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ABSTRACT

Competitiveness in the banking sector is essential for ensuring financial stability, innovation, customer satisfaction, and economic growth. Despite advances, Kenya's banking sector exhibits erratic trends in competitiveness. The disparities in competitiveness necessitate a deeper understanding of how strategic capabilities affect the competitiveness of banks, especially in dynamic environments such as Mombasa County. Therefore, the main objective of the study is to establish the effects of strategic sensitivity on the competitiveness of commercial banks in Mombasa County, Kenya. The study was guided by the Dynamic Capabilities Theory. The study adopted the descriptive cross sectional survey and targeted 26 commercial banks in Mombasa County from which the accessible population comprised of Senior Management and Executives, Mid-Level Managers and Operational Staff, and Regulators and Policymakers. Stratified random sampling was used to select 112 respondents. Data were collected through questionnaires and was analyzed using descriptive methods with the aid of SPSS 25.0. The results were presented in tables and discussed. The study concludes that strategic sensitivity significantly influences the competitiveness of commercial banks in Mombasa County. The study recommended that commercial banks should institutionalize strategic sensitivity by embedding structures that foster continuous environmental scanning, stakeholder engagement, and knowledge-sharing across organizational boundaries.

Key Words: *Open Strategy Process, Co-strategizing, Experimentation*

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INTRODUCTION

The dynamic business environment these days requires frequent changes both in the way organisations operate and in organisational structures. Change is endemic and has become an essential determinant in maintaining an organisation's competitive edge. Organisations must by necessity adopt to changing environment (Eisenhardt & Brown, 2019). The old bureaucratic style of management is incompetent of meeting the challenges of the changing environment. Given the political, social, and economic climate of today, some form of change is inevitable and has become a common event for organisations and their stakeholders (Turkulainen & Ketokivi, 2023). Therefore, in a dynamic environment, the process of strategic implementation should be agile enough to accommodate current and new challenges. Agility has been defined as the capability of surviving and prospering in competitive environment of continuous and unpredictable change by reacting quickly and effectively to changing trends, driven by custom designed products and services (Dumas, La Rosa, Mendling & Reijers, 2023).

Strategic agility is the ability to leverage value-chain-wide resources to turn on a dime, providing the right product at the right price anywhere. Another definition of strategic agility is learning to make fast turns and being able to transform and renew the organisation without losing momentum (Claver-Cortés et al., 2022). Also, strategic agility is, the ability to continuously and adequately adjust and adapt in appropriate time the strategic direction in core business in relation to changing circumstances. This may include creating new products and services or creating new business models and innovative ways to create value for the institution. Strategic agility can bring about organisations that can produce the right products and services at the right place at the right time at the right price and for the right customers

Competitiveness is the ability of an organization to perform in more than one way, activities which competitors cannot match; this is realized through organizational strategy, its implementation and the context in which competition unfolds (Parkhe, 2007). An organization is said to possess competitive advantage of it makes or has the potential to make higher profits compared to its rivals within the same market (Hill, 2001). Porter (1985) had previously argued that competitive advantage is a firm's ability to earn returns that are consistently above the average for the industry. According to Barney (2008), competitive advantage is sustainable if rival firms are unable to copy its source of competitive advantage or come up with a better offering. He notes that competitive advantage can be temporary or sustainable. Since competitive advantage earns a firm high profits, the profits attract rival firms to find out the successful firms' secrets, resulting to imitations or counter measures thereby limiting the longevity of competitive advantage. This makes competitive advantages temporary. Competitiveness can be handled as an independent or a dependent variable, subject to the views from which an individual confronts the subject. Berkely et al (1988) has suggested a framework that devises three folds: the competitiveness performance, competitiveness prospective, and the management procedures.

China's banking sector exemplifies agility through digital wallet integration and e-commerce collaborations, significantly boosting financial inclusion. By 2022, over 85% of Chinese internet users utilized digital financial services via platforms like WeChat Pay and Alipay (Li & Liu, 2023). Despite successes, systemic issues such as a slowing economy and distressed property markets threaten stability, emphasizing the need for agility in innovation and risk management (Parasol, 2022). In Malaysia, banks focus on expanding SME access to credit and advancing Islamic finance, which grew by 6.4% in 2023 (Chooi, 2023). Institutions like Maybank have adopted digitization to offer inclusive financial services. However, resource disparities among smaller banks hinder uniform agility across the sector (Deloitte, 2024; Sebastian, 2023). Strategic focus on scalability and technological equity remains crucial to overcoming these hurdles and fostering sustainable growth.

Strategic agility has significantly shaped bank competitiveness in Africa, fostering adaptation to technological disruptions and evolving customer demands. In Nigeria and Ghana, digital transformation initiatives such as mobile banking and AI-powered solutions have driven remarkable successes. Nigerian banks increased mobile transaction volumes to over 35% of retail banking revenues by 2023, reflecting the effectiveness of digital platforms in enhancing service delivery and accessibility (McKinsey, 2024). Similarly, Ghana's financial ecosystem has benefited from digital payment innovations like Mobile Money Interoperability, which bolstered financial inclusion, especially in underserved regions (African Banking Review, 2024). In Egypt and South Africa, AI tools for fraud detection and personalized customer profiling reduced operational costs by up to 40%, positioning these countries as leaders in leveraging technology to optimize banking operations (MDPI, 2024). Such agility has created a competitive edge, allowing banks to respond dynamically to economic fluctuations and customer preferences.

Challenges persist, particularly in Ethiopia and Tanzania, where infrastructure deficits and regulatory constraints hinder progress. Ethiopia's low financial inclusion, at just 35%, underscores the need for banks to adopt innovative outreach strategies and simplify digital payment systems (African Banking Review, 2024). Tanzanian banks face the dual challenge of high technology costs and rising cybersecurity threats, which demand significant investment in robust IT infrastructure and security protocols (ISI Journals, 2023). Across the continent, banks grapple with legacy systems, limited workforce agility, and resistance to organizational change. Moreover, inconsistent regulatory frameworks create uneven playing fields, making it harder for banks to fully exploit agile capabilities. Addressing these barriers requires systemic reforms and a commitment to harmonizing policies to support digital innovation (McKinsey, 2024; MDPI, 2024).

