

The BSC is widely recognised in empirical research as a valuable tool for evaluating institutional success across a range of settings. For example, Kigwalor and Muathe (2024) found that implementing the framework helped organizations sharpen their effectiveness and, in turn, gain a competitive edge. Osewe (2022) also observed that Kenyan State Corporations that adopted the BSC saw notable improvements in both strategy execution and accountability.

Organization's rarely achieve sustainable performance by focusing exclusively on financial outcomes. Long-term performance also depends on their ability to satisfy customers, improve internal operations, foster innovation, and develop employee capabilities. Within the BSC framework, network capability is reflected in the customer and internal business process perspectives since effective collaboration with external partners enhances customer experience, operational efficiency, and facilitates achievement of strategic objectives.

Service quality capability directly enhances the customer dimension by boosting satisfaction, encouraging loyalty, and increasing the overall service experience. Human capital capability, on the other hand, aligns with the learning and growth perspective. Employees' knowledge, skills, and expertise drive innovation and ongoing improvement. Meanwhile, market sensing capability ties into both the customer and internal process perspectives, as it enables firms to read shifting market trends and fine-tune their operations accordingly. In view of these linkages, the Balanced Scorecard provides a suitable basis for assessing the performance of banking institutions.

2. Resource-Based View

Penrose (1959), the founder of the Resource-Based View (RBV), suggested that a company's owned and deployed resources outweighed industry structure in importance. This perspective was further advanced by Wernerfelt (1984), who argued that internal resource endowments provided a more meaningful explanation of differences among enterprises than focusing only on market products.

Subsequently, Barney (1991) established that organisational assets contributed to sustainable competitive advantage when they were characterised by value, uniqueness, inimitability, and irreplaceability. Grant (1991) further demonstrated the connection between resources, capabilities, and strategy formulation, while Peteraf (1993) identified the underlying conditions necessary for sustaining superior outcomes. The RBV adopts an internal perspective by suggesting that the uniqueness of firm-specific competencies determines how well plans can be operationalised to produce tangible value.

Although the initial focus was on ownership of resources, later advancements emphasised the importance of effective utilisation and continuous development of such assets. The VRIO framework particularly highlighted the need for appropriate organisational systems that enable firms to exploit valuable resources. Extending this reasoning, Teece, Pisano, and Shuen (1997) formulated the concept of dynamic capabilities, demonstrating how enterprises synthesise, modernise, and rearrange their resource endowments to adapt to shifting contextual forces.

Accordingly, the RBV provides an explanation as to why organisations operating within similar industries and exposed to comparable external conditions may achieve different results. The perspective argues that variations in internal strengths, especially intangible assets such as employee expertise, institutional knowledge, processes, and specialised competencies, influence competitive positioning and overall outcomes (Barney, 1991; Grant, 1991). Hence, organisations that effectively organise and deploy idiosyncratic resources can cultivate sustainable advantages that rivals might find difficult to replicate.

Notwithstanding its influence on strategic management thought, the RBV has drawn considerable critique. Priem and Butler (2001) identified a tautological issue in defining valuable resources by reference to successful performance outcomes. Other researchers have contended that the framework disproportionately emphasises internal capabilities while ignoring exogenous market forces that influence competitive success (Kraaijenbrink et al., 2010).

Some writers, such as Armstrong and Shimizu (2007), observed that intangible assets were difficult to value due to their inherently complex and opaque characteristics.

RBV has received substantial empirical support across diverse organisational and industry contexts. For instance, Musau and Muathe (2025b) found that the strategic deployment of digital resources significantly enhanced the competitiveness of Kenyan banks. Mugambi (2025) further reported that knowledge development, technical expertise, and service quality capabilities were important determinants of bank performance in Nairobi. In a related study, Lundi (2025) established that the adoption of effective strategic practices, coupled with the efficient utilisation of organisational resources, contributed positively to the performance outcomes of banking institutions in Mombasa.

The RBV is a suitable theoretical grounding for this study, as it directly addresses how strategic capabilities contribute to organisational performance. Network capability enables organisations to establish strategic connections with customers, regulators, and partner organisations to enhance knowledge acquisition and resource sharing. In contrast, human capital reflects the expertise embedded within the workforce, which can create competitive attributes that are not readily imitated.

The effective use of market intelligence enables organisations to recognise changing customer requirements and adjust to evolving competitive conditions. At the operational level, service quality comprises the organisational routines and processes that support consistent service delivery, enhance customer experience, and improve operational efficiency. Performance variation among commercial banks is therefore attributable to the extent to which strategic capabilities are developed and leveraged to generate sustained value.

