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**THE MEDIATING ROLE OF ORGANIZATIONAL COMPETENCES ON THE RELATIONSHIP BETWEEN RESOURCE  
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**ABSTRACT**

*Creation and sustaining of competitive advantage can be realized if the firm is capable of converting resources into processes. This enables the firm to build capabilities and competences that enable it to gain competitive edge against rivals. Kenya commercial banks should therefore, put more emphasis on resources which have the potential of creating value to customers. The main purpose of this study was to establish the role of organizational competences on the relationship between resource isolating mechanism and sustain competitive advantage among commercial banks in Kenya. Descriptive and explanatory research design was employed in the study. The research targeted all the commercial banks in Kenya. Purposive sampling was used to select a sample of 160 respondents from the key departments of Finance, Sales and Marketing, Strategy and Operations of all the forty (40) commercial banks' headquarters in Kenyan capital Nairobi. The data collection instrument used was semi-structured questionnaire. The variable characteristics were summarized using descriptive statistics. Agreement to the most frequent responses to the statements on the study variables ranged between moderate and high extent. Based on results of hypotheses testing, there exists a mediating effect of organizational competences on the relationship between resource isolating mechanism and sustainable competitive advantage.*

**Key Words:** Resources, Isolating Mechanism, Competitive Advantage, Sustainable Competitive Advantage, Organizational Competences

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## INTRODUCTION

The ability of a resource or capability to contribute to competitive advantage depends on the value, uniqueness and non-accessibility of a resource or capability in the market (Harrison, 2005). A firm should evaluate resources and capabilities in view of identifying the firm's core competences, which are value creating system through which a company attempting to accomplish strategic competitiveness and gain higher profits for firm to succeed in the long run (Hitt, Anderson & Hoskisson, 1995; Cabral, 2013). Interplay between capabilities and resources builds core competencies which create high value products at lower costs than rivals (Rothaermel, 2008).

Organizational competencies are achieved if the internal resources and potentiality of the entity are able to create and sustain competitive advantage (Zekeri, & Nedelea, 2011). For an organization to make a unique place in the market and increase its market share, it must be able to align competencies, capabilities and resource strategically (Smith, 2008). The firm can therefore, gain and sustain competitive advantage by its ability to modify and configure its resource base (Rothaermel, 2013). Rapid dynamic technological changes within external environment have bestowed decrease in commodities life cycle and thus, a firm must put more emphasis on organizational competencies and competitive advantage to enable it gain competitive edge over other competitors (Dirisu, Iyiola & Ibidunni, 2013). Commercial banks in Kenya should therefore train staff (Mbobua, Juma, & Musiega, 2013), for skilled staff and quality assets determine the performance and profitability of the bank (Ongore, & Kusa, 2013).

Strategic capability focuses on the sufficiency and appropriateness of resources and competences required for organization's survival and prosperity (Johnson, Scholes & Whittington, 2006). Firms should therefore, endeavour to provide unique products

valued by customers to build advantages which are sustainable (Prasad, 2010; Johnson, Scholes & Whittington, 2006). Resources are valuable to a firm when they are able to return on investment incurred as well as provide potential competitive advantage (Johnson, Whittington & Scholes, 2013). It is crucial for entities to discover and acquire mixed resources and capabilities for production of quality and differentiated products or services, innovation and effective and efficient customer service to sustain competitive advantage (Srivastava, Franklin & Martinette, 2013).

Commercial Banks are required to publish their quarter and year end audited financial statements which must be published through newspapers and their websites and are subjected to external audits in order to monitor complaint (CBK, 2016). Central Bank of Kenya has closely monitored banks in regard to liquidity and credit risks (CBK, 2016). Liquidity is an important indicator of the bank's capability to fund increased property and meet its liabilities (CBK, 2016). Asset quality, high capital investment and efficiency is an indicator of performance (Ongore, 2013). The Banks therefore, face a challenge regarding how to prevent their rivals from imitating their strategies and their sources of competitive advantage, how to maintain skilled human capital and intellectual property to avoid losing them to competitors (Kungu, Desta, & Ngui, 2014). The respective resource isolation mechanism each bank has employed to enact barriers to imitation therefore need consideration.

Since sustainable competitive advantage can be modeled as an aspect of firm strategic behavior, a more robust framework connecting firm strategies with capabilities in the context of firm environment is required to guide empirical work (Hoffman, 2000; Campbell, Coff & Kryscynski, 2012). Sandberg and Abrahamsson (2011) recommended that firms should integrate several organizational functions to sustain

competitive advantage. The study was based on case study in two Swedish companies where two rounds of interviews were conducted to top managers. The main objective of this study therefore, was to determine the mediating role of organizational competences on the relationship between resource isolating mechanism and sustainable competitive advantage among commercial banks in Kenya.

The findings of this study provides insight to the managements of the banks and other sectors on the importance of organizational competences in sustainability of competitive advantage. The study findings can also be used by the government and policy makers in the developing nations in development of strategies. This is because the study emphasis on the organizations capabilities and competences which assist in sustaining competitive advantage. The study contributed towards filling of the information gap on the subject matter which is useful for future research. The study also contributed to the existing body of knowledge, which can be used as reference point by academicians, scholars and researchers.