Despite its benefits, implementing strategic agility in Kenyan firms and banks presents several challenges. A key issue is the inadequate technological infrastructure, which hampers the effective execution of agile strategies. Many smaller institutions, particularly tier-three banks, face difficulties in adopting agile methodologies due to outdated IT systems and limited access to resources. The lack of skilled labor further exacerbates the problem, hindering banks from fully implementing agility frameworks across their operations. Ngugi and Karina (2013) emphasize that smaller institutions often struggle to compete with larger counterparts because of their constrained financial and human capital. Additionally, many organizations fail to integrate agility across all operational levels, resulting in fragmented processes that reduce effectiveness. These challenges highlight the need for training programs and enhanced resource mobilization to ensure that firms and banks can adapt more effectively, fostering sustained competitiveness (Ngugi & Karina, 2013; Barno & Alice, 2018).

The competitiveness of commercial banks in Mombasa County, Kenya has evolved significantly, marked by successful strategies in digital banking, customer service, and market positioning. Banks in the region, particularly larger ones, have made notable progress in adopting technological innovations such as mobile banking and automation, which have contributed to improved customer satisfaction and market share (Adede & Kising'u, 2024). For instance, the rapid adoption of mobile banking platforms has enhanced service accessibility, increasing the financial inclusion rate across Mombasa. Studies highlight how dynamic capabilities, such as managerial foresight and marketing strategies, have played a key role in these successes, enabling local banks to better adapt to market shifts, customer demands, and regulatory changes (Mafimbo & Gitari, 2024). However, despite these successes, commercial banks in Mombasa face several challenges, including limited access to advanced technological infrastructure and financial constraints among smaller institutions. Smaller banks often struggle to implement agility frameworks effectively due to outdated IT systems and resource limitations.

Statement of the problem

Competitiveness in the banking sector is vital for financial stability, innovation, customer satisfaction, and economic growth. It ensures banks remain dynamic, customer-focused, and able to contribute to broader economic goals. However, challenges such as technological disparities and resource constraints persist. Despite these, fostering a competitive environment is crucial for addressing these issues and driving sustainable growth. Kenya's banking sector has shown erratic profitability trends. From 2018 to 2022, the return on equity (ROE) fluctuated significantly, dropping from 22.2% in 2018 to 13.3% in 2020, before rising to 26.2% in 2022 and then declining to 22.4% in 2023 (CBK Annual Reports, 2021; 2023). Similarly, return on assets (ROA) rose from 2.0% in 2020 to 2.9% in 2023. These trends suggest varying efficiency and profitability levels, highlighting the need to explore how strategic agility can provide more stable competitive advantages. Strategic agility, defined by strategic sensitivity, resource fluidity, and leadership unity, is a critical determinant of competitiveness globally, including in Kenya's banking sector. Commercial banks in Kenya are assessed by profitability, efficiency, asset quality, and brand loyalty, but they face challenges in fully leveraging strategic agility. Smaller banks, particularly tier-three institutions, struggle with outdated IT systems and limited resources, which hinder their ability to adopt innovations like mobile banking and automation (Okwiri & Muathe, 2024; Kitemu, Sang, & Wachira, 2024). These disparities emphasize the need to understand how strategic capabilities affect competitiveness, especially in dynamic environments like Mombasa County.

Studies by Okwiri and Muathe (2024) and Cytonn (2024) highlight the importance of resource allocation and leadership foresight, but also point out a lack of integration across operational levels, limiting organizational responsiveness. These gaps exacerbate risks related to rising non-performing loans (NPLs), which reached 13.4% in 2024, exceeding the ten-year average of 11.0%. Top management alignment, a key component of strategic agility, is underexplored in the Kenyan banking sector. Larger banks in Mombasa have benefited from cohesive leadership, enabling the implementation of digital platforms and market positioning strategies (Kitemu, Sang, & Wachira, 2024; Mafimbo & Gitari, 2024). In contrast, smaller banks often lack dynamic managerial capabilities (DMC), hindering leadership alignment with agility frameworks. Additionally, challenges like limited managerial skills and resources persist for smaller banks, necessitating leadership training and resource optimization through partnerships (Mwaiwa et al., 2024). Research on strategic agility in Kenyan banks has focused on general outcomes like employee motivation, but has not addressed the direct impact of agility components on competitiveness (Kirui, 2021; Munga, 2019). Existing frameworks, often based on global models, may not apply fully to Kenya's banking environment (Tatoi & Seneji, 2017). This study explored how strategic sensitivity as a measure of strategic agility influences competitiveness in Mombasa's commercial banks, focusing on strategic sensitivity, top management alignment, decision-making speed, and resource fluidity. By identifying tailored strategies, the study aims to enhance profitability, efficiency, and brand loyalty, and inform policy recommendations for a more competitive banking sector in Kenya. Ultimately, the findings will inform policy recommendations for banks and regulatory bodies, enabling a more competitive and resilient banking sector in Kenya.

Objective of the Study

The present study sought to determine the effect of strategic sensitivity on competitiveness of commercial banks in Mombasa County, Kenya.

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Research Hypothesis

H01: Strategic sensitivity has no significant effect on competitiveness of commercial banks in Mombasa County, Kenya.

LITERATURE REVIEW

Theoretical Review

Dynamic Capabilities Theory (DCT)

Dynamic Capabilities Theory (DCT), advanced by Teece, Pisano, and Shuen (1997), emphasizes an organization's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. It asserts that firms achieve and sustain competitive advantage not just by leveraging existing resources but by dynamically adapting to market changes through sensing opportunities, seizing them, and transforming resources (Teece, 2007). The theory assumes that organizations operate in volatile environments and that their success depends on their ability to respond strategically and rapidly. In banking, strategic sensitivity aligns with the "sensing" component, as it involves anticipating market shifts and customer needs to maintain competitiveness.

