DYNAMIC CAPABILITIES AND PERFORMANCE OF COMMERCIAL BANKS IN NAIROBI CITY COUNTY, KENYA

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DECLARATION

This research project is my original work and has not been presented for any award of degree in any other University. No part of this project should be reproduced without the permission of the author or Kenyatta University.

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DEDICATION

I devote this research work to my family for the moral encouragement and empathy shown during the time I had to stay away, from doing this research work successfully.

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ABBREVIATIONS/ACCRONYMS

CBK	-	Central Bank of Kenya
DCs	-	Dynamic Capabilities
DCV	-	Dynamic Capabilities View
DCT	-	Dynamic Capability Theory
KCB	-	Kenya Commercial Bank
KBA	-	Kenya Bankers Association
RBV	-	Resource Based View
TMT	-	Top Management
VRIO	-	Valuable, Rare, Inimitable Resources and Organization

OPERATIONAL DEFINITION OF TERMS

Dynamic Capabilities	Capability of organizations in integrating, building, and reconfiguring both the internal as well as the external competences in addressing the ever changing environment
Technology Development Capability	The ability of any company to interpret, absorb and eventually transform the current state of the art to build or modify its operational ability and any other capacity aimed at achieving higher technical and economic efficiency levels.
Learning Culture Capability	Refers to a situation where organizational employees seek for skills and knowledge and apply them in their daily work and thus improve their personal and organizational performance.
Technical Knowledge Capability	Refers to a situation where the organization is able to obtain innovative technology and intellectual tools for procedures and research and development activities.
Quality Service Capability	An evaluation of how well a service offered conforms to the customer's standards to identify problems easily and better assess customer satisfaction.
	A financial institution that contributes to the positive economic growth of the public by taking deposits and advancing loans to its members
Organizational Performance	Is the actual performance compared against the planned or anticipated output
Commercial Bank	A financial institution that contributes to the positive economic growth of the public by taking deposits and advancing loans to its members.

ABSTRACT

Today, the Kenyan banking industry is characterized by dynamism in terms of rapid technological changes, consumer sophistication and government regulation. It must be able to explore its complex capabilities well enough to respond to early signals emerging from its environments an organization to meet the needed existing standards. Therefore, the purpose of this study was to evaluate the consequences of dynamic capabilities on the performance of commercial banks in Nairobi City County, Kenya. The specific objectives were to assess the effect of innovation, technological knowledge, quality service and learning culture capabilities on the performance of commercial banks in Nairobi County, Kenya. The study was carried with respect to the following theories, Dynamic Capabilities Theory, Resource-Based View, Resource Dependency Theory and the Knowledge-Based Theory. A descriptive research design and a purposeful sampling technique were adopted in this research study. 84 respondents were in the survey. The research unit was the headquarters of the commercial banks, while branch managers and operations managers were the observation unit. Data collection was accomplished using self-administered questionnaires and subjected to analysis to interpret quantitative data using descriptive statistics of frequencies, percentages, and mean and inferential statistics such as correlation coefficient. The study established that innovations capability, technical knowledge capability, quality service capability and learning culture capability had significant effects on the performance of a commercial bank. Innovation capacity of a commercial bank was found to be an essential prerequisite for innovations and imagination to be effectively controlled and revolutionary technologies to be implemented. The capacity for technical knowledge is the skills and information required to perform various tasks. Techniques of knowledge understanding strengthen the diverse capacities of companies. The definition of bank environment plays a significant role in determining how to provide outstanding service efficiency, as it reflects what workers feel in terms of service delivery organizational activities and that learning culture capability encourages the production of information and expertise by employees, and overally, by the organization. An institution with a culture of learning supports continuous education and skill's improvement of its employees. Given the findings above, the study recommended that commercial banks in Nairobi City County, Kenya should promote innovation, especially in the current era of digital competition. The commercial bank managers in Nairobi City County, Kenya should undergo professional information skills training that the banks may build and use to boost their performance. Commercial banks should carry out training, empowerment and incentives because they are the most significant factors in enhancing quality service capabilities, which determine the level of success and, in effect, contribute to implementation of service strategy and excellent service quality. Commercial banks should combine learning with talent management to help capacity development, using the preparation needed to show the importance of learning by making it worthwhile and exciting for learners and utilize integrated learning strategies to optimize experiential and analytical learning and overhaul systems in success improvement to offer coaching and growth at least equivalent weight.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Contemporary banking has continue to undergo changes, necessitated by the changing banking climates and globalization. Regulatory, systemic and technical forces are transforming the banking climate around the world dramatically, causing extreme competitive pressures (Grigoroudis, Politis & Siskos, 2012). Competition in the banking sector is booming owing to the proliferation and standardization of the commodities offered by banks to their consumers. High quality services, offered to customers, have been associated with long-term customer relationships (Rust & Oliver, 1994; Awan & Michael, 2011). With the advent of the current technological tools and the power of information, banking has transformed money business into the information market (Lamb, 2001). Global business climate volatility has compelled and guide banks to implement Information Management (KM) and thus streamline businesses to achieve a competitive advantage (Dzinkowski, 2001). For banks, KM is a relevant and critical tool towards achieving a competitive advantage. A bank’s ability to use details and the available opportunities would contribute to competitive advantage.

The company’s theory of information notes that internal competition do not occur due to the introduction of talented individuals, but through information sharing and application. A company must therefore educate its workers in a manner that they are capable of implementing and communicating an organization's new and existing expertise. The exchange of new and old information increases the established knowledge base and eventually improves the overall archive of corporate expertise, (Grant, 1996) Globalization and technological innovation there is no exception to these major sources of rivalry in the various industries and banking sectors. The banking situation changed quickly as from the last decade of the 20th century. There were drastic changes in the banking sector (Kaur, 2010). Businesses need to be able to anticipate trends brought about by competition and changing business climate and be prepared for revolution changes which would change their plans and retain their competitive advantage. Traditionally, the capability to do this has been called scalable hardware. The main objective is to demonstrate the company's competitive advantage over the long term (Eriksson, 2014; Teece *et al*., 1997).

Various processes are fluid, such as designing new products, building business partnerships, making strategic decisions that help companies thrive in environments that are rapidly evolving (Eisenhardt and Martin, 2000). Managers reconfigure the various capabilities to suit new strategies. Complex skills reflect commonality through various companies and are often used as models of best practices. The value of varied resources resides not in the capability itself but in the reorganization of resources and those skills. Their impact can vary from one degree of dynamism in the market to another. Volatile and competitive markets have both successful developments and emerging market that are more common. The development of diverse capacities is driven by management's ability to identify and reconfigure them to better fit increasing market conditions and continuing skills and learning processes (Eisenhardt and Martin, 2000).

Dynamic Capabilities (DCs) is aimed at creating potential capital, which ensures that they are usually susceptible to short-term cost-cutting constraints, because the valuability of their effect can be evaluated only ex post. Zollo and Winter (2002) Winter (2003) assert that retaining complex skills is costly and Winter (2003) added that an ad hoc solution could be less costly. Nevertheless, the effects of adhoc problem-solving vanish entirely when there is no problem solving (Winter, 2003). Ten years on from the world financial crisis, the banking sector has regained its health and according to the EY 2018 Global Banking Outlook Survey, the mood of the bankers is more buoyant. The banking sector is facing a time of major upheaval and is a key priority has emerged to restore customer confidence, which was badly shaken during the financial crisis. More assertive consumers are continually asking their Banks to provide superior service quality and ease of use. In fact, there is also a need to tackle the emerging legislative changes surrounding capital and risk management. (CBK, 2016).

The damage sustained during the financial crisis has made operating efficiency improvements a strategic imperative. The industry is also entering an intensified regulatory era. Banks are now stricter capital adequacy and risk management requirements are enforced, along with an intensified pressure on their traditional business structures and operating margins; in the future, several primary goals for the banking industry have arisen, including: regain consumer confidence; Address issues such as low channel efficiency; outdated technology; increasing operating costs and complex processes. Innovation is constantly seen as a gateway to achieving these goals, including the creation of consumer-centric solutions. Several companies, global and local, big and small, have adjusted their business and consumer approaches according to Deloitte 2018 banking industry outlook. (Deloitte, 2018).

The Kenyan sector in banking has gained from solid fundamentals; a consequence due in large part to diligent regulatory oversight by the Central Bank of Kenya (CBK). In 2016, banking sector experienced a fair share of navigational challenges. External factors have dampened results such as the outbreak of violence in South Sudan where a number of banks such as Kenya Commercial Bank (KCB) and Equity Bank Group were working profitably. The limit put on the banks in lending rates in 2016 has contributed to confusion over the results in the near term, but overall the outlook for lenders in the country is good. Nonetheless, a key driver of development for Kenyan banks remains their capacity to tailor goods to suit Kenyan needs, helping the country reach 75% of the highest rate of financial inclusion in the developing world. Sector problems may also have briefly slowed growth, but for the medium term, Kenyan banks' underlying fundamentals look strong and stable. Kenya's banks are rapidly growing, open, creative and ever better regulated. This in turn will improve our banking industry's customer confidence resulting in good performance.

1.1.1 Dynamic Capabilities

Various scholars and authors have many definitions of dynamic capabilities. Teece (2007) describes dynamic flexibility as an organization's ability to engage in the building, integration and reconfiguration of internal and external resources in the quest to meet the market demands. Complex talents include groups such as feeling, understanding, communication or teamwork. Helfat, Otgontsetseg and Hassan (2007) defines dynamic capabilities noting that it is the capability of an organization to deliberately create, expand, or alter its support on resources. Barreto (2010) argues that the emphasis of dynamic capacity is on processes of change, inventing and reinventing business architecture, asset selection and asset orchestration. From the above descriptions it is obvious that the DCs have the task of reconfiguring, updating and improving the resource base including the company's processes, practices and competencies.

Dynamic capabilities are capacities to extend, change or build grow capacities (winter, 2003). While dynamic capabilities help a company develop strategies to address threats, this also enables a company to take advantage of performance-driving opportunities. Complex capacities help maintain the evolutionary health of an organization by allowing the formation, expansion and alteration of its capital. These are the ability to integrate and build the tools and practices of an organization to address a changing environment as its managers deem appropriate (Helfat & Peteraf, 2003; Zahra, Sapienza & Davidson, 2006). The performance or even existence of dynamic capabilities cannot be generalized without regard to the social, economic and business sense. Danneels (2002) concluded that the dynamic ability indices include: sensing possibilities, seizing opportunities, transforming and reconfiguration.