## LITERATURE REVIEW

The section specifically reviewed conceptual and empirical literature in view of pointing out research gaps and highlighted the existing theories in regard to organizational competences explored by scholars. The study sought to establish the mediating role of organizational competences on the relationship between resource isolating mechanism and sustainable competitive advantage.

According to Das, and Teng, (2000), Resource Based-view (RBV) approach helps a firm to maximize value and minimizing costs by utilizing valuable resources by integration of resources. Competitive advantage according to RBV can only be realized if a firm has unique resources and is able to combine these unique resources which are inimitable such as patents,

trademarks and copyrights, rare, imperfectly mobile and unsubstitutable (Das, & Teng, 2000). The basic rationale of RBV is that, an entity's competitive advantage basically uses valuable bundle of resources (Harrison, 2005). Bordella, Liu, Ravarini, Wu and Nigam, (2012) proposed an influencer business motivation model as a way of acquiring and sustaining competitive advantage by evolving concepts from RBV of the firm. The RBV approach to competitive advantage contends that the internal firm resources are more significant than those in the external environment (David, 2011).

A dynamic capability is acquired if a firm is able to integrate, build and configure both internal and external competences in order to address dynamic changes in the environment (Teece, Pisano & Shuen, 1997). Dynamic capability theory originated from Schumpeter's (1934) and is based on the resource-based theory approach (Gathungu & Mwangi, 2012). The aspect of dynamic capabilities is important for sustaining competitive advantage despite dynamic changes in the external environment (Zaidi & Othman, 2012). Dynamic capability theory is concerned on what organizations should adapt to sustain competitive advantage (Kitenga & Kuria, 2014). Dynamic capabilities are developed via three mechanisms which include tacit accumulation of past experience, knowledge articulation and knowledge codification processes (Zollo & Winter, 2002).

According to Teece, (2017), strong dynamic capabilities help an organization to compete effectively and efficiently. This is by building resources, renewing and reconfiguring those resources. As a result, the firm is able to respond to the changes in the environment as well as the changing customer preferences. Dynamic capability is grouped into three clusters which includes sensing, seizing and transforming (Teece, 2017). Sensing capabilities involves continuous scanning of the environment in view of identifying new inventors and

exploration of markets needs. Seizing capabilities entails seizing the opportunities within the firm's environment and this assist in market segmentation and identification of right technology. Transformation capabilities involve recombination and reconfiguration of resources in view of addressing the changes and opportunities in the environment (Breznik & Lahovnik, 2016).

Knowledge management enable organization to generate business value out of the available knowledge resources of an organization and because of this, it is essential for an organization to establish new strategic practices that leverage knowledge-based resources (DuBrin, 2006; Campion, Medsker, & Higgs, 1993; Grant, 2010). Whereas others have focused on individual resources, such as general mental ability and conscientiousness (Barrick, Stewart, Neubert & Mount, 1998). Knowledge management is significant in increasing people skills and expertise, enables people collaboration and ability to extract organization problem and solutions to this problem as well as prevent companies from constantly reinventing the wheel (Deloitte, 2013). Organizational learning combined with creativity and knowledge management leads to resources personality (non-physical resources) which when configured result in to sustainable competitive advantage (Chowtupalli & Rafi, 2013).

Knowledge Based-View (KBV) involves the firm's intangible know how and skills such as technological and management skills or talents which are inimitable due to barriers in information and are protected (Das, & Teng, 2000). This helps the firm to build characteristics that enhances skills and knowledge that cannot be duplicated by rivals (Curado, Lupi & Lisboa, 2006). This triggers insights into organizational competences (Clegg, Kornberger & Pitsis, 2014). Firms should therefore, develop systems, procedures and processes for critical knowledge transmission within the organization, implement structures for

effective communication and focus on developing and continuously improving knowledge transmission systems to attain competitive advantage sustainability (Njuguna, 2009). Firms should therefore emphasis on continuous learning so as to develop staff capabilities and competences to create and sustain competitive advantage (Chowtupalli & Rafi, 2013; Grant 199).

Organizations should embrace learning that focuses on the situation in the market and learning that have critical capabilities to shape the organization's creativity vividness and as a result provide to its sustainable competitive advantage (Weerawarden & O'Cass, 2003). The idea of knowledge rises into two distinct forms: explicit knowledge such as architects' drawings, business plans, patents, processes and techniques, tacit knowledge which includes experiences and background of the employees (Capon, 2009).

Knowledge process of a firm require interaction between both tacit knowledge (know how) which includes the intuitions and insights of people and explicit knowledge (know that) which is useful for it can be documented and shared by employees (Sanchez, 2008). Tacit knowledge is the core firm's prior knowledge base for it is embedded within the employees minds and firm's explicit knowledge such as firm-specific blueprints and standard operating procedures, are useful only when tacit knowledge is well utilized by the employees of the organization (Tushman & Anderson, 2004), relatively immobile and ambiguous and therefore, inhibits imitation by rivals (Sanchez, 2008). Usually in the domain of subjective, cognitive and experiential learning, highly personal and hard to formalize is knowledge with skills, abilities and competencies (Cole & Kelly, 2011).