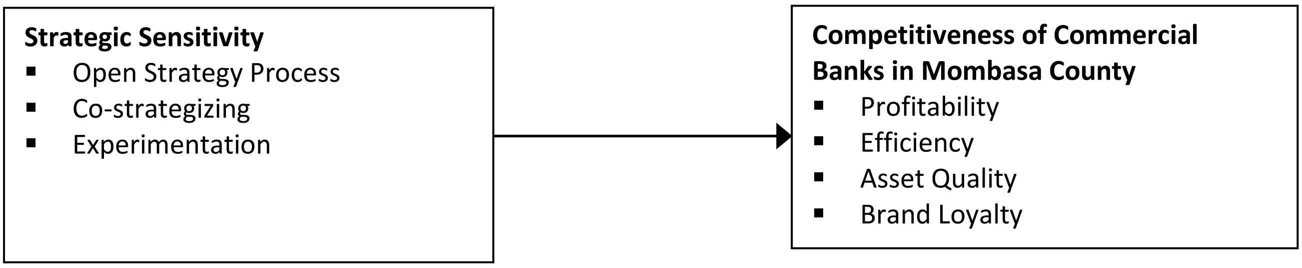
Dynamic capabilities are the capacity of the organization to assimilate, construct and realign inner and external capacities in order to address quickly evolving environments (Teece et al., 1997). The concept of dynamic capabilities involves how the enterprise creates, distributes new information, integrates new understanding into new products or services and introduces it on the marketplace (Augier & Teece, 2008). Additionally, the approach makes an attempt at discovering how shifts around the globe are probable to lead in changes in organizations and pursues how firms can form their surrounding and advance their capabilities (Augier & Teece, 2008).The model views a strategically agile firm as that which is able to re-align its daily routines to match the changes in the macro-environment. Dynamic capabilities often emerge throughout the organization from entrepreneurial leadership. Another related theory supporting the dynamic capability model is the behavioral theory and transact cost theory by Barney, 1991; Penrose, 1995; Wernerfelt, 1984, which attributes the role of dynamic capabilities to operational capability.

Several studies have applied DCT to analyze strategic sensitivity. For example, Pavlou and El Sawy (2011) explored how dynamic capabilities enable firms to adapt to technological changes, highlighting that strategic sensitivity is critical for identifying emerging opportunities. Wang and Ahmed (2007) examined the role of dynamic capabilities in innovation-driven industries, finding that sensitivity to external changes fosters sustained innovation. More recently, Aloulou et al. (2024) studied entrepreneurial and digital orientations in firms, identifying strategic sensitivity as a driver of adaptability in turbulent markets. These studies collectively underline the role of strategic sensitivity in enabling organizations to detect and respond to environmental changes effectively, directly impacting competitiveness.

Criticisms of DCT include its abstract nature and the challenge of operationalizing dynamic capabilities in empirical studies. Critics argue that the theory lacks specificity regarding how capabilities are developed and deployed (Eisenhardt & Martin, 2000). Additionally, its emphasis on adaptability might overlook the role of strategic stability in certain contexts, such as highly regulated industries like banking. Despite these critiques, DCT remains a powerful framework for understanding how firms navigate complexity and uncertainty, particularly in dynamic sectors.

In the banking context, strategic sensitivity involves using tools such as advanced data analytics and market intelligence to anticipate customer behavior and regulatory shifts. By applying DCT, banks can reconfigure their strategies to address competitive pressures, such as technological disruption and changing customer preferences. For example, banks that sense opportunities in digital transformation can seize them by reallocating resources to enhance digital services, thereby sustaining competitiveness. The theory underscores the importance of agility in decision-making, enabling banks to thrive in an increasingly volatile financial landscape.

Conceptual Framework



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Strategic Sensitivity

Strategic sensitivity, a crucial component of strategic agility, reflects an organization's capacity to detect and respond to environmental changes effectively. The construct of an **open strategy process** enhances this sensitivity by fostering inclusivity and transparency in strategic decision-making. By involving diverse internal and external stakeholders, organizations can identify emerging trends and opportunities early. Such inclusivity facilitates a broader understanding of market dynamics and ensures that blind spots are minimized. Furthermore, transparency in discussions fosters a culture of shared knowledge, enabling quick recalibration of strategies when needed, thus enhancing organizational responsiveness (Seidl et al., 2020).

Co-strategizing, another construct, emphasizes collaboration with stakeholders such as customers, suppliers, and partners in the formulation and execution of strategy. This collaborative approach provides organizations with access to diverse perspectives and real-time insights, enriching their ability to sense changes in the market. Additionally, co-strategizing encourages shared innovation and reduces the risks associated with unilateral decision-making. Dynamic feedback loops established through such partnerships enable organizations to refine strategies in response to environmental shifts, enhancing their adaptability (Whittington et al., 2022).

Experimentation plays a pivotal role in strengthening strategic sensitivity by allowing organizations to test ideas or initiatives on a small scale before full implementation. This approach provides valuable feedback and empirical data, helping organizations learn what works and adapt accordingly. Iterative improvement through experimentation reduces uncertainty, enabling firms to refine their strategies effectively. Moreover, experimentation fosters a proactive stance, equipping organizations to anticipate and prepare for future trends in a rapidly changing environment (Andersen et al., 2021).

In integrating these constructs, strategic sensitivity is significantly enhanced. An open strategy process creates a foundation of inclusivity and transparency, co-strategizing builds collaborative networks for real-time intelligence, and experimentation provides a mechanism for data-driven strategy refinement. Together, these elements ensure that organizations are agile, adaptive, and well-equipped to navigate complex and dynamic environments (Doz & Kosonen, 2024).