The Dynamic Capabilities View (DCV) in today's dynamic world, attempts have been made to untangle the complicated issue of a sustainable competitive advantage. (Eisenhardt & Martin, 2000). It can be developed and maintained in line with expected industry dynamics and developments (Teece, 2012). However, the average period in which a company can retain its power over other companies in the market has reduced greatly over time (Teece, 2012). Due to a decrease in the average time over which firms can maintain a competitive advantage for a long time (Wiggins & Ruefli, 2005), there is a rise in difficulty of a property competitive advantage and subsequently raising concerns for researchers and investors. Li and Liu (2014) carried out a research involving 217 forms. They found that numerous options have a big positive result on the competitive advantage which environmental dynamism may be a major issue. Ambrosini and archer (2009) carried out research and found that companies that have the ability to maintain competitive advantage for a longer time have migrated to advanced environments that offer valuable steering on a way to keep thriving in an exceedingly world of intense competition.

The definition of DCs arise from the complex independent relationships in which capacity building has with business climate and the maintenance of competitive advantage. That's because DCs evaluate circumstances and resource base realignment to improve future efficiency (Arthurs & Busenitz, 2006). If the setting isn't stable, the possession of a resource package wouldn't greatly profit the companies' competitive advantage (Wu, 2007). Companies must continually reconfigure capital and build a set of short-term competitive advantages and retain a competitive edge in a highly unpredictable setting (Eisenhardt & Martin, 2000), in which corporate emphasis effective ways to handle resources and efficient ways to shift resources have changed (Kylaheiko & Sandstrom, 2007). Consequently, the energy alone cannot be transformed into findings under environmental change without the new DCs (Wu, 2006).

The company that operates DCs is in a position to achieve the transition required to create competitive advantage. This is because differentiating capacities are the fundamental source of competitive advantage in the business strategy sector, where DCs are the secret to sustained performance under speedy transformation (Nelson & Winter, 2002). Therefore, though the thought remains recent (Czakon, 2009) the theory still attracts attention (Zahra, Sapienza, & Davidsson, 2006) and the link between scientists is strengthened by the fact that DCs ask to realize a property competitive advantage (Dewald, & Casebeer, 2007). This study will use four indicators of dynamic capabilities namely, innovation capability, technical knowledge, quality service capability and learning culture capability. Innovation capability relates to a company's ability to consistently transform information and concepts into original processes, goods, and services to improve company performance and inform the stakeholders as well (Lawson & Samson, 2001). Thus, an organization creates special, combined tangible and intangible resources to achieve improved results. The capability in the innovation process is a complete innovation lifestyle which includes the practices, actions, as well as activities which take either ideas or opportunities through to concepts, growth, and execution and ultimately to a point of commercialization and action. Hence, it includes constant improvement and optimization (Essmann & du Preez, 2009). The process is composed of elements such as exploration capability; portfolio management; exploitation capability; and, risk management.

Technical Knowledge capability is defined as a capacity to act in an effective manner so as to enhance performance of organizations. Knowledge capability being a major process of increasing firm competitiveness. This is because it is a way in which new knowledge is available to a firm. The new knowledge provides the foundation on future innovation activities and has an effect on the creative capabilities, taking advantage of expertise and potential success. Knowledge capability is defined in two different ways (Craig & Douglas, 2010) based on tacit and explicit knowledge capabilities. Generally, knowledge is categorized as being explicit or tacit. Tacit knowledge is fully owned by an individual and cannot be transferred to another person in any means possible since it is in the mind of an individual, behavior or perception. It evolves through interaction of people and needs skills and also practice. It is majorly used by organizations today because it is based on experience, job specific, it is transferable through education and has the capability of becoming explicit knowledge (Collis & Hussey, 2013). On this context, knowledge capability affects the success of businesses contributing to high competition.

Technical Knowledge capability includes a connection of people, processes and also technology and this in general has an impact on competitiveness. People offer the source of knowledge. Their ability to think in a creative manner and also unique, in addition to experience and talent, has made them a valuable source of information. Cavana Rosa and Lisa (2011) state that people create and consume knowledge on daily basis. This is because knowledge capability starts with people who create and consume knowledge, revolve around people, and also ends with people. In addition, processes provide the mechanical and also logical artifacts which offer guidance in the work that is done in organizations. They provide vital functioning for the firms. It is through such processes that human intervention is used to meet the company objectives aimed at improving effectiveness and efficiency.

The identification and fulfillment of customer needs and expectations is the subject of many of the concepts of service quality capability (Cronin and Taylor, 1992; Parasuraman *et al.*, 1988; 1985). The standard of a served offered can be characterized through distinguishing services and perceived services (Parasuraman *et al.*, 1985). When customer’s expectation exceed performance, the perceived quality is lower than the acceptable standard. As a result, inequality exists in the quality service industry. It does not inherently indicate poor quality service, but rather has not met the consumer’s requirements and therefore customer frustration and incentives for improved delivery of customer expectations have emerged.

In the service sector the primary challenge is to fully meet customer needs. It is often challenging to fulfill this and/or sustain this demand, as human needs are rapidly evolving. With this in mind, the service sector has been experiencing some innovative Changes in which established ways of doing business remain averted. Research has shown that companies that innovate and continually develop their offerings can continue to deliver new levels of quality in markets where current competitors have failed to challenge customers today (Kotler, 1997). Service quality has gained immense interest in science in recent years with these problems and demands worldwide (Schneider and White, 2004)

The definition of potential for academic community metamorphosed by the terms corporate development and professional organization (Hung Elfenbein & Walsh. 2010). Argyris and Schon (1978) described the potential of the learning community as both discovery of fault and rectification. They found that the company acquires knowledge through the individual workers and groups within the company. Using this theoretical understanding, Marquardt (2002) points out that the corporate learning culture is the type of organization in which learning is viewed as important for organizational results / performance; thus, learning is both a normal and an integrated part of all organizational activities. Learning is defined as a process through which we acquire knowledge and skills through experience or study.

Organizational learning is a constant measure of expertise and its translation into information which is accessible to the entire organization and important to its task "(Senge, 1990). It is a blend of four processes: knowledge collection, distribution of information, perception of information and memory of organization' (Huber, 1996). Organizational learning occurs as organizations, by any method, acquire information (i.e. expertise, understandings, know-how, strategies and procedures) (Argyris and Schön, 2001). Organizational learning seems to develop skills that clients value, It is impossible to mimic, and thus adds to the competitive advantage of the company. Nevertheless, the cycle of organizational learning remains a "black box" for all researchers (Crossan and Berdrow, 2003). A number of organizations could contend that they are now learning associations because of the way that they ceaselessly run preparing programs for the staff; and others even have staff improvement exercises connected to the examination measures, this probably won't be the situation. There is a distinction among learning and preparing. This customary methodology prompts the preparation exercises being viewed as avocation of remunerations to the workers by the chief or business regarding reward or advancements. This in actuality dissolves the normal additions and valuation for the program goals, accordingly neglecting to accomplish the ideal outcomes (Berry, 2000).

1.1.2 Organizational Performance

This is a subject that is important to both CEOs and researchers all over the world. Need to achieve superior performance is the top goal for every organization (Bhatti, Bowman & Haire, 2011). Organizational measurement and analysis are essential in realizing the organizational goals in financial, marketing, employment, and production (Robinson, Eisenhardt & Martin, 2011). The indicators of financial performance include profitability ratios (return on capital employed or investment), market share and sales. The non-financial performance is reflected by innovative products or processes, the impact of the business on the society and customer satisfaction. Gunday, Tseng and Lee (2011), classified performance as market performance, innovative performance, production performance and financial performance.

Organizational efficiency refers to the actual production compared with the planned output (Richard *et al*., 2009). Operational success often includes regular tasks to establish operational targets (Richard *et al*., 2009). There are different opinions as to whether the root of competitive advantage can be a fluid skill itself. The Resource Based View (RBV) opines that important, unique, unique organization practices and resources (VRIO) contribute to competitive advantage. Countless authors of the RBV (Peteraf and Barney, 2003; Amit and Schoemaker, 1993) be conversant in that the resource-based perspective and engineering approaches, like the Porter five-force model, assist one another in distinguishing the roots of company productivity 4) acknowledge that the commercial organization's resource-based perspective and devices, like the Porter five-force model, complement one another in understanding the roots of company efficiency.

Measuring corporate success is not straightforward particularly for organizations with multiple customer retention, competitiveness and sustainability targets. Organizational success was generally conceptualized on the basis of financial metrics, but some scholars advocated a wider management framework integrating elements of non-financial measurements such as the company's productivity, output, consistency and picture, (Waiganjo *et al*.,2012). The balance score card strategy replaces traditional financial metrics with non-financial indicators based on at least three other viewpoints–consumers, internal business structures, and learning and development. Organizational performance for this study will be operationalized in non-financial measures of performance commercial banks use customer loyalty, brand reputation, process enhancements and employee growth to gain a strategic edge over their competitors. These variables will be adopted in this study to prove that non-financial variables play a bigger part in banks performance and they determine how competitive an organization remains and survives.

A study carried out on Nigerian banks in 2016 indicated that organizational performance should not only be calculated based on the market they share, investment return and financial efficiency but should also include both qualitative and quantitative measures of assessment. Lusthaus (2000) endorses this approach, which categorizes the performance indicators of the company in terms of efficacy; the ability of an organization to have more financial capital than its expenditure. In addition, new products, speed of response to market crises, product improvement, customer retention and new processes provide alternative non-financial measures of performance in the banking industry (Kinyua, 2015). In the views of Devinney *et al*.(2009), organizational performance consists of three areas: profit-based financial performance, asset return (ROA), investment return (ROI); performance of the product like sales together with the share of the market and shareholder returns, like the sum of returns by the shareholder.

1.1.3 Commercial Banks in Kenya

In most countries the commercial banking sector, including the general public and regulators, is so relevant that it draws attention from all directions. This is because banks play intermediation roles and therefore, through deposit obligations, control the level of money (Mauri, 1983). Therefore, it is common for account holders, investors, governing bodies and the public to possess associate shares in banking institution results and profits. Banking sector has developed as associate information market is complicated and struggles to cope with competition due to the globalization of economies (Mavridis, 2004). Globalization has accelerated the transformation of innovation-dependent sectors, such as banking, finance and media, as Gathungu and Mwangi (2012) have known. Kenya's banking system is under the control of businesses Act, the Banking Act, the financial organization Act of African countries, together with the varied recommendations created by the financial organization of African countries (CBK) to exercise prudence in banking operations. As of thirty June 2012, the banking sector had forty three business banks, one mortgage nondepository financial institution, half-dozen microfinance deposit-taking entities, five foreign bank members, one hundred fifteen exchange offices and a couple of credit comparison offices (CBK 2012). African countries business banks joined forces beneath the Kenya Bankers Association (KBA) that lobby for interests on behalf of bankers and depositors. In keeping with Nyangosi (2011), KBA is a forum for discussing problems regarding member banks.