3. Dynamic Capabilities Theory

The theoretical underpinnings of Dynamic Capabilities Theory (DCT) were set forth by Teece, Pisano, and Shuen (1997). The theory arose from the RBV's inability to fully explain sustained firm performance amid rapid technological shifts, volatile markets, and persistent uncertainty (Teece et al., 1997). Whereas the RBV addresses ownership of valuable assets, DCI contends that holding such resources is insufficient on its own. Rather, firms must continually integrate, refresh, and reorganise their competencies to align with the external environment.

The premise of the theory holds that successful firms are distinguished by their capacity to detect opportunities and threats, capitalise on those possibilities through sound strategic decisions, and adapt internal systems to align with environmental demands.

Scholars subscribing to DCT explain the nature and development of organisational capabilities in dynamic business environments. Eisenhardt and Martin (2000) conceptualised dynamic capabilities as competencies and managerial practices that equip organisations to create new combinations of resources in response to changing environmental conditions. Winter (2003) further distinguished dynamic capabilities from ordinary capabilities by arguing that ordinary capabilities support the efficient execution of day-to-day operations, whereas dynamic capabilities facilitate the modification, renewal, and restructuring of assets and competencies. Helfat et al. (2007) subsequently extended this opinion by arguing that dynamic capabilities evolve over time through managerial decision-making, organisational learning, and knowledge integration.

It has been argued that DCT lacks a universally accepted definition, which complicates measurement and empirical application (Arend & Bromiley, 2009). Concerns over circularity have also persisted. Successful firms are assumed to possess dynamic capabilities, although their presence is inferred solely from performance outcomes. Additional criticisms concern the theory's limited guidance on which specific competencies to cultivate under different conditions. Winter (2003) underscored that ordinary operational capabilities remain indispensable to organisational functioning, while Zahra, Sapienza, and Davidsson (2006) noted that developing dynamic capabilities demands substantial investment in technology, knowledge systems, and human capital. Barreto (2010) similarly argued that the concept's broad interpretation has fostered heterogeneous applications across empirical studies.

The principles of DCT have been extensively applied to explain organisational success across diverse settings. Van de Wetering (2021) found that dynamic capabilities enhanced institutional outcomes through enterprise architecture and process innovation. Cui (2025) demonstrated that knowledge management capabilities fostered organisational effectiveness by reinforcing learning, knowledge sharing, and innovation.

Kenyan research by Gathambo and Muchemi (2025) reported that innovation, technical expertise, learning culture, and service quality capabilities positively influenced firm outcomes. Musau and Muathe (2025a) similarly established that commercial banks which continuously adjusted their technological resources through automation and analytics attained stronger competitive positions.

In the current study, DCT underpins network capability, human capital capability, market sensing capability, and service quality capability by emphasising the continuous development, integration, and reconfiguration of organisational resources and competencies.

4. SERVQUAL Model

The SERVQUAL model was developed by Parasuraman, Zeithaml, and Berry (1985), who introduced the framework to conceptualise and measure quality within service-oriented organisations. Refined subsequently by the same scholars in 1988, the model is grounded in the Gap Theory of Service Quality, which posits that service evaluation depends on the degree of alignment between customer expectations and service experiences. Where such a gap exists, organisations must diagnose its sources and implement remedial measures to enhance value delivery.

The framework identifies five principal dimensions that collectively shape client perceptions: reliability, which denotes consistent fulfilment of service commitments; responsiveness, capturing the intention to offer timely assistance; assurance, which relates to employee expertise and the ability to foster customer confidence; empathy, reflecting the provision of individualised care; and tangibles, referring to physical facilities, equipment, and technological infrastructure.

SERVQUAL holds that favourable evaluations result when delivered services meet or exceed customer expectations, whereas dissatisfaction arises when experiences fall short. The approach acknowledges the customer's pivotal role in shaping service outcomes and recognises quality as a multidimensional construct influenced by various organisational practices. Enhanced service delivery has therefore been linked to higher satisfaction, stronger customer relationships, greater loyalty, improved retention, and superior organisational performance (Parasuraman et al., 1988; Valarie, Bitner & Dwayne, 2018).