Competitiveness of Firms

According to Jiang et al. (2018), competitiveness is a measure of how active an organization is in pursuing its own aims and achievements. In a market where many companies are competing for

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the same clients, it is inevitable that some will have to improve their services to stand out from the crowd. Markets where businesses compete for the same customers' attention, businesses are more likely to be competitive through creative and innovative strategies. In order to stay relevant and survive in highly competitive marketplaces, organizations need to come up with innovations and increase efficiency that will fill gaps and incorporate compelling features and structures. Brand competitiveness may be described as the state of offering superior value, excellent quality, or inexpensive pricing to the market (Johansson, 2003). According to Johansson (2003), a brand's competitiveness is determined by its capacity to provide its target market with greater value, excellent quality, or affordable pricing. Therefore, a strong organizational structure, solid business procedures, and reliable support systems are essential for a firm to deliver market-leading goods and services. To remain competitive, a company's brand must be constantly evolving to stay ahead of the competition in terms of innovation, creativity, and productivity (Johansson, 2003; Kotler & Keller, 2012). As a result, there are a number of elements that might propel a company to greater heights of performance and competitive advantage

The competitiveness of commercial firms and banks can be critically evaluated through constructs such as profitability, efficiency, asset quality, and brand loyalty. Profitability, a fundamental indicator of financial success, varies across these sectors based on operational strategies and market dynamics. Banks primarily rely on net interest margins, where the difference between interest earned on loans and paid on deposits constitutes a major revenue source (Yahaya et al., 2015). Additionally, non-interest income from services such as asset management enhances profitability. Conversely, commercial firms achieve profitability by leveraging market penetration strategies, cost control, and innovation to diversify revenue streams (Hu & Xie, 2016). Economic policies and market structure, such as oligopolistic tendencies, also influence profitability across both sectors (Egan et al., 2021).

Efficiency is crucial for sustainability and competitiveness, as it determines the optimal use of resources. In banks, efficiency is frequently measured using the cost-to-income ratio and advanced tools like Data Envelopment Analysis (DEA) to assess operational performance (Henriques et al., 2020). Efficiency in banking improves with the integration of technology, enabling faster processing and better cost control. In commercial firms, efficiency reflects supply chain optimization, reduced production wastage, and technology-driven productivity enhancements. Firms that adapt lean production systems and automate logistics processes are better positioned to sustain lower operating costs and gain competitive advantages, especially in competitive industries (Mdoe, 2017).

Asset quality, a reflection of the soundness of financial and physical investments, is central to the stability and growth of firms and banks. Banks focus heavily on minimizing non-performing loans (NPLs), as these erode capital and undermine profitability (Osuagwu, 2014). Effective credit risk management practices, along with regulatory compliance, are vital for maintaining high asset quality in the banking sector. For commercial firms, asset quality relates to optimizing inventory turnover, reducing receivables risks, and maintaining physical assets. Poor management in either sector can lead to financial instability, impacting stakeholder trust and competitiveness (Henriques et al., 2020; Yahaya et al., 2015).

Finally, brand loyalty is a critical differentiator in highly competitive markets. For banks, loyalty stems from customer trust, built through consistent service quality, tailored financial products, and robust digital platforms (Egan et al., 2021). Digital transformation, such as the adoption of mobile banking, further enhances customer engagement and retention. Commercial firms rely on superior product quality, consistent branding, and effective marketing strategies to foster loyalty. Brand loyalty not only ensures sustained revenue but also acts as a buffer against competitive pressures, enabling firms and banks to maintain market relevance (Hu & Xie, 2016).

Empirical Literature Review

Strategic sensitivity and competitiveness of commercial banks

Hamed (2023) explored the concept of strategic sensitivity as a key enabler of sustainable competitive advantage. The study highlighted how firms that can swiftly sense and respond to market changes achieve superior performance. Hamed emphasized the importance of continuous environmental scanning and strategic flexibility in building resilience. The study showcased successes in firms that integrated real-time data analysis and decision-making processes, demonstrating increased adaptability and market relevance. However, challenges included resistance to change and the high costs of adopting advanced sensing technologies. Findings revealed that strategic sensitivity enhances proactive decision-making, enabling firms to anticipate market trends effectively. A research gap identified was the lack of a standardized framework to measure strategic sensitivity quantitatively, suggesting the need for future studies to address this limitation systematically. This research underscores the critical role of strategic awareness in achieving long-term competitiveness.

Mata et al. (2024) examined the interplay between collaborative innovation, strategic agility, and absorptive capacity in small and medium-sized enterprises (SMEs), moderated by customer knowledge management capability. The study found that firms with strong absorptive capacity and agility excelled in leveraging customer insights for innovation, leading to improved competitiveness. Successes included enhanced innovation rates and market responsiveness. Challenges, however, involved the integration of customer data into strategic processes due to resource limitations. A notable finding was that customer knowledge management significantly amplified the benefits of agility and collaboration. Research gaps were identified in understanding how these dynamics vary across industries and firm sizes. Future research should explore longitudinal impacts of these constructs. Mata et al. offered valuable insights into the synergistic effects of knowledge management and agility on SME competitiveness.

Ali et al. (2024) investigated the role of strategic agility in mitigating credit risks within Iraqi commercial banks. The study highlighted successes in banks that adopted flexible credit assessment systems, noting reduced non-performing loans and enhanced risk management. Strategic agility enabled banks to adapt quickly to changing financial conditions, safeguarding profitability. Challenges included the rigidity of existing regulatory frameworks and limited technological infrastructure to support agile practices. Findings showed that agile banks were better positioned to navigate economic uncertainties and maintain customer trust. A key research gap identified was the limited exploration of the long-term impacts of agility on overall bank performance. The study suggested further research on integrating technology into credit risk frameworks to enhance agility and reduce systemic risks.