Kenya’s commercial banking sector has increased steadily in currency, deposits, productivity, and supplies of products over the past few year such as banking, finance and media, as Gathungu and Mwangi (2012) have known. Kenya's banking system is under the control of the businesses Act, the Banking Act, the financial institution Act of Kenya. Thus, this give rise to the varied recommendations created by the financial institution of Kenya (CBK) to exercise prudence in banking operations. As of thirty Gregorian calendar month 2012, the banking sector had forty three industrial banks, one mortgage non-depository financial institution, half dozen microfinance deposit-taking entities, five foreign bank members, a hundred and fifteen exchange offices and a pair of credit comparison offices (CBK 2012). Kenyan industrial banks joined forces underneath the Kenya Bankers Association (KBA) that lobby for interests on behalf of bankers and depositors, in step with Nyangosi (2011), KBA is a forum for discussing problems regarding member banks (Nyangosi, 2011).

According to the CBK report, central bank stress tests found that the sector remained stable and resilient for the period ended 30 June 2017. It should be noted that Kenya's financial sector is doing well in relation to different sectors and is rising quicker than the complete economy. to start with, this sector grew by nine.0% in 2010 and seven.8% in 2011, whereas the economy grew by five.8% and 4.4% in 2010 and 2011, severally (CBK, 2016, CBK, 2017). The performance of the banking sector improved in 2016, with revenue before taxes rising by 20.4 per cent. Numerous banking products, increased competition, security and openness characterize Kenya’s banking climate. Hence the capacity of commercial banks to supply goods and services efficiently and effectively is crucial to success and importance. Creation of ICT and rising demands for customers. The new goods launched as a marketing strategy claimed that by targeting the broader portion of the retail consumer base, local brand brands were appropriate for the domestic environment (CBK 2012). Some industrial banks in Kenya have introduced net banking , mobile banking associated alternative merchandise that need an e-banking system to enhance the distribution networks of their customers.

Nevertheless, it is critical that initiatives to increase customer awareness of new and more creative ways of doing banking business are followed by the launch of these items (CBK 2011, 2012). For instance, while Internet banking is a brisk and accommodating way to deal with perform banking trades, banking clients are not broadly acknowledged, in light of the fact that this financial strategy is as yet stressed over by numerous possible clients. A few banks likewise have concurrences with portable specialist organizations to permit their clients to purchase cell phones for versatile banking, including checking the situation with account adjusts, checking credit or charge exchanges, the installment of service bills and the exchange of assets between and inside business banks and taking all things together conditions, the competitive advantage is consistent with Porters (1991) drivers of competitive advantage; the key drivers are superior, superior capacities hence superior resources.

1.2 Statement of the Problem

According to CBK regulation annual report of (2018) the banking sector in Kenya faced a perfect storm stemming from a number of challenges that affected the efficiency of the industry. Key among these were the impact of the Banking (Amendment) Act 2016 interest rate caps, 2017 is the first complete year under the cost limits. A persistent drought which disrupted agricultural activity for a significant part of the year. Long running of elections in the second half of the year, and its accompanying uncertainty. The negative impact of the difficulties was seen in the decline in overall productivity before taxes in 2017 from Ksh.147.4 billion in 2016 by 9.6 per cent to over Ksh.133 billion in 2017, among other indicators. The hostile business and banking climate reduced lending, with gross lending declining from Ksh.2.29 trillion in 2016 by 5 per cent to Ksh.2.16 trillion in 2017.

Several nations have endured financial distress to varying degrees in recent decades, and some have suffered chronic distress (Hardy, 2008). Pazarbasioglu (2009) argues that ties to banking and private sector vulnerability are the strongest early signs of financial crises. In Kenya the banking sector has changed into a highly competitive market, drastically. In reaction to economic and financial changes, commercial banks in Kenya are transcending their normal business practices and diversifying their activities (Arora and Kaur, 2006, Muchemi, 2013). The deregulation, disintegration, emergence of advanced technologies along with the consolidation wave in the commercial banks sector have been instrumental in allowing banks to diversify their operations (Arora and Kaur, 2009). However, the industry has continued to experience expanding capital spending in the area and expected diminished benefits because of the presentation of the Banking (Amendment) Act 2015, 11 banks reported designs for scaling back, around 1,470 bank representatives were laid off and 39 branches were eliminated, with the general number of branches in the area expanding from 1,056 in Q3'2016 to 1,163 in Q3’2017.

An analysis in the literature shows that several local and international research studies centered on individual causes. Obamuyi (2013) conducted a study aimed at determining the factors contributing to bank profits in developing countries, and noted that expense control and increasing interests on income affect the bank profits. Furthermore, he noted that favorable economic situations increase bank profits. Another recent study by Ongore and Kusa (2013) found that the board decisions affect Kenya’s commercial banks’ performance, and that macroeconomic factors impart little on the performance of a bank. The research did, however, omit the impact of industry-specific issues on the performance of specific banks in the country. There is limited literature available in Kenya on the impact of dynamic capabilities on bank performance. This research pursued to fill this gap.

1.3. Objectives of the Study

1.3.1 General Objective of the Study

The study generally investigated how dynamic capabilities affect commercial banks' performance in Nairobi City County in Kenya.

1.3.2 Specific Objectives

i) Establish how innovations capability affects commercial banks' performance in Nairobi City County, Kenya.

ii) Determine how technical knowledge capability affects commercial banks' performance in Nairobi City County, Kenya.

iii) Find out how quality service capability affects commercial banks' performance in Nairobi City County in Kenya.

iv) Examine how learning culture capability affects commercial banks' performance in Nairobi County in Kenya.

1.4 Research Questions

i) Does innovations capability affects commercial banks' performance in Nairobi County in Kenya?

ii) Does technical knowledge capability affect commercial banks' performance in Nairobi County in Kenya?

iii) Does quality service capability affect commercial banks' performance in Nairobi County in Kenya?

iv) Does learning culture capability affect commercial banks' performance in Nairobi County in Kenya?

1.5 Significance of the Study

The research examined the effects of dynamic capabilities on commercial banks' performance in Nairobi County in Kenya. The findings would be beneficial to various categories of interested stakeholders as follows: It would enable commercial banks' management and board of directors in identifying areas of weakness that need focus and promoting rational strategic choices to generate maximum value for investment. The results would help to identify the problems a great deal that are experienced in the maximizing of the potential brought forward by the dynamic capabilities approaches in Kenya's banking sector.

This study would avail pertinent information on the trends and dynamism of the capabilities that can maximize commercial bank operations in other counties that aim at gaining competitive advantage that is sustainable. The research would help banks' executives, because they interact with the Nairobi County in the quest to find the best business strategies that would enhance their growth and development.

This study would also be crucial to the government. Sharing the findings with the central bank of Kenya would help relevant ministries to formulate appropriate economic strategies that can be legislated and recommended to those in the banking sector where they can formulate clear strategies that would strengthen the mechanisms of decision making to maximize the competitive advantage. Such initiatives would also be sufficient for enhancing organizations' efficiency and all other financial institutions.

The study would add knowledge to the body in the field of dynamic capabilities of an organization as well as its influence on commercial banks' performance. Notably, the key findings would be of importance to scholars interested in understanding the various factors influencing commercial banks performance in the Country. The scholars also could benefit in understanding the relationship of bank activities, Bank operation engines, initial terminology and managerial preference and efficiency of Kenya's commercial banking sector.

1.6 Scope of the Study

This study focused on the commercial banks licensed and listed by Kenya's Central Bank as of December 2018. It was based at the headquarters of the banks, with middle-level management of the banks as the respondents in the county of Nairobi, where all commercial banks have branches in the central business district and some suburbs. This allowed the intended populations easier to access through data collection. The variables to be involved in the study were technical knowledge capability, innovations capability, quality service capability and learning culture capability.

1.7 Limitations of the Study

The study experienced lack of willingness in getting vital information from banks' top management. Nevertheless, the researcher gave details to the Bank officials on the rationale as well as the significance of the key findings at the banks head offices. This would highly assist in facilitating booking of appointments with the top offices for authorization and directions regarding the appointed banks ‘respondents. Many of the respondents could be hesitant to engage in the sample during the data collection period. The study should take some time to clarify the problem the agenda and purposes of the study and its possible benefits to the commercial banks as well as all other stakeholders. Also, the researchers allowed the respondents to obtain the time to tackle a questionnaire. This allowed the researcher to be patient and persistent, given the disadvantages.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter expound on the study's theoretical analysis, methodological examination, a description of knowledge gaps and, lastly, a conceptual framework demonstrating the relationship of different study variables.

2.2 Theoretical Literature Review

The study was carried out with respect to the following theories namely; dynamic capability theory, resource dependency theory, resource-based view and knowledge-based theory.

2.2.1 Dynamic Capabilities Theory

The ttheory was first formulated by David Teece, Gary Pisano and Amy Shuen (1997). Later, Ambrosini and Bowman (2009) indicated that the paper provided the first contribution that brought distinctive idea of dynamic capabilities. DCT indicate that RBV theory does not bring a clear demonstration of the criteria that is applied in some of the companies that are successful in undertaking rapid and flexible innovation of products and timely responsiveness alongside capabilities of management to coordinate properly and redeploying external and internal competencies. It was further argued that there is need for considerations to be made on the situations of the external changing environment and therefore contributing to strategic management whose main concern is adaptation, reconfiguration and integration of internal as well as external resources of the organization, skills and practical competency for dynamic environment.

The theory derives its principles from the research on daily organisation, core competency, core capacity and rigidity, and ability to absorb. Dynamic capacities act as a buffer between the capital of businesses and the changing business climate by having an organization improves the resource base and thus preserves its competitive advantage, which could otherwise be compromised, in its longevity. Dynamic Capacities Perspective (DCP) relates to a company's ability to gain new ways of competitive advantage by expertise retention, organizational resources and the adjustment to a changing business environment. This ability is complex because the organization must constantly create, adjust and because time-to-market and product positioning become important, the rate of technological progress is high, and it is difficult to determine the essence of future competition and markets (Teece, Pisano & Shuen, 1997).