Several researchers contributed to the advancement of SERVQUAL. Cronin and Taylor (1992) introduced the SERVPERF model, arguing that measuring actual service performance offered a superior alternative to the expectation–perception gap. Babakus and Boller (1992) observed that the five dimensions may vary across sectors, suggesting the need for contextual adaptation. Teas (1993) questioned the conceptualisation of customer expectations, while Brown, Churchill, and Peter (1993) raised concerns over the reliability of gap-based measures.

Despite its extensive application, the SERVQUAL model has also attracted various criticisms. Critiques such as Buttle (1996) observed that collecting separate measures of expectations and perceptions imposes a significant response burden on survey participants. Ladhari (2009) acknowledged the utility of SERVQUAL but noted that its applicability and effectiveness vary across industries and cultural contexts.

Empirical evidence affirms the continued relevance of SERVQUAL in assessing service-oriented institutions. Kaliraman and Narwal (2023) found that its dimensions significantly predicted satisfaction and organisational performance in the banking sector. Keneni and Mabhungu (2025) observed that financial institutions across Africa persist in applying the framework due to its capacity to capture customer experiences.

In a competitive service environment, commercial banks are expected to continually cultivate internal competencies that enable consistent, efficient, and customer-centred service delivery. The SERVQUAL model thus offers a pertinent foundation for examining service quality capability in this study. Its five dimensions manifest through accurate transactions, timely responses, professional conduct, personalised interactions, and sustained investment in physical and digital infrastructure.

The framework also relates to other strategic capabilities examined in this study. Human capital capability strengthens service delivery through employees' knowledge, skills and behaviour. Market-sensing capability enables banks to identify evolving client needs and adjust services accordingly, while network capability supports collaboration with external partners, such as fintech firms and payment providers. The model therefore explains how the effective development of organisational capabilities may contribute to improved customer relationships and the overall performance of commercial banks.

IV. EMPIRICAL REVIEW

1. Network Capability and Performance

Past research examined how network capability contributed to organisational outcomes across sectors and geographical contexts. Thornton, Henneberg and Naudé (2015), in their investigation of business-to-business firms in the United Kingdom, found that network-oriented practices enhanced performance through effective management of relationship portfolios and coordination among partners. However, the research focused on business-to-business relationships and network behaviours rather than strategic networking capabilities within financial institutions.

Similarly, Ziggers and Henseler (2016), in a study conducted in the Netherlands, established that network competence improved partnership outcomes by facilitating resource sharing, collaboration, and the creation of mutual value. The findings support the view that organisations benefit from their ability to develop and manage external relationships. However, the investigation concentrated on buyer-supplier arrangements in manufacturing supply chains, creating the need to examine the concept within service-oriented industries such as banking.

Chang (2019) investigated the function of inter-firm relational ties in Taiwan and determined that organisations with strong relationships gained access to knowledge from external sources, strategic assets, and growth opportunities, resulting in improved outcomes. In a related study, Wang, Li, Chen and Luo (2021) analysed financial supply chains in China and reported that network position and influence contributed to improved financial results through effective mobilisation of external resources. Despite their contribution, these studies were undertaken outside the banking sector and focused on selected aspects of networking rather than network capability as a broader organisational competence.

Evidence from Africa has also demonstrated the value of networks in supporting organisational success. Madzimure (2019), focusing on SMEs in South Africa, found that strategic networks enhanced information sharing, collaboration and access to resources. In Nigeria, Peter and Agogo (2022) examined network capabilities and bank performance and established that managerial, social, marketing and information networks positively influenced outcomes by strengthening access to information, customer relationships and stakeholder collaboration. Although the research was in the banking field, its operationalisation of network capability differed from that of the present investigation, and the Nigerian environment differs contextually from that of Kenya.

Other African studies have examined networking within SMEs. Munyanyi and Pooe (2022) discovered that networking capabilities enhanced SME operations in Zimbabwe by improving access to knowledge and business opportunities. Similarly, Khayesi, George and Antonakis (2014) demonstrated that entrepreneurial networks assisted Ugandan firms in resource mobilisation. Although these findings confirm the relevance of networks, the focus on SMEs and entrepreneurial ventures creates a sectoral gap with respect to commercial banks.

More recently, Nabisaalu (2024) examined social networks, dynamic capabilities and entrepreneurial performance in Uganda, establishing that firms require appropriate capabilities to transform network resources into desirable outcomes. Nevertheless, the study focused on entrepreneurs and social networks rather than formal organisational networking practices within banking institutions.