Isaiah and Dickson (2023) analyzed strategic sensitivity's impact on the competitiveness of the Nigerian Content Development and Monitoring Board (NCDMB). The study emphasized that strategic sensitivity improved responsiveness to local content development demands, enhancing operational efficiency. Successes included stronger stakeholder engagement and effective policy implementation. However, challenges emerged from bureaucratic inertia and inconsistent funding. Findings revealed that heightened strategic awareness allowed NCDMB to anticipate industry trends and align strategies effectively. A research gap identified was the limited application of strategic sensitivity frameworks in public sector institutions, suggesting potential for broader studies. This study highlighted the unique challenges of applying private-sector strategies in public institutions, providing a basis for future research.

Bassey et al. (2023) explored the role of strategic agility in the performance of manufacturing firms in South-South Nigeria. The study found that agile firms achieved faster product development cycles and maintained competitiveness in volatile markets. Successes included enhanced operational efficiency and customer satisfaction. Challenges stemmed from resource constraints and cultural resistance to change. A key finding was the positive correlation between strategic agility and operational performance, emphasizing the importance of flexibility in resource allocation. A research gap was the limited exploration of external environmental factors influencing agility in these firms. Future studies could examine the role of market dynamics in shaping agility practices. The study underscored the necessity of agility for sustaining manufacturing sector competitiveness.

Mueni and Githira (2023) assessed strategic sensitivity's influence on the performance of commercial state-owned enterprises (SOEs) in Kenya. The study revealed that SOEs with heightened strategic sensitivity effectively adapted to policy changes and market demands, leading to improved performance. Successes included enhanced service delivery and financial sustainability. Challenges involved rigid organizational structures and political interference, which hindered the full adoption of strategic sensitivity. Findings demonstrated that strategic sensitivity fosters proactive management practices, aligning SOE strategies with national development goals. Research gaps included the need to explore industry-specific impacts of strategic sensitivity and the role of leadership in fostering organizational agility. The study highlighted the transformative potential of strategic awareness in enhancing SOE competitiveness.

Maina (2022) investigated strategic agility's impact on the competitive advantage of insurance firms in Kenya. The study found that firms with agile structures adapted better to regulatory changes and market uncertainties, achieving sustained growth. Successes included enhanced product innovation and customer retention rates. Challenges included the high costs of implementing agile systems and resistance to organizational restructuring. Findings revealed a strong link between strategic agility and competitive advantage, particularly in rapidly changing industries. A notable research gap was the insufficient exploration of agility's effects on customer experience in the insurance sector. Future research could focus on the long-term impacts of agility on customer satisfaction and loyalty. Maina's study underscored the necessity of agility in maintaining competitiveness in highly regulated industries.

METHODOLOGY

The descriptive survey design was suitable for investigating the effects of strategic agility on the competitiveness of commercial banks in Mombasa County, Kenya. By utilizing structured questionnaires and interviews, the design allowed for the collection of both qualitative and quantitative data, providing a well-rounded understanding of the variables (Creswell & Creswell, 2023).

The study was carried out in Mombasa County in Kenya where there are currently 26 commercial banks with 108 branches in operation (Statista, 2023). The target population for this study included key stakeholders in commercial banks in Mombasa County, Kenya, who are directly involved in strategic and operational functions.

The approximate number of decision makers in the banking industry in Mombasa County is 395 (KBA, 2023). To obtain the required sample size from these target population, the study adopted the formula by Nassiuma (2000).

$$n = \frac{Nc^2}{c^2 + (N-1)e^2}$$

Where n = sample size, N = population size, and e = error margin (≤ 4%), c = coefficient of variation (≤ 50%).By substituting the formulae, therefore, we obtain;

$$\boldsymbol{n} = \frac{\mathbf{395} * (\mathbf{0.5})^{\mathbf{2}}}{(\mathbf{0.5})^{\mathbf{2}} + (\mathbf{395} - \mathbf{1}) * (\mathbf{0.04})^{\mathbf{2}}} = \mathbf{112.2} \approx \mathbf{112}$$

Whence the sample size was,

To sample the target population for the study on strategic agility and competitiveness of commercial banks in Mombasa County, a stratified random sampling technique was appropriate.

In order to ascertain validity of the research instruments, the researcher piloted the instruments by distributing eleven (11) questionnaires to banks in Kilifi County, which were not part of the banks to be sampled. The results of the piloted questionnaires enabled the researcher to determine the consistency of responses to be made by respondents and adjust the items accordingly by revising the document.

The researcher used the computer software Statistical Package for Social Scientists (SPSS) version 24 for windows to conduct initial data analysis using simple descriptive statistical measures such as, mean, standard deviation and variance to give glimpse of the general trend.

RESULTS AND DISCUSSIONS

Response Rate

Table 1 shows the response rate of the questionnaires.

Table 1: Response Rate

No. of questionnaires Issued	No. of questionnaires Returned	Response Rate (%)
112	101	90.2

The high questionnaire response rate (90.2%) shown in Table 1 resulted from the method of administration of the instrument, which was in this case self-administered. This was acceptable according to Mugenda and Mugenda (2003). This method also ensured that the respondents' queries concerning clarity were addressed at the point of data collection; however, caution was exercised so as not to introduce bias in the process. The other questionnaires were not returned by the respondents, hence, they were not included in the study.

Descriptive Analysis Results

This section presents the results of the descriptive statistical analyses of the data and their interpretations. The descriptive statistics helped to develop the basic features of the study and form the basis of virtually every quantitative analysis of the data. A five point Likert scale was used to rate responses of this variable and it ranged from; 1 = strongly disagree to 5 = strongly agree and was analyzed on the basis of the mean score and standard deviation. The closer the mean score on each item was to 5, the more the agreement concerning the statement. A score around 2.5 would indicate uncertainty while scores significantly below 2.5 would suggest disagreement regarding the statement posed. The results were presented in terms of the study objectives.