Sustainability of competitive advantage is achieved by implementing strategies that meet customer demands by exploiting rare and unique resources

(Liu, 2010). Therefore, an entity should be capable to respond to customer demands effectively to sustain competitive advantage (Vinayan, Jayashree & Marthandan, 2012). Competitive advantage can only be achieved whereby organizational systems produces a quality value for customers by having capacity to supply products or services that are differentiated from that of their rival firms (Wit & Meyer, 2005). Firms which deliver superior and quality products or services beyond customers' expectations create customer loyalty (Harrison & Hoek, 2005). The firm's systems and processes should be enhanced sustain competitive advantage (Ismail, Rose, Uli, & Abdullah, 2012).

The firm can only compete effectively by provision of superior products which are perceived of value by customers (Porter, 1985). Quality services or products which are considered of value and reliable enhance customer loyalty (Agyei & Kilika, 2013). The products of the firm should be differentiated such that they provide value to customers and cannot be duplicated by competitors to create and sustain competitive advantage (Vinayan, Jayashree, & Marthandan, 2012). Organizational competencies includes capabilities and competences of the top management of the firm which helps the firm govern and organize the diverse and complex operations of the firm effectively (Hoskisson, Hitt, Ireland & Harrison, 2010). Strategic managers must have the ability of discovering and evaluating market opportunities and also define and design value-creation management processes to effectively coordinate resources to create distinctive capabilities in order to effectively serve targeted customers (Sanchez, 2008).

Cabral (2013), did a research on corporate reputation and sustainable competitive advantage at New York University and from the result developed a model which suggested that firms with a superior reputation should invest heavily on building that reputation. The finding was in agreement with Saloner (2001) that if

sources of competitive advantage resist competition, then the competitive advantage is ranked as sustainable. The researcher argued that a firm with superior reputation possesses dynamic capability and succeeds in the long run.

Bordello, Liu, Ravarini, Wu and Nigam (2012), study sought to propose a new methodology for the achievement of sustainable competitive advantage. The study presented an operational technique and protocol for its application for realizing SCA through business entity analysis. Bratic, (2011), conducted a research on achieving a competitive advantage by Supply Chain Management. The purpose of the study was to identify relationship between practices in supply chain management and competitive advantage of Croatian graphic companies.

A sample of one hundred and fifty Croatian graphic companies was used and the instruments employed for data collection were questionnaires collected by e-mails. The population of the study were the graphic population companies in printing and publishing industry. The respondents were middle and upper managers with an experience of an average of 12.5 years. Findings indicated that price, quality and time to market are stronger indicators of competitive advantage than the delivery dependability and product innovation. The study concluded that effective supply chain management is a way of securing competitive advantage in an organization.

Dirisu, Iyiola and Ibidunni (2013), studied on product differentiation as a tool of competitive advantage and optimal organizational performance, a study of Unilever, Nigeria. The purpose of the study was to determine the relationship between product differentiation and organizational performance. The study adopted survey research design due to the nature of the respondents which entailed administering of questionnaires to the chosen

sample. The population of the study were customers/consumers of the Unilever products, Nigeria Plc at Ota, Ogun state.

Three hundred and twenty three customers/consumers of the organization were surveyed. They found that there was positive significant relationship between higher quality product and the sales growth of an organization, new product innovation and customer satisfaction, product design and sales growth of an organization and unique product features and customer satisfaction of an organization. Therefore, from the result they concluded that there was a significant relationship between product differentiation and organizational performance. The study findings supported previous studies conducted by Mosakowski, (1993), which indicated a positive and significant relationship between product differentiation strategy and organizational performance. The study recommended that product differentiation can be used as a tool for achieving competitive advantage and enhancing greater organizational performance.

Resource isolating mechanism is a crucial hypothetical concept which explains the competitive advantage sustainability process in a resource-based model for it discusses the competition among firms in a particular industry (Mahoney & Pandian, 1992). Grant (2010) indicated that a firm needs to have isolating mechanisms that serve as barriers that limit competitors from imitating their strategy for a competitive advantage to be sustained in the long run. When barriers to entry are high in an industry, competition declines over time and it makes it hard for beginning firms to get into the industry (Pearce & Robinson, 2005). Within the strategic management process, several scholars associate the set of activities involved in resource isolation with the phase of strategy formulation whereby firms carry out internal analysis, scan their external environments and

suggest relevant strategic choices (Pearce & Robinson 2011; Johnson, Scholes & Whittington, 2006).