In Kenya, Amoni, Singoro, and Manini (2020) focused on diversity networking and organisational performance in the banking sector, finding a positive and significant effect driven by stronger collaboration and employee dedication. Their work framed such linkages within human resource diversity practices, rather than as a strategic instrument for cultivating and capitalising on external relationships to boost performance.

Similarly, Tuwei et al. (2022) examined the mediating role of relational competence in the relationship between entrepreneurial strategic orientation and the performance of manufacturing firms in Nairobi. Their results showed that relational competence notably amplified this connection, reaffirming the strategic worth of inter-firm ties. Nevertheless, their concentration on manufacturing entities and their treatment of relational competence as a mediator set their contextual and analytical framework apart from that adopted in the current inquiry.

Further evidence was provided by Moi, Korir and Bonuke (2023), who assessed networking capabilities among SMEs in Kenya’s North Rift region and revealed that networks enhanced performance by improving access to information, strengthening business relationships, and facilitating resource acquisition. Although these investigations provided useful empirical insights, their emphasis on manufacturing enterprises and SMEs presented a contextual limitation that the current research addresses by focusing on commercial banks.

Njeru (2025) undertook an empirical assessment of strategic alliances among commercial banking institutions in Kenya. The investigation determined that collaborations enabled banks to improve resource accessibility, expand market reach, and strengthen operational efficiency. However, the study examined strategic alliances as a corporate-level strategy rather than network capability as an internal organisational competence.

2. Service Quality Capability and Performance

Maranatha, Winarto, and Gunawan (2021) conducted a field investigation into the contribution of service quality dimensions to banking performance in Indonesia. The findings revealed that reliability, responsiveness, and assurance significantly contributed to improved outcomes since customers placed greater value on consistent services, timely assistance, and employee competence. Although the work sheds light on how service quality contributes to banking outcomes, its focus on Indonesia highlights the importance of examining similar dynamics in Kenya.

In Jordan, Alolayyan, Alhawary, Shlash, and Al-Nady (2018) used structural equation modelling to empirically assess service quality among commercial banks. Their results showed that assurance and reliability significantly enhanced customer satisfaction, which in turn fostered loyalty and competitive positioning. The study, however, concentrated on customer satisfaction as the dependent variable, which limited its analytical strength regarding the wider organisational effects of service quality capability.

Uddin et al. (2020) examined service delivery practices among private commercial banks in Bangladesh and found that reliability and responsiveness significantly influenced customer satisfaction and loyalty. Their findings suggested that clients sustained long-term relationships with institutions offering accurate, dependable, and timely services. However, the study was situated in a distinct economic and regulatory context and focused primarily on customer-centric outcomes rather than broader institutional performance.

In the Ghanaian banking context, Minta and Oduro (2017) applied the SERVQUAL framework to assess service quality, drawing data from 476 customers. Their findings indicated that reliability, responsiveness, and assurance significantly influenced customer satisfaction, with reliability emerging as the most prominent dimension. While the study affirmed the importance of service quality within financial institutions, its concentration on customer satisfaction left a gap in understanding how service capability contributes to broader organisational performance.

In Nigeria, Osiegbu and Onuorah (2018) investigated service delivery in deposit money banks and found that improved service practices encouraged repeat transactions and enhanced customer retention, though their direct effect on financial outcomes remained limited. Yusuf and Bala (2021) examined electronic banking services and established that reliability strengthened customer trust, satisfaction, and continued use of digital platforms. However, both studies focused on isolated service aspects rather than examining reliability, responsiveness, and assurance collectively as strategic organisational capabilities.

Lumanga and Muya (2024) empirically assessed customer service quality and performance in Tanzania's supply chain, reporting that responsiveness, reliability, and assurance contributed positively to organisational outcomes by strengthening firms' ability to satisfy customer expectations. Despite being conducted outside the financial industry, the results highlight the benefits of service capability among sectors where customer experience is critical to performance.

More recently, Mwapinga and Kisawike (2025) examined service quality and banking expansion among CRDB Bank Plc branches in Tanzania. The study established that dependable services contributed to customer retention and institutional growth. However, the research focused mainly on reliability, whereas the present investigation incorporates assurance and responsiveness to provide a broader assessment of service quality capability among commercial banks.

In Kenya, Mbugua and Kinyua (2020) examined service positioning across deposit-taking SACCOs in Nairobi and established that improved service approaches contributed to customer loyalty, competitive advantage and better organisational results. Although the findings are relevant to financial institutions, the SACCO context differs from commercial banking operations.