Strategic sensitivity on competitiveness of commercial banks in Mombasa County

The objective of the study was to determine the effect of strategic sensitivity on competitiveness of commercial banks in Mombasa County, Kenya. This variable was described in terms of; Open Strategy Process, Co-strategizing, and Experimentation. The findings are presented in Table 2.

Table 2: Strategic sensitivity on competitiveness of commercial banks in Mombasa County

Statement	SA Freq(%)	A Freq(%)	N Freq(%)	D Freq(%)	SD Freq(%)	Mean	Std. Dev
Our bank consistently involves a broad range of stakeholders in strategic discussions to enhance decision-making.	22(22)	34(33)	13(13)	9(9)	8(8)	3.67	0.657
Strategic decisions are regularly reviewed and adjusted to reflect real-time market conditions and feedback.	26(26)	31(30)	12(12)	9(9)	8(8)	3.74	0.679
Transparency in our strategic processes has improved trust and collaboration across all organizational levels.	17(17)	41(40)	14(14)	8(8)	7(7)	3.61	0.799
We actively engage with external partners, including other banks and regulatory bodies, in developing strategic initiatives	24(24)	39(38)	14(14)	11(11)	16(16)	3.40	0.925
Employees at all levels are encouraged to contribute to the formulation of our bank's strategic goals.	26(26)	41(40)	11(11)	16(16)	8(8)	3.59	0.784
Collaborative strategy-building has improved our ability to identify and respond to market opportunities effectively.	21(21)	43(42)	8(8)	15(15)	15(15)	3.38	1.001
Our bank allocates resources specifically for testing new ideas and innovations to enhance competitiveness.	17(17)	58(57)	20(20)	4(4)	2(2)	3.83	0.838
We regularly pilot new products or services to evaluate their potential impact before full-scale implementation.	14(14)	38(37)	14(14)	23(23)	12(12)	3.18	0.748
Learning from failed experiments is considered a valuable part of our strategy development process.	11(11)	59(58)	13(13)	13(13)	5(5)	3.57	1.009
Average Score						3.55	0.827

The data presented in Table 2 explores the effect of strategic sensitivity on the competitiveness of commercial banks in Mombasa County, Kenya, with a focus on three key dimensions: Open Strategy Process, Co-strategizing, and Experimentation. Under the Open Strategy Process dimension, the findings indicate a strong commitment by banks to involve a broad range of stakeholders in strategic discussions. The statement *"Our bank consistently involves a broad range of stakeholders in strategic discussions to enhance decision-making"* received a relatively high rating (Mean = 3.67; Std. Dev = 0.657), reflecting consistent agreement among respondents. Similarly, the assertion that *"Strategic decisions are regularly reviewed and adjusted to reflect real-time market conditions and feedback"* scored even higher (Mean = 3.74; Std. Dev = 0.679), underscoring the banks' responsiveness to external changes and the presence of dynamic, real-time strategic processes. These results suggest that most commercial banks in the region have adopted an open and adaptive approach to strategy, with minimal variation across institutions.

The Co-strategizing dimension, which includes collaboration within and outside the organization, showed more mixed outcomes. Internal collaboration appeared relatively strong. For instance, the statement *"Transparency in our strategic processes has improved trust and collaboration across all organizational levels"* received a positive rating (Mean = 3.61; Std. Dev = 0.799), as did *"Employees at all levels are encouraged to contribute to the formulation of our bank's strategic goals"* (Mean = 3.59; Std. Dev = 0.784). These findings indicate that many banks foster a participatory culture internally. However, engagement with external partners was rated less favorably. The statement *"We actively engage with external partners, including other banks and regulatory bodies, in developing strategic initiatives"* received a lower score (Mean = 3.40; Std. Dev = 0.925), suggesting inconsistency or weaker performance in this area. Similarly, *"Collaborative strategy-building has improved our ability to identify and respond to market opportunities effectively"* received the lowest rating in this dimension (Mean = 3.38; Std. Dev = 1.001), with a relatively high standard deviation, indicating varied perceptions and potential gaps in effective external collaboration.

In contrast, the Experimentation dimension was the strongest area overall. Banks appear to place considerable emphasis on innovation, particularly in resource allocation for new ideas. The item *"Our bank allocates resources specifically for testing new ideas and innovations to enhance competitiveness"* achieved the highest score across all measures (Mean = 3.83; Std. Dev = 0.838), indicating widespread agreement on the importance of innovation funding. Additionally, the value placed on learning from failure was evident in the statement *"Learning from failed experiments is considered a valuable part of our strategy development process"*, which was also rated positively (Mean = 3.57; Std. Dev = 1.009), although the relatively high variability suggests differing levels of cultural acceptance of failure across banks. However, the practice of piloting innovations before full implementation appeared less consistent, as shown by the lower score for the statement *"We regularly pilot new products or services to evaluate their potential impact before full-scale implementation"* (Mean = 3.18; Std. Dev = 0.748).

In summary, the average rating across all items related to strategic sensitivity was (Mean = 3.55; Std. Dev = 0.827), indicating a generally positive orientation toward strategic sensitivity among commercial banks in Mombasa County. The results point to particular strengths in strategic experimentation, especially in terms of funding and valuing innovation, as well as in maintaining an open and responsive strategic process. However, there remains room for improvement in co-strategizing, particularly in terms of external collaboration and leveraging cross-institutional partnerships to enhance competitiveness.

The results of the current study align well with findings from Hamed (2023) and Isaiah and Dickson (2023), both of whom emphasized the value of strategic sensitivity in driving competitiveness through responsiveness and stakeholder engagement. The high ratings in the Open Strategy Process dimension confirm Hamed's assertion that continuous environmental scanning and adaptive decision-making enhance firm performance. Similarly, Isaiah and Dickson's emphasis on effective policy implementation and stakeholder alignment echoes the current study's findings on inclusive strategic discussions and feedback responsiveness. Where the present study advances existing research is by providing a structured, quantitative approach to measuring strategic sensitivity using three specific dimensions—Open Strategy Process, Co-strategizing, and Experimentation—thus addressing the research gap highlighted by Hamed regarding the lack of standardized measurement frameworks. This adds practical depth to the theoretical constructs and contributes methodologically to the literature by operationalizing strategic sensitivity in a banking context.