2.2.2 Resource-Based View

RBV was postulated by Wernerfelt (1984) of the business, a paradigm that draws heavily from Penrose (1959) philosophy of entrepreneurial development, has become the methodological foundation for a number of studies. The RBV's conventional models first theorized in 1991 and are still known as one of the most effective frameworks for researching and evaluating resource management partnerships after 20 years (Barney, 2011). This principle underlines the value of organizational internal resources to gain a competitive advantage. When they act rationally, a resource holder can maintain a relative position vis-à-vis other holders (Wernerfelt, 1984). Moreover, Barney (1991) argued that undertakings in the same sector may be varied in terms of their capital. Since resources cannot be easily transferred between undertakings, the heterogeneity and the subsequent competitive advantage acquired is likely to last for a long time.

RBV defines an enterprise as a pool of resources together with expertise (Nath *et al*, 2010) capable of creating and the competitive advantages (Talaja, 2012). Barney (1991) identified four resource characteristics capable of maintaining the competitive advantage of a business, namely durability, scarcity, imperfect imitability and imperfect replaceability;. Amit and Schoemaker (1993) called as inventories of open factors owned or controlled by the Company. These comprised tangible elements such as financial and physical properties, machinery, land and buildings and intangible elements such as human resources, consumer trust, company credibility and know-how (Nath, Nelson & Winter, 2010). The outlook on resources indicates that higher corporate efficiency depends on how shipping service suppliers exploit their capital (Lai, 2004). Gavronski, Bai and Fallah (2011) ability perceived to be the corporate ability to use current resources for projects or events. Wu (2010) concluded that a company should exploit its resources to create competitive advantage.

This theory was considered applicable to the current examination since it considers the to be of the firm as a basic for unrivaled execution. On the off chance that an asset shows esteem, extraordinariness, imitability, authoritative ascribes (VRIO), as they empower the organization to acquire and keep up upper hand. RBV claims that it is easier to achieve a sustainable competitive advantage taking advantage of intrinsic rather than external factors relative to manufacturing organizations.

2.2.3 Resource Dependency Theory

The theory was coined by Pugh and Hickson (1997). They tried to explain organizations with regard to their interdependence with the community. Some scholars have argued that resource provision improves the organizational functioning, the performance of a firm and its survival (Daily *et al*, 2003). It hypothesis reflected on TMT's role in providing the organization with access to resources it needs (Abdullah & Valentine, 2009). Hillman (2000) suggested that the principle of resource dependence reflects on the function TMT played in supplying or retention of essential resources for an organization by its foreign ties. The theory stated that for their protection companies are interdependent with their society and other organizations, as they are not self-dependent (Pugh and Hickson, 1997). Therefore, the theory suggested that TMT is a method for controlling external interactions (Pfeffer & Salancik, 1978), growing environmental instability (Pfeffer, 1972) and interdependence with the environment.

According to resource dependency theory, TMT acts as a corporate-external relationship that generates uncertainty and external dependencies (Balta, 2008). Organizations would accept volatility and various environmental shifts in order to survive (Pfeffer & Salancik, 1978). This theory therefore applied to this study, since its demographics played a critical role in influencing the extent to which organizations respond to environmental uncertainty.

2.2.4 Knowledge-Based Theory

Knowledge based theory was first proposed by Penrose (1959) and Wernerfelt (1984), and Barney (1991), Conner (1991) expounded on it. This theory considers knowledge to be the most significant resource of a company. The proponents of this theory argue that knowledge-based tools are not easy to mimic and socially difficult, based on heterogeneous knowledge and skills among businesses, are the key aspects of sustainable competitive advantage and superior organizational performance. The study will try to identify ways in which knowledge-based view of a company explains heterogeneity nature of commercial banks' performance. Thus, the focus was how strategic knowledge assets results to sustainable competitive advantage, survival of a company and performance. This theory helped in determining the influence of technical knowledge capability on performance of Kenya's commercial bank.

2.3 Empirical Literature Review

2.3.1 Innovations Capability and Performance

Saunila *et al*., (2014) examined the strings between innovation capability and performance: the moderating effect of measurement. The examination was directed through an online review in small and medium-sized enterprises (SMEs). An aggregate of 311 reactions were collected from a sample of 2,400 arbitrarily chosen business enterprises. Steady with expectations, the connection between advancement capacity and firm execution is critical within the sight of execution estimation. Execution estimation would thus be able to be utilized as a device for improving the exhibition of SMEs through advancement capacity.

Agyei-Mensah (2017) study investigated how bank performances in Ghana is affected by innovation capacity. The examination configuration received was unmistakable. The populace contained staff, the executives and customers of UT bank. Selected study samples were assessed at 201,039. They utilized comfort testing to choose 150 staff and 245. It was found that product development, advertising advancement and interaction advancement had a moderate relationship with hierarchical execution. In any case, hierarchical development and joint efforts had a feeble relationship with authoritative execution.

Gor, Mummassabba and Muturi (2015) study assessed enablers of innovation capabilities and how it affects performance of an organization. The investigation population was comprised of 6,500 workers of Nakumatt Holding Limited. Since all the representatives couldn't be gotten to inside as far as possible, the examining outline comprised 89 workers positioned at the organization's base camp in Nairobi. The examination set up that reasonable procedures; creative culture; learning climate and abuse of interior asset base are a portion of the empowering agents of development abilities that impact advancement at Nakumatt Holdings Limited. The investigation further settled a positive connection between the empowering influences of advancement abilities and execution of the association.

2.3.2 Technical Knowledge Capability and Performance

Tseng and Lee (2014) carried out a study examining how technical knowledge and dynamism affect performance of an organization. To acquire best investigation on specialized information ability, dynamic capacity, and hierarchical execution, the poll and measurable scientific procedures were utilized. The outcomes show that specialized information capacity is a significant halfway hierarchical component through which the advantages of specialized information ability are changed over into execution impacts at the corporate level. That is, specialized information ability improves the powerful capacity of associations.

Liu, Song and Cai (2017) study investigated the influence of technical knowledge capability on firm performance: the intermediating role of organizational competency. Review information from 211 firms show that both operational change spryness and market underwriting dexterity can completely intervene the impact of specialized information capacity on firm execution. Furthermore, the relationship intensions of these two specialized information ability on authoritative readiness are recognizing.

A study by Chengecha (2016) assessed how knowledge capability enhance a firm's competitive advantage in Kenya. This examination utilized illustrative study plan. Populace for this examination remembered all the business banks for Kenya. The examination utilized essential information which was gathered through semi organized survey. The examination set up information ability that most of the banks in Kenya are engaged in and that the innovation of the bank empowers it to relate better with clients generally.

2.3.3 Quality Service Capability and Performance

Singh (2016) examined the impact of quality service on job performance. Information was gathered from 250 police faculties in PDRM in Kuching utilizing overview strategy. Aftereffects of the instrument's Cronbach Alpha estimation revealed that the score of dependability is more than 0.7, demonstrating adequate levels. Key findings demonstrate that inside assistance quality decidedly correspond with work execution. The investigation gives bits of knowledge on the connection between interior assistance quality and occupation execution in the public area.

Munyao (2014) examined the effect of quality service capability on performance of petroleum distributing companies in Kenya. This study involved an expressive overview of 32 petrol disseminating firms in Kenya. Polls were utilized to gather essential information. The discoveries demonstrated that petrol dispersing firms embraced different assistance quality administration practices generally. The discoveries additionally showed that absence of visionary administration and top administration uphold were the greatest difficulties the organizations looked in their undertaking to actualize administration quality administration rehearses.

Azza and Sally (2018) examined the impact of quality service capability on organizational performance of mobile telecommunications companies in Egypt. A substantial exploration instrument was used to lead a review of 384 top-center and administrative level administrators from 3 Egyptian portable broadcast communications organizations. The outcomes show that quality help capacity decidedly affects authoritative execution. The outcomes additionally show that Egyptian versatile broadcast communications organizations have for the most part underlined the responsiveness, unwavering quality and comfort of their administrations to help their hierarchical exhibition.

2.3.4 Learning Culture Capability and Performance

Goh, Elliott and Quon (2012) examined how learning and continuous education affect organization performance. In an inquiry of distributed exploration on learning capacity and hierarchical execution, the writers distinguished 33 articles that met standards for incorporation in the meta-examination. The information were investigated utilizing the Hunter and Schmidt meta-examination programming. The discoveries uphold a positive connection between learning ability and authoritative execution, with more grounded results for non-monetary than monetary execution. This has critical ramifications for legitimizing the interest in building a learning capacity in associations.

Skerlavaj *et al*. (2016) examined the impacts of organizational learning culture on the overall performance in Macedonian firms. The investigation utilized information of 202 Macedonian organizations and exactly test the model by means of primary condition demonstrating. We found that authoritative learning society firmly affects non-monetary execution from the representative, client and provider point of view. A direct however moderately more modest impact can be seen on the monetary execution.

Cerne *et al*., (2012) examined the impacts of organizational learning culture on innovativeness in Turkish firms. They utilized information of 202 Turkish organizations and exactly tested the model by means of primary condition demonstrating. We found that authoritative learning society firmly affects non-monetary execution from the representative, client and provider point of view. A direct however moderately more modest impact can be seen on the monetary execution.

2.4 Summary

Table 2.1 Summary

Researcher	**Focus**	**Findings**	**Knowledge gaps**	**Current Study**
Saunila *et al.* (2014)	The connection existing between innovation and quality of output.	The connection between development ability and firm execution is critical within the sight of execution estimation	The study utilized only one research design i.e. descriptive research design the population was also not specified	Descriptive as well as exploratory research design will be utilized.
Agyei-Mensah (2017)	Effects of innovative capabilities on performance in the banking sector	Hierarchical advancement and joint efforts had a feeble relationship with authoritative execution	Scope was not specified	The county of Nairobi will be the current study context
Gor *et al.* (2015)	Enablers of innovation capabilities and their effects on organizational performance	A positive connection between the empowering influences of advancement abilities and execution of the association.	Concentrated more on mediating variable	The current study will concentrate how dependent relates to the independent variable
Tseng and Lee (2014)	Effect of technical knowledge capability and dynamic capability on organizational performance	Specialized information ability upgrades the powerful capacity of associations	The study was a focus of developed country	It will be a focus of Kenya as a developing country.
Liu *et al.* (2017)	Influence of technical knowledge capability on firm performance: the mediating role of organizational agility	The relationship intensions of these two specialized information capacity on authoritative spryness are recognizing	The study shows the geographical difference in China	The present study is to be carried out in Kenya.