Ngugi, Gachunga and Mukanzi (2021) further applied the SERVQUAL approach within Kenyan chartered universities and found that supportive organisational practices enhanced service delivery and stakeholder satisfaction. While situated outside commercial banking, the investigation shows that consistency, timeliness, and trustworthiness are key in improving enterprise-level outcomes.

3. Human Capital Capability and Performance

A study by Kianto et al. (2017) on firms operating in European countries utilised survey data, analysed using structural equation modelling, to establish the influence of employee development on organisational achievements. The outcome was that continuous learning and employee development enhanced innovation capability and strengthened organisational competitiveness. However, the investigation focused on knowledge-intensive firms and general human resource practices rather than human capital capability within the banking sector. The current study examines human capital capability in commercial banks in Kenya.

Al-Qudah and Al-Qudah (2020) investigated employee retention practices and performance among service organisations in Jordan. They established that retaining experienced employees enhanced productivity, improved service delivery, and preserved organisational knowledge. Although the findings demonstrated the importance of employee retention, the study considered retention as an independent human resource practice rather than as a component of human capital capability. The current study conceptualises human capital capability to include employee competence, development, and retention.

Focusing on the Cooperative Bank of Kenya, Nderitu, Gakobo and Ochieng (2019) assessed human capital management practices to determine their influence on employee performance. They established that employee skills, engagement, and positive attitudes contributed to improved employee effectiveness. However, the research focused on individual employee outcomes without examining broader organisational performance or the combined dimensions of human capital capability. The present investigation looks at the contribution of human capital capability to organisational performance among commercial banks in Kenya.

Nyaema and Wambua (2019) examined the effect of strategic workforce management practices on staff retention within banking institutions in Nairobi using survey data. They found that recruitment, reward systems, performance appraisal, and job design significantly influenced employee retention. While the findings highlighted factors supporting workforce stability, retention was treated as an outcome of human resource practices rather than as an element of human capital capability. The current study considers employee retention as one of the dimensions of human capital capability influencing organisational performance.

Evidence from a case study at Equity Bank, Kenya further demonstrated the contribution of human resource practices to organisational outcomes. Njeri (2019) found that training, recruitment, employee relations, and reward

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systems positively influenced organisational performance. However, the findings were drawn from a single institution, limiting their applicability across the banking industry. The current study overcomes this limitation by examining commercial banks operating in Kenya.

Bula and Kamaru (2023) analysed performance evaluation practices and employee productivity in Kenyan banking institutions. The study found that effective employee evaluation improved competence and enhanced productivity. However, the research focused on performance appraisal and employee productivity without examining human capital capability as a multidimensional construct comprising competence, employee development, and retention. This investigation extends existing knowledge by assessing the contribution of human capital to organisational performance.

4. Market Sensing Capability and Performance

Hernández-Linares, Kellermanns and López-Fernández (2021) employed structural modelling to examine sensing capability in 509 Spanish SMEs. Their findings indicate that enterprises that consistently monitored customer preferences and emerging opportunities achieved superior performance, with market orientation strengthening this relationship. However, sensing was assessed as one component of broader dynamic capabilities, and the sample comprised exclusively SMEs, narrowing the scope of the findings. The current study examines the sensing capability within Kenyan banks.

Adopting a quantitative approach, Khristianto, Suharyono, Pangestuti, and Mawardi (2021) analysed market sensing among Indonesian SME tour operators, confirming that awareness of customer expectations and sectoral trends fosters innovation and competitive advantage. Although their work highlights the benefits of adaptive responses to market dynamics, its emphasis on tourism firms and competitive strategy diverges from the current investigation, which focuses on commercial banks' performance.

Dias, Lopes and Braga (2021) developed and validated measures of market sensing capability among SMEs in Europe. The study revealed that strong customer relationships, effective analytical processes, and accumulated organisational experience enhanced innovation and facilitated successful product development. Nevertheless, the study focused on product innovation and used measures of market sensing that differ from the customer sensing, competitor sensing, and environmental scanning dimensions adopted in the current study.

Ma, Khan, Khan and XiangYun (2021) examined the contribution of sensing capability to organisational performance and found that firms that effectively identified changes in their external environment achieved superior outcomes through absorptive capacity and information systems. The study further demonstrated that organisations with greater awareness of environmental developments were better equipped to respond to uncertainty. However, sensing capability was examined as an element of dynamic capabilities rather than through specific dimensions such as customer sensing, competitor sensing, and environmental scanning, which are the focus of the current study.