Chowtupalli and Rafi (2013), supported knowledge theories by arguing that strategies to gain competitive advantage as a result of knowledge management was on three constructs: organizational learning, innovation and knowledge management of which the firm combine resulting into sustainable competitive advantage. The study focused towards resource reconfiguration and organizational identity as sources of competitive advantage and how organizational learning, knowledge management and innovation results into sustainable competitive advantage. Survey research design was chosen. The target population was all the twenty five from the list obtained from the data base of Centre for monitoring Indian economy Pvt. Ltd on the basis of profitability. The target respondents were senior managers associated with IT firms in Hyderabad, Chennai and Bangalore, the major economic and commercial centres in India. Only ninety five questionnaires were received out of five hundred.

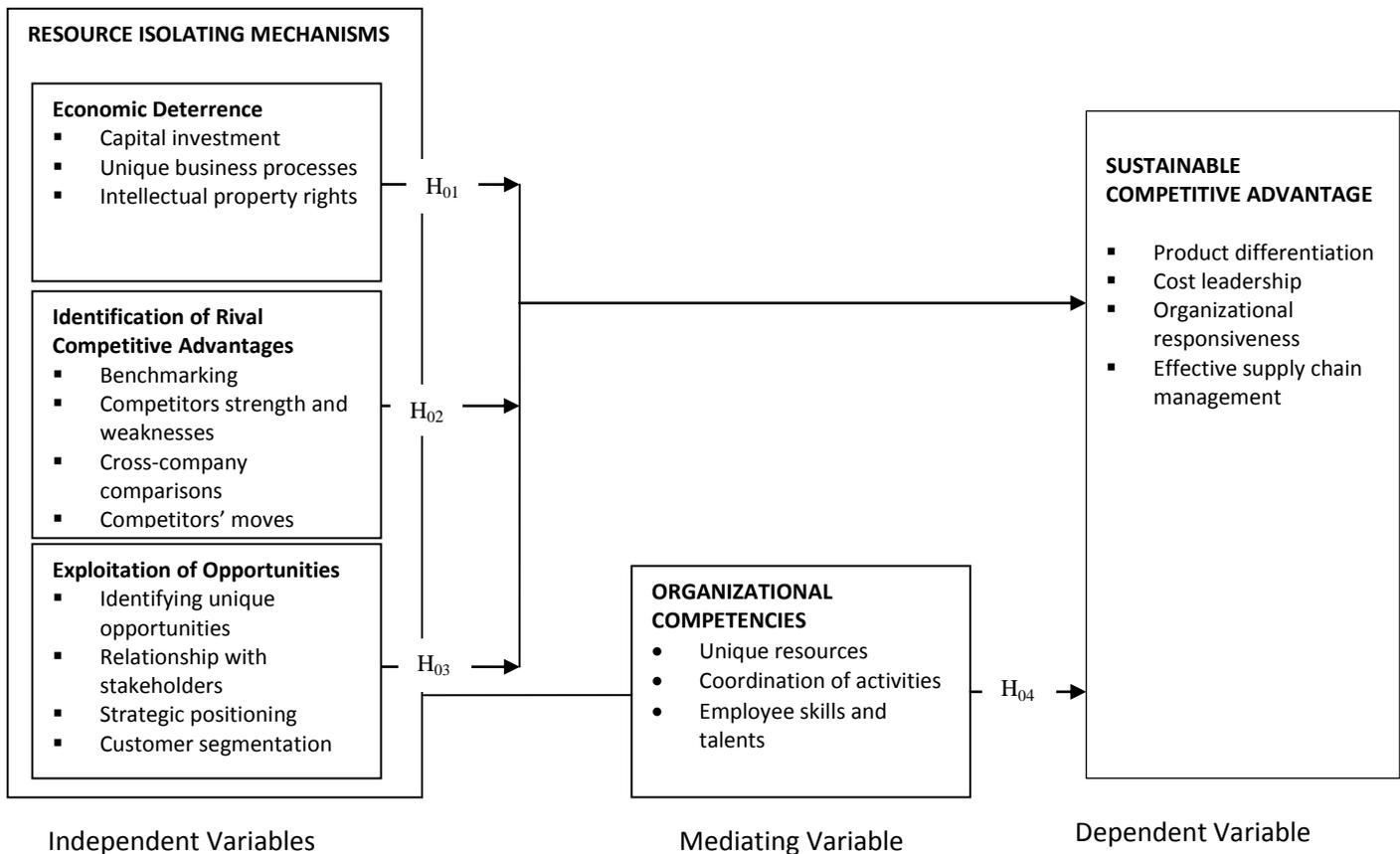
Hazen and Byrd (2012), found that implementation of logistics information technology innovation produces positive performance outcome in terms of efficiency, effectiveness and resiliency and that help firms achieve competitive advantage. The limitation of the study suggested that adoption of logistics innovation cannot produce a sustained competitive advantage by itself and therefore, firms adopting innovation should combine firm's complimentary resources and innovation to yield sustained competitive advantage. They proposed an updated logistics innovation model as a foundation of future research.