The mixed outcomes in Co-strategizing offer a more nuanced view that both confirms and extends the literature. While Mata et al. (2024) and Bassey et al. (2023) stress the role of internal collaboration and customer knowledge in boosting agility and innovation, the current findings highlight a relative weakness in external collaboration, such as engagement with other banks or regulatory bodies. This discrepancy suggests that, although internal participatory culture is thriving, cross-organizational co-strategizing remains underdeveloped in Mombasa's banking sector. Furthermore, the strong emphasis on experimentation and innovation aligns with the adaptive practices described in Ali et al. (2024), who found that agility in operational processes improves responsiveness to risk. Howeer, the lower rating for piloting innovations before full-scale implementation suggests a practical gap not addressed in previous studies. By quantitatively demonstrating this inconsistency, the present research not only validates but also enriches earlier findings, highlighting the need for a more balanced and systematic application of strategic experimentation practices.

Competitiveness of commercial banks in Mombasa County

The study also sought to assess the competitiveness of commercial banks in Mombasa County, Kenya. This variable was described in terms of; Profitability, Efficiency, Asset Quality, and Brand Loyalty. The findings are presented in Table 3.

Table 3: Competitiveness of commercial banks in Mombasa County

Statement	SA Freq(%)	A Freq(%)	N Freq(%)	D Freq(%)	SD Freq(%)	**Mean**	**Std. Dev**
The bank's return on assets (ROA) has consistently improved over the past three years.	6(6)	84(83)	5(5)	5(5)	2(2)	3.88	0.629
The bank effectively manages its operating costs to maximize profitability.	11(11)	55(54)	6(6)	20(20)	9(9)	3.60	0.576
The bank's processes and procedures ensure timely and reliable service delivery to customers.	23(23)	44(43)	14(14)	11(11)	9(9)	3.38	0.774
The bank effectively utilizes its resources (human, financial, and technological) to achieve its objectives.	18(18)	52(51)	25(25)	5(5)	2(2)	3.81	0.510
The bank has a robust framework for minimizing non-performing loans (NPLs).	11(11)	52(51)	20(20)	12(12)	7(7)	3.47	0.814
The bank regularly conducts risk assessments to maintain high asset quality.	12(12)	15(15)	52(54)	14(14)	6(6)	3.11	0.773
Customers prefer this bank over competitors due to its superior services and products.	4(4)	50(49)	0	31(31)	17(17)	2.92	0.831
The bank consistently maintains high levels of customer satisfaction, leading to repeat business.	11(11)	11(11)	20(20)	52(51)	7(7)	2.68	0.814
The bank's reputation strongly influences customers to recommend it to others.	27(27)	45(44)	13(13)	8(8)	8(8)	3.74	0.995
Average Score						3.40	0.746

Table 3 explores the competitiveness of commercial banks in Mombasa County, Kenya, with a focus on four key dimensions: Profitability, Efficiency, Asset Quality, and Brand Loyalty. Under the Profitability dimension, the findings indicate a generally positive assessment of the banks' ability to manage returns on assets and operating costs. Specifically, the statement "The bank's return on assets (ROA) has consistently improved over the past three years" received a high mean score of (Mean = 3.88; Std. Dev = 0.629), reflecting that most respondents agreed with the bank's consistent improvement in profitability. Additionally, the statement "The bank effectively manages its operating costs to maximize profitability" scored (Mean = 3.60; Std. Dev = 0.576), suggesting that banks are generally seen as effective in managing operating costs, with some variation in the respondents' views.

In terms of Efficiency, banks were evaluated on how well they manage operations and utilize resources. The statement "The bank's processes and procedures ensure timely and reliable service delivery to customers" yielded a mean score of (Mean = 3.38; Std. Dev = 0.774), indicating that while efficiency in service delivery is positively viewed, there is some divergence in opinions. Furthermore, the statement "The bank effectively utilizes its resources (human, financial, and technological) to achieve its objectives" scored (Mean = 3.81; Std. Dev = 0.510), reflecting a strong consensus that banks are effectively utilizing their resources to meet their objectives. This suggests that banks are generally performing well in terms of efficiency, particularly with resource utilization.

Regarding Asset Quality, the statement "The bank has a robust framework for minimizing non-performing loans (NPLs)" had a mean score of (Mean = 3.47; Std. Dev = 0.814), indicating a generally positive view of banks' efforts to minimize NPLs, though the variation in responses highlights differing opinions on the effectiveness of these efforts. The statement "The bank regularly conducts risk assessments to maintain high asset quality" received a mean score of (Mean = 3.11; Std. Dev = 0.773), suggesting that while risk assessments are recognized, there is room for improvement in how often or effectively these assessments are conducted. The data suggests that asset quality management is a critical area for further attention in enhancing the competitiveness of commercial banks.

Finally, in the area of Brand Loyalty, the analysis reveals mixed views. The statement "Customers prefer this bank over competitors due to its superior services and products" had a mean score of (Mean = 2.92; Std. Dev = 0.831), indicating that while a majority of respondents agreed with the statement, there was a notable percentage (31%) who disagreed, suggesting that the bank's products and services may not be sufficiently differentiated from those of its competitors. The statement "The bank consistently maintains high levels of customer satisfaction, leading to repeat business" scored (Mean = 2.68; Std. Dev = 0.814), reflecting a more negative view of customer satisfaction, with considerable disagreement among respondents. However, the statement "The bank's reputation strongly influences customers to recommend it to others" had a higher mean score of (Mean = 3.74; Std. Dev = 0.995), indicating that while there are challenges with customer satisfaction, the bank's reputation remains a significant factor in influencing recommendations.