A study by Mulyana, Nurhayati and Putri (2023) among Indonesian fashion SMEs found that sensing capability, together with digital marketing capability, enhanced marketing performance through value creation. Likewise, Wong and Ngai (2025) reported that sensing and data-driven capabilities improved operational performance among organisations in China by strengthening the interpretation and use of market information. However, both studies focused on SMEs and assessed marketing or operational outcomes rather than overall organisational performance in banking.

Market sensing is also attributed to strategic orientation and organisational success. Mac and Lee (2023) examined dynamic marketing capabilities among firms in Guangdong Province, China and established that market sensing, responsiveness, and coordination strengthened proactive market orientation and improved organisational performance. However, market sensing was treated as one component of dynamic marketing capabilities rather than as a sole organisational capability. This investigation examines the role of sensing capability on organisational performance.

In South Africa, Mokoena and Dhurup (2017) investigated market orientation among service firms and found that understanding customer needs and monitoring competitors enhanced organisational performance. Despite these findings, the study did not consider environmental scanning as a separate dimension of sensing capability. The current study addresses this gap by incorporating customer sensing, competitor sensing, and environmental scanning.

Similar findings were reported in Ghana by Kankam-Kwarteng, Sarpong, Amofah and Acheampong (2021), who examined the influence of market sensing capability on performance among tertiary firms. The researchers established that organisations that effectively gathered, interpreted, and utilised market intelligence achieved better marketing outcomes, particularly where customer interactions were strong. However, the study focused on marketing performance among general service firms rather than organisational performance within the banking industry. The current study is undertaken in Kenyan banks.

Ndambuki (2018) examined account management, market intelligence, and organisational performance. He found that market sensing strengthened performance through improved customer relationship management. However, the study treated market sensing as a moderator instead of examining its direct effect on organisational performance. This study considers sensing capability as an independent predictor of organisational performance.

Ndeti (2022) also investigated market-sensing practices among fintech firms in Kenya and reported that market information acquisition, customer intelligence, and internal information sharing contributed to improved organisational outcomes. However, the study focused on fintech firms and employed measures that differ from the customer sensing, competitor sensing, and environmental scanning dimensions adopted in the current study.

Ng'ang'a, Ndegwa and Kangu (2024) examined sensing capability among supermarkets in Kenya and found that responsiveness to customer expectations and industry changes positively influenced organisational performance. However, the study was conducted in the retail sector, whose operating environment differs from that of commercial banks. In addition, sensing capability was measured broadly without distinguishing customer sensing, competitor sensing, and environmental scanning as separate dimensions.

V. METHODOLOGY

The study adopted a desktop research approach based on a review of theoretical and empirical literature on strategic capabilities and organisational performance. The review focused on four strategic capabilities: network capability, service quality capability, human capital capability, and market sensing capability. Relevant theoretical perspectives, including the Balanced Scorecard, Resource-Based View, Dynamic Capabilities Theory and SERVQUAL model, were reviewed to establish the theoretical foundation of the study.

Empirical studies were reviewed from different geographical and organisational contexts, with particular attention to studies examining the relationship between strategic capabilities and organisational performance. The review covered evidence from Kenya and other African countries, as well as international studies, to identify areas of convergence, differences and gaps in the existing literature. The reviewed studies included research involving commercial banks, SMEs, manufacturing firms and other service organisations.

The literature was analysed thematically according to the four strategic capabilities. For each capability, the review considered its conceptual meaning, theoretical underpinning, empirical evidence and relevance to organisational performance. The findings from the reviewed literature were then synthesised to identify common patterns, contextual limitations and gaps that justify further empirical investigation within commercial banks in Nairobi City County.

Inclusion and Exclusion Criteria

The review included peer-reviewed journal articles, scholarly books and relevant academic studies that addressed strategic capabilities, organisational performance or the theoretical perspectives underpinning the study. Particular attention was given to studies examining network capability, service quality capability, human capital capability and market sensing capability.

The review excluded literature that did not directly relate to the study variables, strategic management or organisational performance. Studies focusing exclusively on unrelated industries, concepts or outcomes were excluded unless they provided relevant theoretical or empirical insights applicable to the study. The review also excluded sources whose content was insufficiently related to the objectives of the study.

Importantly, the study does not make empirical claims about the performance of commercial banks in Nairobi City County at this stage. The conclusions are drawn from the existing theoretical and empirical literature and provide a basis for a subsequent empirical investigation.