Khandekar and Sharma (2005) studied on managing human resources capabilities for sustainable competitive advantage. The study was an empirical analysis from Indian global organization. The survey research design was adopted. Out of nine

organisations, eight hundred and fifteen managers from top, middle and senior level were approached but only three hundred questionnaires were returned. The findings of the study revealed that human resources capabilities are positively correlated to organizational performance and that human

resource capability was found to be a significant predictor of SCA. The study recommended that human resource capabilities can help in building a culture of sharing knowledge and experimentation which is sustainable.

### Conceptual Framework



**Figure 1: Conceptual Framework**

Source: Author (2018)

### METHODOLOGY

This study used descriptive research design and explanatory research design. Descriptive research design enable the researcher to ascertain and describe the characteristics of the variables Sekaran (2003). According to (Kothari, 2009), explanatory research design further builds on the descriptive design and enables further discussion on causal effects of the variables under study.

The population of this study was 40 commercial banks in Kenya and the respondents were managers of key departments at their headquarters in Nairobi, Kenya. The study used primary data which was collected using semi-structured questionnaire which contained both open-ended and close-ended questions. The research instruments was validated in terms of content and face validity. The researcher measured the reliability of the questionnaire to

determine its consistency. The test re-test technique was used to estimate the reliability of the instruments which involved administering the same test twice to the same group of respondents. The results of reliability analysis showed that the Cronbach Alpha was 0.914 for organizational competences.

Quantitative methods, data analysis involved computation of both descriptive and inferential statistics using Statistical Package for Social Sciences (SPSS). The research hypothesis was tested at 95% level of confidence in order to provide for drawing of conclusions that if the p-value is less than 5%, the null hypothesis was rejected and the alternative hypothesis was accepted. If p-value was greater than 5%, the null hypothesis was not rejected and the alternative hypothesis was rejected. Pearson's product movement correlation ( $r$ ) was derived to show the nature and strength of the relationship. Coefficient of determination ( $r^2$ ) was used to measure the amount of variations in the dependent variable explained by the relationship between variables.

Significance of resource isolating mechanism was determined based on the p-value for the corresponding coefficient. Since there were three independent variables, three hypotheses that tested for the significance of each of resource isolating mechanism was computed as follows  $H_{01}$ ,  $H_{02}$  and  $H_{03}$ . This direct effect of the independent variables on the dependent variable was established after controlling moderating and mediating factors.

Mediation was tested using the step by step approach as suggested by Baron and Kenny (1986). A new variable  $X^*$ , a composite index that merges the three independent variables was computed using a formular for harmonic mean (Gupta, 2008) and adjusted to provide for relative weight of each independent variable considered in the study (Kilika, K'Obonyo, Ogutu & Munyoki, 2012). The

variable  $X^*$  was, therefore, jointly denoted resource isolating mechanism with a corresponding coefficient  $\beta_1^*$ .

$$C_i = \sum_{j=1}^m \left( \left( \frac{n}{\sum_{j=1}^n X_j} \right) W_j \right)$$

Source: Kilika (2012); Kilika *et al.*, (2012)

**Where:**

$C_i$  = Composite index for variable i. The variables for which indices were computed were resource isolating mechanism

$N$  = Total number for components that comprised the specific variable

$N$  = Total number of respondents who responded to the respective section of the questionnaire

$X_i$  = Percentage mean score for each resource isolating mechanism computed as a ratio of the actual score to the maximum possible score on the statements for each variable

$W_i$  = The relative weight given to each component in a particular variable.

The purpose for the above stepwise approach was to establish that there are zero relationships among the variables. This implied that if one or more of these relationships are non-significant, the conclusion was that mediation was not possible.

**FINDINGS AND DISCUSSION**

This section presented the study findings which include the bio-data of the study responses, the descriptive analysis and the inferential analysis of the study. A total of 160 questionnaires were administered to respondents who comprised of managers of selected departments in all 40 commercial banks in Kenya. 129 dully filled questionnaires were collected from respondents a response rate of 80.63%. Most of the respondents were experienced, skilled and knowledgeable since they had worked in the bank for more than three

years. Also the academic qualifications of most respondents was of degree category implying that

they were in a position of interpreting research questions.

**Table 1: Variable Characteristics**

| Variable                                      | No of Items | $\alpha$ Score | Mean        | Standard Deviation |
|---|-------------|----------------|-------------|--------------------|
| Economic deterrence                           | 129         | 0.856          | 3.91        | 0.81               |
| Identification of rival competitive advantage | 129         | 0.888          | 3.97        | 0.80               |
| Exploitation of opportunities                 | 129         | 0.841          | 4.21        | 0.70               |
| Organizational competencies                   | 129         | 0.914          | 4.01        | 0.74               |
| Sustainable competitive advantage             | 129         | 0.905          | 3.94        | 0.82               |
| <b>Overall score</b>                          |             | <b>0.881</b>   | <b>4.01</b> | <b>0.77</b>        |

The mediating variable of the study was organizational competencies and was used in the study because of its focus on the role of organization capabilities derived from resource isolation mechanism strategies in sustaining competitive advantage. The variable was measured using six indicators. The statements on organizational competencies had a mean of 4.01 showing that the respondents agreed to the statements on organizational competencies to a large extent. The aggregate standard deviation was 0.74 indicating a low variation on the respondents' responses.