Chengecha (2016)	Relationship between knowledge capability and competitiveness of firms	The innovation of the bank empowers it to relate better with clients generally	Secondary data used	Primary data used
Singh (2016)	Influence of quality service on job performance	Inside help quality is emphatically corresponded with work execution	The study used purposive method	the study used stratified sampling method
Munyao (2014)	Effect of quality service capability on operational performance of petroleum distributing firms in Kenya	Petrol appropriating firms received different assistance quality administration practices generally	Dependent variable was operational performance	The focus will be performance of organization.
Azza and Sally (2018)	Impact of quality service capability on organizational performance	Quality help ability decidedly affects authoritative execution	The study context was telecommunication sector	The study context was commercial banks
Goh *et al.* (2012)	Relationship between learning culture capability and organizational performance	A positive connection between learning capacity and authoritative execution, with more grounded results for non-monetary than monetary execution	Secondary data used	Primary data used
Skerlavaj *et al.* (2016)	Organizational learning culture on organizational performance in Macedonian companies	Hierarchical learning society firmly affects non–monetary execution	The study used cross-sectional research design	The study used descriptive research design
Cerne *et al.* (2012)	The influence of organizational learning culture on innovativeness in Turkish firms	Backing for an exceptionally solid positive connection between hierarchical learning society and creative culture	The study used simple random sampling which does not guarantee proper representation of a sample	The study will use stratified sampling method to ensure that the respondents are well represented

2.5 Conceptual Framework

Independent Variables | **Dependent Variable**

Dynamic Capabilities | **Organizational Performance**

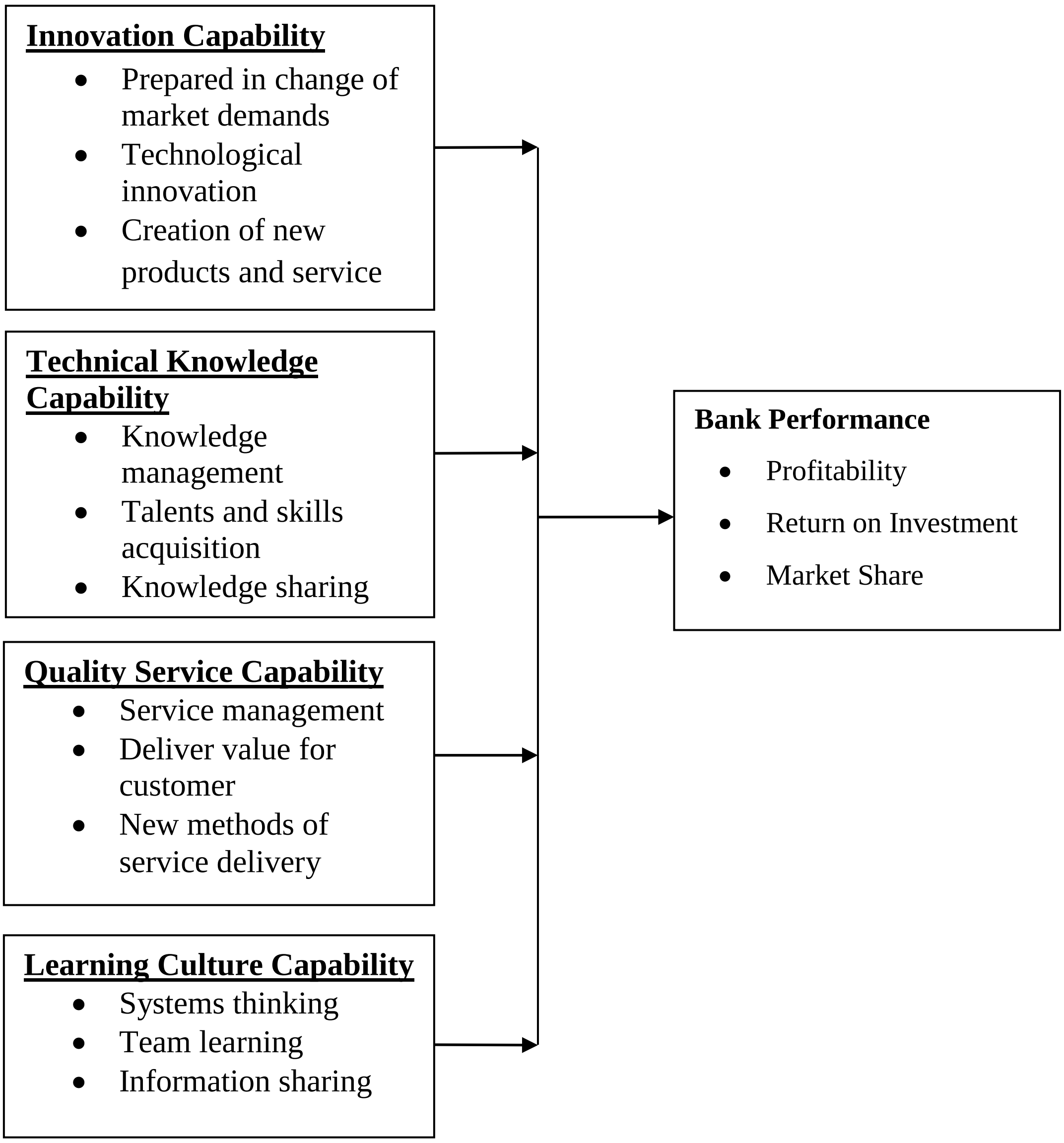

Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methods used. The main focus here is the research design, sample size, collection of data, validity and reliability of the instrument and data analysis.

3.2 Research Design

A study design is the analysis strategy and framework the researcher conceives to gain responses to research questions. The strategy is the researcher's ultimate method, which specifies what the researcher did from formulating theories, operationalizing the sample variables and working on analyzing data in order to get a working output (Cooper & Schindler, 2008). This research study employed descriptive research design to explain the independent and dependent variable. This research design has been widely used in other research studies (Kobia & Kinyua, 2018; Mbai, Kinyua & Muhoho, 2018; Ontita & Kinyua, 2020). The design entailed figuring out where, how and what of a phenomena (Kothari, 2011). It also allowed the researcher to take a broad view and apply the results to a wider population. Descriptive research design was helpful in the study because it yielded enough and reliable data.

3.3 Target Population

Mertler and Vannatta (2010) describe a community as a collective of specific identified entities, elements or artifacts. Collis and Hussey (2014) further suggested that a target population refers to actual community in the information needed is gathered from. As at 31 December 2017, 42 banking institutions constituted the Central Bank of Kenya's (CBK) banking sector as regulatory body (42 commercial banks and 1 mortgage finance company).

Table 3.1: Distribution of Population Target

Strata	Target Population	Percentage
Branch Administrators	42	50
Operation Managers	42	50
Total	**84**	**100**

(Source: Research Data, 2019)

3.4 Sample Size and Sampling Technique

Saunders *et al*. (2012) described a sample size as a representation of the universe. The sample size should be appropriate, since it should be neither too large nor too small. An optimal sample is one that satisfies precision, performance, versatility and representativeness criteria. Novikov and Novikov (2013) describe a sampling technique as the method for selecting elements of a sample. The study adopted purposive sampling technique where two respondents, the operations manager and a branch manager, were picked from each of the 42 banking institutions, hence the sample size was 84 respondents, and commercial banks headquarters formed the study population and were branch managers and operations managers.

3.5 Data Collection Instruments

Questionnaires were used as the main data collection tool from the target organizations and individuals. In the analysis, both structured and unstructured questionnaires were used to allow as planned successful data collection. This is because Kerlinger (2009) suggested that it typically gathers concise data using questionnaires.

3.6 Pilot Study

Pilot study is a small-sized study carried out to help a researcher in checking for the nature of the surveys and recognize any shortcomings prior to going for the last information assortment measure (Orodho, 2005). As indicated by Mugenda and Mugenda (2003), a pilot concentrate with a sample of a 10th of the complete sample with homogenous attributes fitting for the pilot study. Pilot study is a significant advance in research measure since it uncovers obscure inquiries and muddled guidelines in the instruments.

Accordingly, surveys were steered to 8 respondents and these respondents were excluded from the last information assortment measure**.**

3.6.1 Validity of Research Instruments

Mugenda and Mugenda (2003) define research legitimacy as the extent of the instrument under audit tests what it tries to test. The exactness and even meaning of deductions dependent on research results is said to influence validity. There are three styles that are important for this analysis. They include face validity, material validity and the construct validity. In face validity the investigator must subjectively assess the extent to which the researcher thinks the questionnaire is appropriate. This is to examine whether representative samples of the measured construction domain were included in the content of the research questionnaire. To evaluate that, convergent validity tests were used. Convergent validity in the same way, refer to the degree to which the parameter refers to another variable of the same type.

3.6.2 Reliability of Research Instruments

As Orodho (2003) suggests, reliability is how much the survey tests insight or any testing apparatus and afterward creates similar result or results stays exact. In other terms, it is the continuity or reliability of results across time or across grades. The study made use of two methods to test reliability. These included correspondence inspection and the internal accuracy test. An equivalent test was maintained by or by pretesting questionnaires with a selection of non-participating functionally comparable respondents. The test instrument's internal accuracy was calculated by using Cronbach's Alpha process. Cronbach's Alpha is an unwavering quality coefficient showing the degree at which articles in a bundle contrast well and one another. As a dependable guideline, an unwavering quality score of 0.7 or more is proposed to group the test instrument as exact for most testing exercises. The researcher utilized a coefficient of 0.7 as the minimum acceptable value for confirming reliability of the data collection instrument as has been used by other researchers (Kimaru, & Kinyua, 2018; Mirugi & Kinyua, 2018; Muthoni & Kinyua, 2020; Mbugua & Kinyua, 2020; Gatuyu & Kinyua, 2020).