Findings

The review established that strategic capabilities are important determinants of organisational performance in commercial banks. Four capabilities were examined: network capability, service quality capability, human capital capability and market sensing capability. The theoretical perspectives- the Balanced Scorecard, Resource-Based View, Dynamic Capabilities Theory and SERVQUAL- provide complementary explanations of how these capabilities can contribute to organisational performance.

Network Capability

The findings from the empirical literature indicate that network capability generally has a positive relationship with organisational performance. Effective networks enable organisations to access information, knowledge, resources and business opportunities while strengthening collaboration with customers, regulators and strategic partners. Evidence from Nigeria, South Africa, Uganda, Zimbabwe and Kenya supports the importance of networking in improving organisational outcomes.

However, most previous studies examined networking in SMEs, manufacturing firms, entrepreneurial ventures or specific relational arrangements. Few studies have treated network capability as a broader organisational capability within commercial banking. This leaves an important contextual gap that the current study addresses.

Service Quality Capability

The findings further show that service quality capability is associated with improved organisational outcomes. Reliability, responsiveness and assurance emerged repeatedly as important elements of service delivery.

Studies in Indonesia, Jordan, Bangladesh, Ghana, Nigeria and Tanzania indicate that dependable services, timely responses and competent employees contribute to customer satisfaction, loyalty, retention and institutional growth.

The literature nevertheless tends to focus on customer satisfaction and loyalty rather than examining service quality as a strategic capability that contributes directly to broader organisational performance. This distinction provides justification for the present study.

Human capital capability

The review found that human capital capability is an important source of organisational performance. Employee competence, training, development, engagement and retention contribute to productivity, innovation and effective service delivery. Kenyan evidence from banking institutions indicates that employee skills, engagement, attitudes, training and performance evaluation can enhance employee and organisational outcomes.

However, much of the existing research examines individual human-resource practices independently. There is therefore limited evidence on human capital capability as a broader strategic capability incorporating employee competence, development and retention.

Market sensing capability

The findings also indicate that market sensing capability contributes to organisational performance by helping organisations understand customers, monitor competitors and identify changes in the external environment. Evidence from Spain, Indonesia, China, South Africa, Ghana and Kenya generally indicates that organisations that effectively acquire, interpret and use market information are better positioned to respond to market changes and identify opportunities.

Despite this evidence, few studies have examined market sensing as a distinct capability within commercial banks using the dimensions of customer sensing, competitor sensing and environmental scanning. This represents another gap addressed by the study.

Discussion of Findings

The findings can be understood through the four theoretical perspectives adopted in the study.

The Resource-Based View provides the strongest overall explanation for the relationship between strategic capabilities and organisational performance. It argues that valuable, rare, difficult-to-imitate and well-organised resources can provide a basis for sustained competitive advantage. Network relationships, employee expertise, market knowledge and service-delivery routines can therefore become important strategic resources when effectively developed and deployed.

The findings are also consistent with Dynamic Capabilities Theory, which emphasises the ability of organisations to continuously develop, integrate and reconfigure their resources in response to changing environments. This is particularly relevant to commercial banks because changing customer expectations, technological developments and competitive pressures require banks to continually adapt their capabilities.

The Balanced Scorecard further supports the findings by recognising that organisational performance extends beyond financial results. Network capability can strengthen customer and internal-process outcomes, service quality capability can improve customer experience, human capital capability supports learning and growth, while market sensing can help organisations respond to changing customer and market conditions.

Finally, SERVQUAL helps explain the contribution of service quality capability. Reliability, responsiveness, assurance, empathy and tangibles influence customers' evaluation of service delivery and consequently affect satisfaction, loyalty and relationships with financial institutions.

Overall, the discussion suggests that strategic capabilities should not be viewed as isolated organisational practices. Rather, they operate as interconnected organisational strengths. A bank may possess skilled employees, for example, but derive greater value from those employees when they are able to use market intelligence, maintain effective relationships and deliver reliable services.

VI. CONCLUSION

The study concludes that strategic capabilities provide an important foundation for the performance and competitiveness of commercial banks. The reviewed evidence consistently associates network capability, service quality capability, human capital capability and market sensing capability with improved organisational outcomes

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Network capability enables banks to access external resources, information and relationships. Service quality capability enables them to deliver dependable and responsive services. Human capital capability provides the knowledge, skills and experience required to execute banking activities effectively, while market sensing capability enables banks to understand customers, competitors and changes in the operating environment.