### Test of Hypotheses

The main objective of the research was to determine the role of organizational competences on the relationship between resource isolating mechanism and sustainable competitive advantage among commercial banks in Kenya.

#### Effect of organizational competencies on the relationship between resource isolating mechanism and sustainable competitive advantage

Hypothesis four of the study sought to establish the mediating effect of organizational competencies on the relationship between the resource isolating mechanism and sustainable competitive advantage. The hypothesis was presented in null form as:

***H<sub>04</sub>: There is no significant mediating effect of organizational competencies on the relationship between resource isolating mechanism and sustainable competitive advantage among commercial banks in Kenya.***

This was conducted in four steps: The first step was to establish regression analysis of the composite of independent variables and the dependent variable. Where the composite index of the independent variables forming resource isolating mechanism (that is, economic deterrence, identification of rival advantages and exploitation of opportunities were aggregated to form one composite variable). The second step involved establishment of regression analysis of composite of resource isolating mechanism and the mediator, organizational competencies. The third step was the establishment of regression analysis of organizational competencies and sustainable competitive advantage. The fourth step was establishment of regression analysis of resource isolating mechanism, organizational competencies and sustainable competitive advantage.

**Step 1: Conducting a simple regression analysis of composite of resource isolating mechanism affecting sustainable competitive advantage.**

**Table 2: Regression analysis for the composite of resource isolating mechanism affecting sustainable competitive advantage**

| Model Summary <sup>b</sup> |                              |                             |                   |                            |               |                   |
|----------------------------|------------------------------|-----------------------------|-------------------|----------------------------|---------------|-------------------|
| Model                      | R                            | R Square                    | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |                   |
| 1                          | .755 <sup>a</sup>            | .570                        | .567              | .43545                     | 2.088         |                   |
| ANOVA <sup>a</sup>         |                              |                             |                   |                            |               |                   |
| Model                      |                              | Sum of Squares              | Df                | Mean Square                | F             | Sig.              |
| 1                          | Regression                   | 31.984                      | 1                 | 31.984                     | 168.677       | .000 <sup>b</sup> |
|                            | Residual                     | 24.081                      | 127               | .190                       |               |                   |
|                            | Total                        | 56.065                      | 128               |                            |               |                   |
| Coefficients               |                              |                             |                   |                            |               |                   |
| Model                      |                              | Unstandardized Coefficients |                   | Standardized Coefficients  | t             | Sig.              |
|                            |                              | B                           | Std. Error        | Beta                       |               |                   |
| 1                          | (Constant)                   | .397                        | .275              |                            | 1.443         | .151              |
|                            | Resource isolating mechanism | .878                        | .068              | .755                       | 12.988        | .000              |

Source: Survey data (2017)

In step one, the constant ( $\beta_0$ ) was non-significant at  $\beta=0.397$ ;  $p > 0.05$ , indicating that if all factors remained constant, a unit increase in resource isolating mechanism would result to 0.397 unit increase in sustainable competitive advantage. The established equation was:

$$SCA = 0.397 + 0.755RIM + \epsilon$$

Where:

SCA – Sustainable Competitive Advantage

RIM – Resource Isolating Mechanism

This indicates a positive relationship between resource isolating mechanism and sustainable competitive advantage. Resource isolating mechanism had a strong positive relationship with sustainable competitive advantage at  $p=0.00$

**Step 2: Conducting a simple regression analysis with composite of resource isolating mechanism affecting organizational competences**

**Table 3: Regression analysis for the composite of resource isolating mechanism affecting organizational competencies**

| Model Summary <sup>b</sup> |                   |                             |                   |                            |               |                   |
|----------------------------|-------------------|-----------------------------|-------------------|----------------------------|---------------|-------------------|
| Model                      | R                 | R Square                    | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |                   |
| 1                          | .811 <sup>a</sup> | .657                        | .654              | .39593                     | 2.572         |                   |
| ANOVA <sup>a</sup>         |                   |                             |                   |                            |               |                   |
| Model                      |                   | Sum of Squares              | df                | Mean Square                | F             | Sig.              |
| 1                          | Regression        | 38.148                      | 1                 | 38.148                     | 243.353       | .000 <sup>b</sup> |
|                            | Residual          | 19.908                      | 127               | .157                       |               |                   |
|                            | Total             | 58.056                      | 128               |                            |               |                   |
| Coefficients <sup>a</sup>  |                   |                             |                   |                            |               |                   |
| Model                      |                   | Unstandardized Coefficients |                   | Standardized Coefficients  | t             | Sig.              |
|                            |                   | B                           | Std. Error        | Beta                       |               |                   |
| 1                          | (Constant)        | .151                        | .250              |                            | .605          | .546              |

|                              |      |      |      |        |      |
|------------------------------|------|------|------|--------|------|
| Resource isolating mechanism | .959 | .061 | .811 | 15.600 | .000 |
|------------------------------|------|------|------|--------|------|

Source: Survey data (2017)

In step two, the constant ( $\beta_0$ ) was non-significant at  $\beta=0.151$ ;  $p>0.05$  indicating that if all factors remained constant, a unit change in resource isolating mechanism would result to 0.151 unit change in organizational competencies.