Table 3.2: Results of Reliability Tests

Research Variable	Cronbach's Alpha Index (α)	Number of Items	Comment
Innovation Capability	0.742	5	Reliable
Technical Knowledge	0.854	5	Reliable
Quality Service Capability	0.807	5	Reliable
Learning Culture Capability	0.814	5	Reliable
Organizational Performance	0.719	3	Reliable
Average	**0.787**	**23**	Reliable

Source: Pilot Study (2020)

The findings from the Table above show that specialized information had the most noteworthy alpha coefficient at 0.854 which was trailed by learning society ability (α=0.814), quality help capacity (α=0.807), development capacity (α=0.742) and hierarchical execution (α=0.719). The normal alpha coefficient was at 0.787 and even individual alpha coefficients of the multitude of free factors tried were route above 0.7 and therefore agree with the argument advanced by Mugenda and Mugenda (2003) that an alpha coefficient score of above 0.7 demonstrates that the instruments are profoundly precise.

3.7 Data Collection Procedures

Questionnaires were circulated through the drop process and then selected. The questionnaires were conducted in person and with the help of a research assistant. Nevertheless, after the questionnaires were given, follow-up was performed by phone to insure that the questionnaires are dully filled in within the prescribed timeline**.**

3.8 Data Analysis and Presentation

Burns and Grove (2003) argued that data analysis is a method of minimizing and evaluating data so as to predict results that will let the researcher draw conclusions from. For interpretation of quantitative data, descriptive statistics such as frequencies, percentages, and mean and inferential statistics such as coefficient of association and multiple regressions are used. Review of the results was used for qualitative data content analysis. Collected data were subjected to various analyses using Statistical Package for Social Sciences (SPSS Version 25.0) software. Analyzed data were presented in the form of tables, graphs, maps, and further analyzed the association between dependent variable and independent. The following regression formula was utilized.

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

Where;

Y= Organizational performance

X_1= Innovation Capability

X_2= Technical Knowledge

X_3= Quality Service Capability

X_4= Learning Culture Capability

$\beta_0 - \beta_4$ = Beta coefficients

ε = Assumed Error

3.9 Ethical Consideration

Before comencing research, permision was obtained from the management of commercial banks in Nairobi County, the National Commission for Science, Technology and Innovation (NACOSTI) and the Kenyatta University administration. Responsibility for the respondents required voluntary participation and informed prior consent. To ensure the researcher is not biased, plain terms and assertions were used to define the analysis study's objectives. The researcher was responsible for ensuring reliable and appropriate analysis of the data, proper presentation of the data and a fair recording of the study findings. The respondents were given additionality, flexibility and confidentiality.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the key findings of the data collected. Response rates are provided after first responders' background information, descriptive statistics and regression analysis.

4.2 Response Rate

84 questionnaires were administered to branch and operation managers.

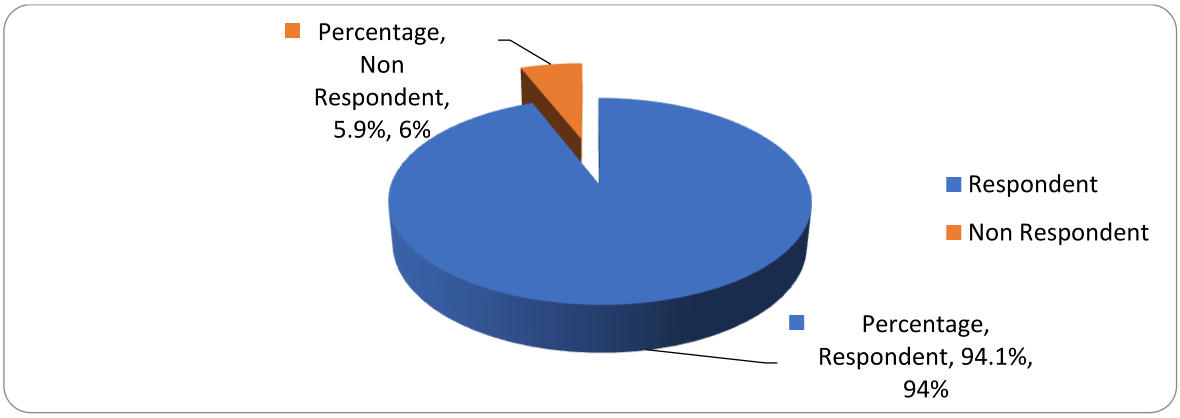

Figure 4.1: Response Rate

Figure 4.1 shows a response rate of 94.1% and a non-response rate of 5.9%. As per Baruch's (2013) recommendation, a response rate above 100% is appropriate for data analysis. Therefore, the study of response analysis 94.1% was considered suitable for response rate. Thus, research findings of the study were accepted and credible due to high response rates.

4.3 Background Information

4.3.1 Gender

Table 4.1: Respondents' Gender

Gender	Frequency	Percentage
Male	46	58.2
Female	33	41.8
Total	**79**	**100**

Findings in Table 1.1 show that male respondents have a majority of 58.7 per cent while female respondents account for 411.8 per cent. Data on gender of the respondents was important in revealing true representation of both genders and thus equal emphasis on gender representation in workplace for organizational performance.

4.3.2 Age

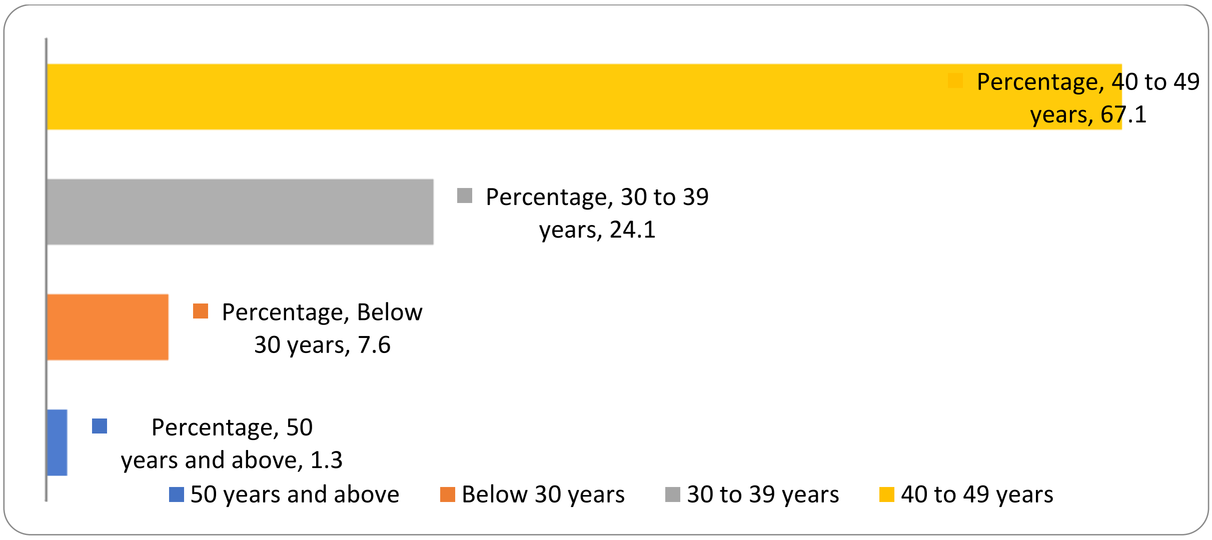

Figure 4.2: Respondents' Age

Figure 4.2 show 67.1% of respondents falls between 40 and 49 years of age, accompanied by those between 30 and 39 years of age at 24.1%, 7.6% were under 30 years of age and 1.3% were over 50 years of age.

4.3.3 Highest Education Level

Table 4.2: Respondents Education Level

Level	Frequency	Percentage
Diploma	16	20.3
Bachelor's Degree	33	41.8
Post graduate diploma	12	15.2
Master's Degree	18	22.8
Total	**79**	**100**

Table 2.2 show that majority (41.8 %%) are graduates, 2.8% have a master's degree, 20.3% have a diploma and 1.3% have a postgraduate diploma. Is. It can be concluded that the respondents involved in the study had a higher education level.

4.3.4 Work Experience

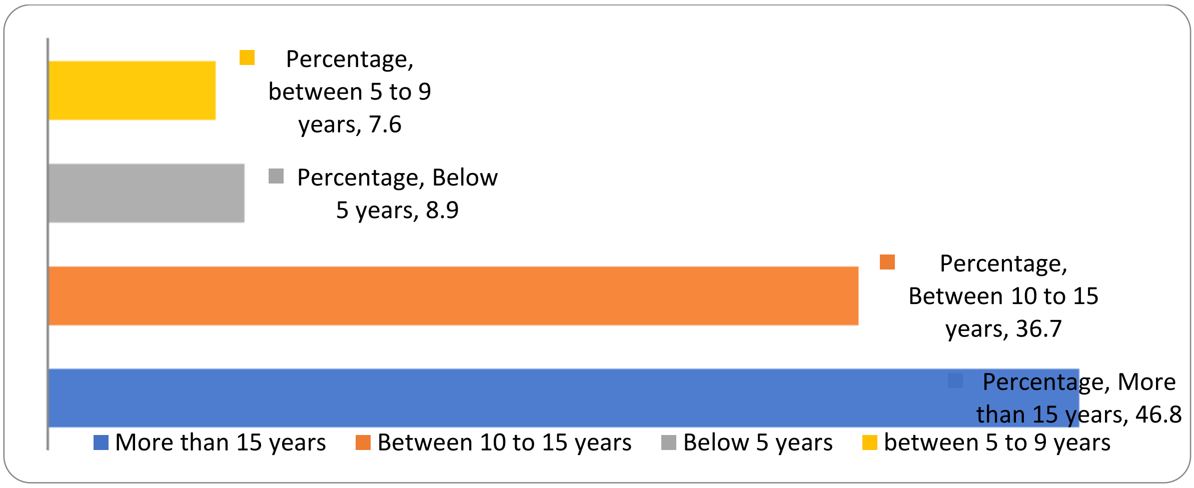

Figure 4.3: Respondents' Work Experience

Figure 4.3 shows that majority of respondents (46.8%) have more than 15 years of work experience, 36.7% between the ages of 10 and 15, 8.9% less in 5 years, and 7.6% within 5 to 9 years. These findings suggest that the respondents participating in this analysis had the requisite expertise to provide the researchers with the knowledge that was of interest.

4.4 Descriptive Analysis

4.4.1 Innovation Capability

The study sought to establish how innovations capability affects commercial banks' performance in Nairobi City County, Kenya.