In conclusion, the overall average score for the competitiveness of commercial banks in Mombasa County is (Mean = 3.40; Std. Dev = 0.746). While banks are generally perceived as effective in areas like profitability and resource utilization, there is potential for improvement in asset quality management and brand loyalty. The findings suggest that while commercial banks in Mombasa County perform well in certain areas, particularly in profitability and efficiency, there is room to enhance customer satisfaction, risk management practices, and brand differentiation to further boost their competitive advantage.

The findings from the Mombasa study align with and extend various studies on the competitiveness of commercial banks in Kenya. The high scores for profitability and resource utilization observed in the study are in line with the reported fluctuations in Return on Assets (ROA) and Return on Equity (ROE) in the Kenyan banking sector between 2018 and 2022. The positive view on profitability, particularly the consistent improvement in ROA, is consistent with the trends reported by the CBK (2021; 2023), though they also highlight the erratic nature of profitability in recent years. This supports the notion that while commercial banks in Mombasa are performing well in managing returns, strategic agility could play a critical role in stabilizing these trends. However, the study did not address some of the challenges found in smaller Kenyan banks, particularly the limitations in adopting technological innovations due to financial and infrastructure constraints, which Kitemu et al. (2024) and Mwaiwa et al. (2024) emphasize. The results on profitability suggest that larger banks may have the resources to sustain profitability, but smaller banks might require more focused strategies to cope with their infrastructural challenges.

In the areas of efficiency, asset quality, and brand loyalty, the Mombasa study agrees with several findings from previous research. For instance, the moderate view on asset quality, especially regarding risk assessments and non-performing loans (NPLs), resonates with the report by Cytonn (2024), which highlights an increase in the NPL ratio in Kenya's banking sector in 2024. Both the Mombasa study and the Cytonn report suggest that while banks in Kenya are making efforts to address NPLs, there is room for improvement in risk management. The mixed views on brand loyalty in Mombasa also reflect broader trends observed in the Kenya Bankers Association (KBA) survey, where customer satisfaction remains a challenge. The Mombasa study revealed that while banks' reputations influence recommendations, customer satisfaction levels were less consistent. This is in agreement with KBA (2023), which reported a decline in customers maintaining more than one bank account, indicating some dissatisfaction with service offerings. The gap here is in the study's failure to explore managerial foresight and leadership alignment more deeply, which studies by Kitemu et al. (2024) and Mafimbo & Gitari (2024) argue are critical to enhancing competitiveness.

Hypothesis Testing

H_{01}: Strategic Sensitivity has no significant effect on competitiveness of commercial banks in Mombasa County, Kenya.

Strategic sensitivity was found to have a statistically significant influence on competitiveness. The analysis revealed a standardized beta coefficient of 0.155, with a t-value of 2.090 and a p-value of 0.037. Since the p-value is below the 0.05 threshold, the null hypothesis (H_{01}), which posited that strategic sensitivity has no significant effect, was rejected. This suggests that the ability of commercial banks to detect and respond to strategic shifts in the external environment positively contributes to their competitiveness.

The rejection of the null hypothesis (H_{01}), which stated that strategic sensitivity has no significant effect on competitiveness, aligns with findings from multiple prior studies. Hamed (2023) supports this conclusion by affirming that firms with high strategic sensitivity—through real-time data analysis and environmental scanning—gain sustainable competitive advantages. Similarly, Isaiah and Dickson (2023) found that strategic sensitivity significantly enhanced responsiveness and operational efficiency within a public sector context, mirroring this study’s conclusion that responsiveness to strategic shifts boosts competitiveness. Although Hamed identified a lack of a standardized measurement framework, both studies agree on strategic sensitivity’s impact. While Mata et al. (2024) and Bassey et al. (2023) focused more broadly on agility, their emphasis on responsiveness and innovation indirectly supports the benefits of strategic sensitivity, especially when linked with knowledge management and adaptive practices. Thus, this study’s findings are in broad agreement with existing literature, confirming strategic sensitivity as a key competitiveness driver.

CONCLUSIONS AND RECOMMENDATIONS

The study concludes that strategic sensitivity significantly influences the competitiveness of commercial banks in Mombasa County. Banks that actively involve stakeholders in strategic discussions, maintain dynamic and adaptive decision-making processes, and invest in experimentation and innovation tend to outperform their peers. While internal collaboration is strong, the effectiveness of external co-strategizing remains limited, indicating a need for more robust inter-organizational partnerships. The positive correlation and statistically significant regression results confirm that enhancing strategic sensitivity improves a bank's capacity to anticipate market changes and respond effectively. Therefore, fostering a culture of openness, continuous learning, and strategic adaptability is essential for sustaining long-term competitiveness in an evolving banking environment.

Commercial banks should institutionalize strategic sensitivity by embedding structures that foster continuous environmental scanning, stakeholder engagement, and knowledge-sharing across organizational boundaries. This involves not only strengthening collaboration with external actors, such as regulatory bodies, fintech partners, and industry peers, but also expanding dedicated budgets for piloting innovative solutions. By doing so, banks can cultivate a culture of experimentation and responsiveness, enabling them to anticipate market trends, adapt proactively to shifts, and maintain a sustained competitive edge in an increasingly volatile financial landscape.

Recommendations for future research

Based on the findings and insights from the study, the following is a well-grounded recommendation for future research:

Explore Additional Organizational Capabilities Influencing Competitiveness: Future research should investigate other potential predictors of competitiveness beyond strategic sensitivity, top management alignment, decision-making speed, and resource fluidity. Areas such as digital transformation, customer experience management, and employee engagement could offer deeper insights into what drives competitive advantage in the banking sector. This would help improve the explanatory power of future models and offer a more holistic understanding of competitiveness dynamics.

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