The established equation was:

$$\text{OrgC} = 0.151 + 0.811\text{RIM} + \epsilon$$

Where: OrgC – Organizational Competences

This indicated a positive relationship between resource isolating mechanism and sustainable competitive advantage. Resource isolating mechanism had a strong positive relationship with organization competencies at  $p=0.00$ .

**Step 3: Conducting a simple regression analysis with organization competencies affecting sustainable competitive advantage**

**Table 4: Regression analysis for the relationship between organization competencies and sustainable competitive advantage**

| Model Summary <sup>b</sup> |                           |                             |                   |                            |               |                   |
|----------------------------|---------------------------|-----------------------------|-------------------|----------------------------|---------------|-------------------|
| Model                      | R                         | R Square                    | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |                   |
| 1                          | .837 <sup>a</sup>         | .700                        | .698              | .36379                     | 1.954         |                   |
| ANOVA <sup>a</sup>         |                           |                             |                   |                            |               |                   |
| Model                      |                           | Sum of Squares              | df                | Mean Square                | F             | Sig.              |
| 1                          | Regression                | 39.258                      | 1                 | 39.258                     | 296.644       | .000 <sup>b</sup> |
|                            | Residual                  | 16.807                      | 127               | .132                       |               |                   |
|                            | Total                     | 56.065                      | 128               |                            |               |                   |
| Coefficients <sup>a</sup>  |                           |                             |                   |                            |               |                   |
| Model                      |                           | Unstandardized Coefficients |                   | Standardized Coefficients  | t             | Sig.              |
|                            |                           | B                           | Std. Error        | Beta                       |               |                   |
| 1                          | (Constant)                | .634                        | .194              |                            | 3.258         | .001              |
|                            | Organization competencies | .822                        | .048              | .837                       | 17.223        | .000              |

Source: Survey data (2017)

In step three, the constant ( $\beta_0$ ) was significant at  $\beta=0.634$ ;  $p<0.05$ , indicating that if all factors remained constant, a unit change in organization competencies would result to 0.634 unit change in sustainable competitive advantage.

The established equation was:

$$\text{SCA} = 0.634 + 0.837\text{OrgC} + \epsilon$$

**Step 4: Conducting a regression analysis with composite of resource isolating mechanism and organizational competencies affecting sustainable competitive advantage**

**Table 5: Regression analysis for the mediated relationship of resource isolating mechanism, organization competencies and sustainable competitive advantage**

| Model Summary <sup>b</sup> |   |          |                   |                            |               |  |
|----------------------------|---|----------|-------------------|----------------------------|---------------|--|
| Model                      | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |  |

| 1                  | .847 <sup>a</sup>            | .718                        | .713       | .35454                    | 1.915   |                   |
|--------------------|------------------------------|-----------------------------|------------|---------------------------|---------|-------------------|
| ANOVA <sup>a</sup> |                              |                             |            |                           |         |                   |
| Model              |                              | Sum of Squares              | df         | Mean Square               | F       | Sig.              |
| 1                  | Regression                   | 40.227                      | 2          | 20.113                    | 160.013 | .000 <sup>b</sup> |
|                    | Residual                     | 15.838                      | 126        | .126                      |         |                   |
|                    | Total                        | 56.065                      | 128        |                           |         |                   |
| Coefficients       |                              |                             |            |                           |         |                   |
| Model              |                              | Unstandardized Coefficients |            | Standardized Coefficients | t       | Sig.              |
|                    |                              | B                           | Std. Error | Beta                      |         |                   |
|                    | (Constant)                   | .300                        | .224       |                           | 1.336   | .184              |
| 1                  | Resource isolating mechanism | .261                        | .094       | .225                      | 2.777   | .005              |
|                    | Organization competencies    | .643                        | .079       | .655                      | 8.098   | .000              |

Source: Survey data (2017)

In step four, the constant ( $\beta_0$ ) was non-significant at  $\beta=0.300$ ;  $p>0.05$ , indicating that if all factors remained constant, a unit increase in resource isolating mechanism would result to 0.300 unit increment in sustainable competitive advantage.