Table 4.3: Innovations Capability

	M	SD
The bank can easily adapt to market changes	4.13	1.136
New products and services are created often	4.09	0.819
New technologies are easily adopted in the organization	4.32	0.589
The bank easily adjusts to meet new customer needs	4.14	0.828
The bank is involved in creating new markets	4.53	0.574
Employees help in improving the existing bank products	4.51	0.618
Services are improved to serve customers better	4.61	0.517
Average Score	**4.33**	**0.726**

Source: Research Data (2020)

An average mean of 4.33 shows that respondents agreed that innovations capability affects commercial banks' performance in Nairobi City County, Kenya with a standard deviation of 0.726. These findings agree with those of an investigation by Saunila *et al*. (2014) that analyzed the connection between advancement capacity and execution and found that the connection between development ability and firm execution is critical within the sight of execution estimation.

The respondents strongly agreed that services are improved to serve customers better, the bank is involved in creating new markets and that employees help in improving the existing bank products with respective mean of 4.61, 4.53 and 4.51 and standard deviation of 0.517, 0.574 and 0.618 respectively. These findings are consistent with Chin, Lo and Ramayah (2013) studies that examined the connection between market orientation and organizational performance: the moderating position of quality of service and the assumption that service quality occurs to fill the void between consumer preferences and their understanding of service provider efficiency, thereby generating competitiveness and competitive advantage, improving market-oriented strategies and eventually contributing to increased results of the business.

The respondents agreed that new technologies are easily adopted in the organization, the bank easily adjusts to meet new customer needs, the bank can easily adapt to market changes and that new products and services are created often with respective mean of 0.589, 0.828, 1.136 and 0.819. These findings are consistent with those of Chairoel et al., (2015) where they examined ICT adoption and its effects on performance in Indonesian SMEs. From the study above, it was determined that the effects of ICT implementation will have added to the organization's productivity and effectiveness, as demonstrated in its success.

4.4.2 Technical Knowledge Capability

The study sought to determine how technical knowledge capability affects commercial banks' performance in Nairobi City County, Kenya.

Table 4.4: Technical Knowledge Capability

	M	**SD**
Employees work under minimum supervision	3.78	1.533
Employees understand their roles	3.38	1.496
Employees share their knowledge with their team members	4.42	0.928
Skills are acquired through training	3.42	1.729
Employees are supported to grow their talents	3.91	1.088
Employees possess skills in financial reporting	4.81	0.833
Employees are able to solve problems	4.86	0.445
Average Score	**4.08**	**1.150**

Source: Research Data (2020)

The average score of 4.08 shows that the participants agreed that the performance of commercial banks in Nairobi City County, Kenya is affected by the standard deviation of technical knowledge capacity of 1.150. This finding agree with those of Tseng and Lee (2014) where they inspected the impact of specialized information ability and dynamic capacity on authoritative execution and that specialized information capacity is a significant middle hierarchical system through which the advantages of specialized information capacity are changed over into execution impacts at the corporate level.

The respondents strongly agreed that employees are able to solve problems and that employees possess skills in financial reporting as shown by mean score of 4.86 and 4.81 respectively and respective standard deviation of 0.445 and 0.833. These are consistent with Hanafi and Ibrahim (2018) study that investigated the impact of employee skills on service performance and employee skills have been found to be critical for improved results in the service sector. To ensure good service results, managers need to pay more attention to employee skills.

The respondents agreed that employees share their knowledge with their team members, employees are supported to grow their talents and that employees work under minimum supervision as demonstrated by mean score of 4.42, 3.91 and 3.78 individually and separate standard deviation of 0.928, 1.088 and 1.533. This concur with study discoveries of Chengecha (2016) that zeroed in on information ability and seriousness of firms in the financial business in Kenya and distinguished that the information capacity that the vast majority of commercial banks in Kenya that are engaged with is information and that the innovation of the bank empowers it to discuss better with clients generally.

The respondents to a moderate extent that skills are acquired through training and that employees understand their roles as demonstrated by mean score of 3.42 and 3.38 individually with standard deviation of 1.729 and 1.496. Gharakhani and Mousakhani (2012) research on knowledge management skills and organizational output of SMEs that found information creation, knowledge exchange and implementation of knowledge) has positive and important effects on the organizational performance of SMEs.

4.4.3 Quality Service Capability

This study was aimed at assessing how quality service capability affects commercial banks' performance in Nairobi City County in Kenya.

Table 4.5: Quality Service Capability

	M	SD
The bank works to make sure new customer needs are met	4.81	0.395
Customer opinions are analyzed to improve service delivery	3.97	0.357
Customers complaints are resolved at the right time	4.52	1.119
New methods of service delivery are implemented	4.78	0.795
New technologies are built to offer consumers interest	4.10	1.669
Employees give opinions on how customer services can be enhanced	4.65	0.621
The bank includes a supply chain management component that links the real revenue of the product and the customer	4.05	0.714
Average Score	**4.41**	**0.810**

Source: Research Data (2020)

The average mean score of 4.41 shows the respondents are in agreement that that quality service capability affects commercial banks' performance in Nairobi City County, Kenya with a standard deviation of 0.810. These discoveries are reliable Azza and Sally (2018) study that inspected the effect of value administration capacity on hierarchical execution in the versatile broadcast communications area in Egypt and set up that quality help ability emphatically affects authoritative execution.

The respondents strongly agreed that the bank works to make sure new customer needs are met, new methods of service delivery are implemented, employees give opinions on how customer services can be enhanced and that customers complaints are resolved at the right time as demonstrated by mean score of 4.81, 4.78, 4.65 and 4.52 separately and particular standard deviation of 0.395, 0.795. 0.621 and 1.119. This is viable with the exploration by Cheng and Lin (2014), which inspected the effect of administration quality on authoritative execution and presumed that help quality shows part of the way valuable impacts on social achievement in hierarchical execution.

The respondents agreed that New technologies are built to offer consumers interest, the bank includes a supply chain management component that links the real revenue of the product and the customer and the customer and that customer opinion are analyzed to improve service delivery as shown by mean score 4.10, 4.05 and 3.97 respectively and respective standard deviation of 1.669, 0.714 and 0.357. This agrees with Ngoko (2015) study that explored the association between service quality management and shipping agent efficiency in Kenya and the objectively favorable connection between service quality management activities and shipping agent success in Kenya.

4.4.4 Learning Culture Capability

The study sought to determine how learning culture capability affects commercial banks' performance in Nairobi County in Kenya.

Table 4.6: Learning Culture Capability

	M	SD
The bank provide training for its employees	3.91	1.088
Employees share the knowledge on area of specialization with their colleagues	4.81	0.833
Employees help each other in case they face difficulties in their tasks	4.52	1.119
The bank holds seminar for employees to interact and share knowledge	4.27	1.094
Employee learn from their team members	3.54	1.366
Supervisor guide employees in areas where they face challenges	4.76	0.738
The bank works as a large system which depend on each other to achieve set goals	3.59	0.760
Average Score	**4.20**	**0.999**

Source: Research Data (2020)

The average mean score of 4.20 shows that the respondents agreed that learning culture capability affects commercial banks' performance in Nairobi City County, Kenya with a standard deviation of 0.999. These discoveries are in help with Goh et al. (2012) study that inspected the connection between learning society capacity and authoritative execution and the discoveries uphold a positive connection between learning ability and hierarchical execution, with more grounded results for non-monetary than monetary execution.

The respondents strongly agreed that employees share the knowledge on area of specialization with their colleagues, supervisor guide employees in areas where they face challenges and that employees help each other in case they face difficulties in their tasks with 4.81, 4.76 and 4.52 as respective mean scores and 0.833, 0.738 and 1.119 as standard deviations respectively. This is in consistent with Škerlavaj, Dimovski, Černe, Kekenovski, Tevdovski and Trpkova (2011) study that assessed the influence of organizational learning culture on organizational performance in Macedonian companies and found that corporate learning culture has a clear and fairly high effect on employee, client and manufacturer non-financial results.

The respondents agreed that the bank holds seminar for employees to interact and share knowledge and that the bank provide training for its employees with 4.27 and 3.91 as respective mean scores and 1.094 and 1.088 as respective standard deviations. This is in agreement with Bai and Fallah (2012) concentrate on the association between learning society and authoritative achievement in the Iranian Ministry of Sport and Youth and the outcomes uncovered that there is a solid positive relationship between hierarchical learning society and hierarchical accomplishment in sports specialists at the Ministry of Sport and Youth.

The respondents to a lower extent showed that the bank works as a large system which depend on each other to achieve set goals and that employee learn from their team members with 3.59 and 3.54 as respective mean scores and 0.760 and 1.366 as respective standard deviations. This is in disagreement with Mbuthia (2018) study that examined learning association measurements on hierarchical execution of Commercial Banks in Kenya and uncovered that ceaseless learning, request and conversation and representative strengthening were discovered to be measurably significant in anticipating the authoritative accomplishment of business banks.

4.4.5 Organizational Performance

Table 4.7: Organizational Performance

Statement	M	SD
Generally, our performance has grown significantly	4.32	0.539
The bank has registered organic growth over the last one year	4.53	0.574
The bank has higher market share compared with other rivals in the same field	3.78	1.533
Over the last financial year our revenue performance has increased over time to a sum of over 1 billion marks	3.42	1.729
In the last financial year our revenue performance has increased to a record of more than 1 billion marks.	4.81	0.833
Our market share has grown by more than 20 per cent in the last financial year	3.97	0.357
Average Score	**4.14**	**0.928**

Source: Research Data (2020)

The respondents strongly agreed that over the last financial year, revenue growth has increased over time to a total of more than 1 billion marks and organic growth has been reported by the bank in the last year with 4.81 and 4.53 as respective mean score and 0.833 and 0.574 as respective standard deviations. This is according to Nelson and Winter (2002) who argue that the company that operates DCs is in a position to achieve the transition required to create competitive advantage. This is on the grounds that separating limits are the principal wellspring of upper hand in the business technique division, where DCs are the key to supported accomplishment under quick change.

The respondents agreed that their share of market had increased for the previous financial year by more than 20 per cent and that the bank has higher market share compared with other rivals in the same field with 3.97 and 3.78 as mean scores respectively and 0.357 and 1.533 as respective standard deviations. According to Arthurs and Busenitz (2006) the definition of dynamic capabilities exists due to complex relationships between the capacity building of businesses and the climate, and the need to retain competitive advantage by capacity building. That’s because dynamic capabilities evaluate circumstances and resource base realignment to improve future efficiency.

The respondents to a lower extent showed that there was an improvement over time on sales growth totaling to more than 1 billion marks in the last financial year with 3.42 mean score and 1.729 standard deviation. Teece (2007) describes dynamic flexibility as an organization's capacity to coordinate, form and reconfigure all interior and outside devices to address quickly changing requests. Complex talents can be groups such as feeling, understanding, communication or teamwork.