The study further concludes that the development of strategic capabilities should be viewed as an ongoing process rather than a one-time investment. This conclusion is particularly consistent with Dynamic Capabilities Theory, which emphasises continuous adaptation and renewal of organisational competencies.

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At the same time, the empirical literature reveals a contextual gap. Much of the previous evidence has been generated from SMEs, manufacturing firms, other service industries or banking sectors outside Kenya. Even within Kenya, existing studies have often focused on individual practices rather than examining the four capabilities collectively within commercial banks.
The present study therefore provides a basis for understanding how these capabilities collectively contribute to the performance of commercial banks in Nairobi City County.

Implications
Managerial Implications
The findings suggest that commercial bank managers should treat strategic capabilities as critical organisational assets rather than as separate operational functions.

First, banks should strengthen strategic networks with customers, fintech companies, regulators, payment providers and other relevant stakeholders. Such relationships can facilitate access to information, technology, knowledge and resources.

Second, banks should continuously improve service quality capability by strengthening reliability, responsiveness and employee competence. Consistent and timely service remains important for customer retention and institutional growth.

Third, banks should invest in human capital development through continuous training, skills development, employee engagement and retention. Employees are particularly important in a service industry where organisational performance depends substantially on the quality of interactions with customers.

Fourth, banks should strengthen market sensing capability by systematically collecting and analysing information about customers, competitors and changes in the business environment. Such information can support timely strategic decisions and enable banks to respond to emerging opportunities and threats.

Theoretical implications
The study contributes to strategic management literature by bringing together the Resource-Based View, Dynamic Capabilities Theory, the Balanced Scorecard, and the SERVQUAL model to explain organisational performance in commercial banking. The findings particularly reinforce the argument that organisational performance depends not merely on possessing resources but on the ability to organise, develop and deploy them effectively.

Policy implications
The findings may also be relevant to banking-sector policymakers and regulators. Policies that encourage innovation, professional development, digital integration, information sharing and productive collaboration among financial institutions and technology providers could strengthen the overall competitiveness and resilience of the banking sector.

Limitations
The study has several limitations that should be acknowledged.

The empirical literature reviewed covers different countries, sectors and organisational settings. Consequently, findings from SMEs, manufacturing firms, tourism businesses and other service organisations may not be directly transferable to commercial banks in Kenya. This limitation is evident throughout the empirical review, where several studies were conducted outside the banking sector.

Previous studies have also employed different definitions and measures of strategic capabilities. For instance, network capability has been represented through relational competence, strategic alliances and social networks, while market sensing has sometimes been incorporated into broader dynamic or marketing capabilities. These variations make direct comparisons across studies difficult and highlight the need for context-specific measures.

Much of the reviewed research has focused on individual aspects of performance, including customer satisfaction, customer loyalty, employee productivity and marketing performance, rather than organisational performance as a broader construct. This limits the extent to which existing findings can be used to explain the overall performance of commercial banks.

The theoretical perspectives adopted in the study also have inherent limitations. The Resource-Based View has been criticised for placing considerable emphasis on internal resources while giving less attention to external environmental forces. Dynamic Capabilities Theory has faced challenges concerning conceptual clarity, definition and empirical measurement. Similarly, SERVQUAL has attracted criticism regarding the measurement of customer expectations and perceptions, particularly across different industries and cultural contexts.

Suggestions for Further Research
Future studies could extend this research in several ways.

- Comparative studies: Future research could compare strategic capabilities across large, medium and small commercial banks to determine whether the importance of different capabilities varies according to bank size.
- Geographical expansion: Similar research could be undertaken in other counties in Kenya to establish whether the findings from Nairobi City County apply to commercial banks operating in other regions.
- Longitudinal research: Future studies could use longitudinal designs to examine how strategic

capabilities influence bank performance over time rather than relying on a cross-sectional assessment.

- Mediating and moderating variables: Future research could examine whether variables such as innovation capability, digital transformation, organisational agility, competitive intensity or organisational culture mediate or moderate the relationship between strategic capabilities and performance.
- Mixed-methods research: Combining quantitative surveys with interviews of senior bank managers could provide deeper insight into how strategic capabilities are developed, deployed and adjusted in practice.
- Capability interaction: Future research could examine whether the combined effect of network capability, human capital capability, service quality capability and market sensing capability is greater than the individual contribution of each capability.

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