The established equation was:

$$SCA = 0.300 + 0.225 RIM + 0.655 OrgC - 0.53 (RIM * OrgC) + \epsilon$$

**Table 6: Summary of mediated relationship**

| Parameter                           | Model 1:<br>Direct relationship | Model 2:<br>Mediator relationship | Model 3:<br>Mediator and dependent | Model 4:<br>Mediated relationship | P Value | change |
|-------------------------------------|---------------------------------|-----------------------------------|------------------------------------|-----------------------------------|---------|--------|
| $\beta$ RIM                         | 0.755                           |                                   |                                    | 0.225                             | 0.005   | -0.53  |
| $\beta$ Organizational Competencies |                                 | 0.811                             | 0.837                              | 0.655                             | 0.000   | -0.156 |
| R square                            | 0.570                           | 0.657                             | 0.700                              | 0.718                             |         | 0.148  |
| $\beta$ Constant                    | 0.397                           | 0.151                             | 0.634                              | 0.300                             | 0.184   | -0.097 |
| F                                   | 168.677                         | 243.353                           | 296.644                            | 160.013                           | 0.000   | -8.664 |

Source: survey data (2017)

From the above summary of findings, on the influence of independent variable, resource isolating mechanism declines by 0.53 when the mediating variable is introduced. The strength of the relationship (r square) increased by 14.8%. When index of independent variable was regressed against the dependent variable, the resulting  $R^2$  was 0.570 and  $\beta=0.755$ . When the index of the independent variable was introduced with the mediating variable

present, the  $R^2$  becomes 0.657. When the index of the independent variable, the mediator variable and the dependent variable are regressed the  $R^2$  becomes 0.718 and the  $\beta$  RIM becomes 0.225. That is, as the  $R^2$  value increases, the index  $\beta$  value reduces.

#### CONCLUSION AND IMPLICATION

The conclusion as to whether there is mediation or not, is done in line with the rule provided by

MacKinnon, Fairchild and Fritz (2007) which states that, if both the direct and mediated relationships are significant, then there is evidence of mediation. If the treatment coefficient is zero when the mediator is included in the model, then the relationship is entirely mediated by the mediating variable. If, however, the absolute size of the direct effect between the independent variable and the dependent variable is reduced after controlling for the mediator the mediation effect is said to be partial.

According to this rule, the results of the test of hypothesis four showed evidence of partial mediating effect by organizational competencies on the relationship between resource isolating mechanism and sustainable competitive advantage. This indicated that  $H_{04}$  is not supported and the study therefore concluded that the strength of the relationship between resource isolating mechanism and sustainable competitive advantage depends on organizational competencies derived from resource isolating mechanism.

The findings may be supported by several bases. The role of organizational competencies is that of major competencies of an entity that enable it to sustain competitive advantage sustainability. First, the descriptive findings showed that respondents scored highly to statements on talented and professional workforce, multiple technologies and computerized process or business operations to a high extent. The descriptive findings agree with those of resource isolating mechanism where the commercial banks agreed to exploitation of opportunities in the business environment, opted for strategic fitness and considered technology in business operations although technology, being part of economic deterrence had no-significant relationship with sustainable competitive advantage. It was observable that organizational competencies derive from resource isolating mechanism. Unique business

operations; assembling and integrating of valuable resources as a barrier for imitation of rivals and deployment of valuable resources as barrier for imitation of rivals has low scores and even though not considered by commercial banks could still be significant in mediation of relationship between resource isolating mechanism and sustainable competitive advantage.

The second basis, is the managerial cognitions theory, that explains that cognition provides organization members with ability of making decisions and problem solving supported by goals, technology and structure that lead to rival advantage of an entity. This theory supports the findings of the study, where the theory looks at the individual resources and their contribution to sustainable competitive advantage rather than comparison with that of competitors. This explains that the ability of commercial banks to obtain Talented and professional workforce, multiple technologies and computerized process or business operations to a high extent depend on the management cognitive ability of effective decision making.

Previous literature, forms the third basis. Sandberg and Abrahamson (2011) indicated that organizational capabilities such as capability portfolio, top management teams, had a positive relationship with competitive advantage sustainability. Therefore, supporting the findings on the mediating role of organizational competencies on the relationship between resource isolating mechanism and sustainable competitive advantage. In relation with the study various resources such as human resources, technology were used to test organizational competencies among commercial banks in Kenya. Korhonen and Niemeläa, ( 2005) study on the identification and classification of sources of competitive advantage found out the need for organization resources to be rare among competitors, valuable, inimitable and hard to substitute so as to

enable identification of desired capability portfolio. This is in line with resource based view hypothesis which anchors resource isolating mechanism and shows mediator is related to the resource isolating mechanism.

Relying on the discussion above the study makes the contribution that uniqueness of organizational competencies in terms of human resource and technology explain the influence of resource isolating mechanism on Sustainable Competitive Advantage. This was supported by previous study by Gitonga, Kilika and Obere, (2016) which concluded that the firm should retain employees with right skills to sustain competitive advantage. The previous studies have not tested organizational competence as a mediator in the relationship between resource isolating mechanism and sustainable competitive

advantage. This study has shown that there exists a mediating effect of organizational competencies on the relationship between resource isolating mechanism and sustainable competitive advantage.

Regarding the fourth objective of the study, the researcher found that there was mediating effect of organizational competencies on the relationship between resource isolating mechanism and sustainable competitive advantage. The study found that organizational capabilities such as the human resources, strong top management teams, and technology and positive relationships with stakeholders influenced operation of the banks. Kenyan Commercial banks which focuses on enhancing their capabilities and competencies gains competitive advantage which are sustainable.

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