4.5 Inferential Analysis

Correlation analysis and regression analysis were carried out to reach conclusions about associations between variables. They results are presented as follows:

4.5.1 Correlation Analysis

Table 4.8: Correlation Analysis

	Innovation capability	Technical knowledge capability	Quality service capability	Learning culture capability	Organizational performance
Innovation capability	1	.303**	.406**	.223*	.160
		.007	.000	.048	.158
	79	79	79	79	79
Technical knowledge capability	.303**	1	.436**	.487**	.309**
	.007		.000	.000	.006
	79	79	79	79	79
Quality service capability	.406**	.436**	1	.606**	.886**
	.000	.000		.000	.000
	79	79	79	79	79
Learning culture capability	.223*	.487**	.606**	1	.711**
	.048	.000	.000		.000
	79	79	79	79	79
Organizational performance	.160	.309**	.886**	.711**	1
	.158	.006	.000	.000	
	79	79	79	79	79

Source: Research Data (2020)

The outcomes in Table 4.8 show that the Pearson's r for the connection between's quality assistance ability and authoritative execution factors is 0.886 and the other way around which is near 1 with a huge estimation of 0.00 which is under 0.05. This shows a solid relationship implying that quality help ability is firmly corresponded with the hierarchical exhibition. These discoveries are in concurrence with Singh (2016) study that analyzed the impact of inward assistance quality on hierarchical execution and found that inside help quality is emphatically connected with the authoritative exhibition.

The outcomes in Table 4.8 additionally show that the Pearson's r for the relationship between's learning society capacity and authoritative execution factors is 0.711 and the other way around which is near 1 with a huge estimation of 0.00 which is under 0.05. This shows a solid relationship implying that learning society capacity is strongly correlated with the organizational performance. This collaborates with a study by Hussein, Omar, Noordin and Ishak (2016) that investigated the connection between the culture of learning organizations, organizational performance and organizational innovation in a public higher education institution in Malaysia and it observed that continuous learning was the lowest associated with organizational success whereas teamwork and team learning were strongly linked to organizational success.

4.6 Regression Analysis

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945[a]	.893	.888	.173

Source: Research Data (2020)

The result on adjusted R^2 indicates that innovations capability, technical knowledge capability, quality service capability and learning culture capability explain 0.888(88.8%) of the adjustments in the exhibition of business banks in Nairobi City County, Kenya. This implies that different factors not contemplated contribute 11.2%.

Table 4.10: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.613	4	4.653	154.955	.000[a]
	Residual	2.222	74	.030		
	Total	20.835	78			

Source: Research Data (2020)

The value of 0.000[a] is less that 0.05 thus proves a statistical significance of the model in predicting how innovations capability, technical knowledge capability, quality service capability and learning culture capability influenced the performance of commercial banks. The importance point of the F measured at 5 per cent was 154,955. Because F is greater than the crucial F (p value = 4,653), this means that the overall model was important.

Table 4.11: Coefficients

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	0.637	.191		5.958	.000
	Innovations capability	0.782	.037	1.207	4.910	.000
	Technical knowledge capability	0.895	.028	-.152	3.364	.001
	Quality service capability	0.758	.046	.841	6.368	.000
	Learning culture capability	0.569	.042	.322	6.384	.000

Source: Research Data (2020)

From the above regression model, holding innovations capability, technical knowledge capability, quality service capability and learning culture capability to a constant, the performance of commercial banks in Nairobi City County, Kenya will be 0.637 (63.7%). It was found innovation capacity of a bank increase the performance of commercial banks in Nairobi City County, Kenya by a factor of 0.782, a unit increase in technical knowledge capacity would raise the performance of commercial banks in the city of Nairobi. County, Kenya. A unit increase in quality service capacity by a factor of 0.895 will boost the performance of commercial banks in Nairobi City County, Kenya by a factor of 0.758 and a unit increase in the capacity of education culture will lead to an increase in performance. Commercial banks in Nairobi City County, Kenya by a factor of 0.569.

$Y = 0.637 + 0.782X_1 + 0.895X_2 + 0.758X_3 + 0.569X_4$

Where Y = Organizational performance

X_1= Innovation capability

X_2= Technical knowledge capability

X_3= Quality service capability

X_4= Learning culture capability

From this study, it was found that there was a positive and significant impact between innovation capability and organizational performance as demonstrated by t value ($t= 4.910$, $p < 0.05$). According to Lawson and Samson, D. (2018) innovation capability is defined as a firm's ability to establish and turn innovative concepts into existing / better goods, services or processes that support the business. Sivalogathasan and Wu (2013) study on innovation capability for better performance which display that the intellectual capital aspect has a major positive connection to innovation capability and organizational success.

The study established there was a positive and significant impact between knowledge capability and organizational performance as demonstrated by t value ($t= 3.364$, $p < 0.05$). Yang and Chen (2017) observe that a company or organization's willingness to procure innovative technologies and strategic research and development tools. This finding concur with Rabillo (2018) study that examined the effect of technical knowledge capability on performance of Commercial Banks in Kenya and found that technical knowledge capability had a statistically significant impact on performance in commercial banks in Kenya.

The study also established that there was a positive and significant impact between service capability and organizational performance as demonstrated by t value ($t= 6.368$, $p < 0.05$). Schlesinger and Zornitsky, J. (2016) observe that measuring service quality depends entirely on the context and brand pledge, and the measurements of service level differ with the company. This concur with Fazlzadeh, Faryabi, Darabi and Zahedi (2012) study that the survey centered on the effect of the service distribution network on corporate success using the business benefit chain model, and found that consumer retention and loyalty have a substantial influence on the output of the Tehran Stock Exchange.

The study established there was a positive and significant impact between culture capability and organizational performance as demonstrated by t value ($t= 6.384$, $p < 0.05$). According to Škerlavaj, Song and Lee (2010) a culture of learning is a set of cultural traditions, principles, processes, and procedures. These conventions promote the growth of information and expertise among workers and organizations. Banking institutions with learning cultures encourages continuous education and learning of its employees and that learning affect each employees performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Chapter five gives summarized key findings from the study, conclusions, and recommendations that would be availed to policy makers and for scholars interested in the same field of study.

5.2 Summary of the Study

The main aim of this study was to investigate how dynamic capabilities affect commercial banks' performance in Nairobi City County in Kenya. This research, specifically, focused on establishing how innovations capability, technical knowledge capability, quality service capability and learning culture capability affect commercial banks' performance in Nairobi City County, Kenya. Descriptive research design was used. The study targeted respondents were branch managers and operation managers who were purposively selected. Questionnaires were the main and only tool of collecting data which were analyzed using descriptive statistics and regression analysis. The findings are summarized as follows:

The study was aimed at establishing how innovations capability affects performance of commercial banks in Nairobi City County, Kenya and established that innovations capability positively and significantly affects performance. Services are improved to serve customers better, the bank is involved in creating new markets and that employees help in improving the existing bank products.

The study sought to establish how technical knowledge capability affects performance of commercial banks in Nairobi City County, Kenya and found that technical knowledge capability positively and significantly affects performance. Employees are able to solve problems, employees possess skills in financial reporting, employees share their knowledge with their team members, employees are supported to grow their talents and that employees work under minimum supervision.

The study sought to establish how quality service capability affects performance of commercial banks in Nairobi City County, Kenya and established and revealed that quality service capability positively and significantly affects performance. The bank works to make sure new customer needs are met, new methods of service delivery are implemented, employees give opinions on how customer services can be enhanced and that customer' complaints are resolved at the right time.

The study sought to establish how learning culture capability affects performance of commercial banks in Nairobi City County, Kenya and determined that learning culture capability positively and significantly affects performance. Employees share the knowledge on area of specialization with their colleagues, supervisor guide employees in areas where they face challenges and that employees help each other in case they face difficulties in their tasks.

5.3 Conclusion of the Study

On innovations capability, it was concluded that innovation capability, effective management of discovery and creativity, and the introduction of transformative techniques is an important requirement. Increasing the capacity of a bank to innovate requires creating the correct system requirements for meeting expectations for innovation. Banks are willing to build strategic plans that are focused on business area cultural assets. This makes more effective execution of the techniques.

On technical knowledge capability, the study concluded that technical knowledge capability is the expertise and information needed to execute different tasks. Knowledge awareness techniques improve companies' diverse capabilities. Knowledge management mechanism efficiency plays the most important role in innovative organizational development, because awareness is the only thing that can bring about progress and creativity in organizations.

On quality service capability, the study concluded that the definition of banks environment plays an significant role in determining how to provide outstanding service efficiency, as it reflects what workers feel in terms of service delivery organizational activities. This also influences workplace morale with regard to customer behaviour. Customers already have the absolute freedom to select the highest customer service companies to meet their desires and fulfill them thanks to the performance of the banks.

On learning culture capability, the study concludes that learning culture capability promotes information and expertise growth through staff and organizations. An organization with a philosophy of education promotes lifelong learning and assumes that processes affect each other.

5.4 Recommendation of the Study

On innovation capability, the study recommended that commercial banks in Nairobi City County, Kenya should promote innovation, especially in the current era of digital competition. They need to establish strategies for innovation that enable them to undertake and execute innovation initiatives that vary greatly in design, pace and degree of innovation.

On technical knowledge capability, the study recommended that bank managers in Nairobi City County, Kenya ought to undergo professional information skills training that the banks may build and use to boost their performance. Employee management should be properly trained and reengineered to build and incorporate complex strategic technological information skills efficiently to ensure successful acceptance and performance.

On quality service capability, the study recommended that commercial banks should carry out training, empowerment and incentives because they are the most significant factors in enhancing quality service capabilities, which determine the level of success and, in effect, contribute to implementation of service strategy and excellent service quality.

On learning culture capability, the study recommended that commercial banks should combine learning with talent management to help capacity development, using the preparation needed to show the importance of learning by making it worthwhile and exciting for learners and utilize integrated learning strategies to optimize experiential and analytical learning and overhaul systems in success improvement to offer coaching and growth at least equivalent weight.

5.5 Suggestions for Further Studies

The study sought to investigate how dynamic capabilities affect commercial banks' performance in Nairobi City County in Kenya with a specific focus on how innovations capability, technical knowledge capability, quality service capability and learning culture capability influences performance. Consequently, more studies should be carried out especially focusing other variables not covered in this study. This will help in establishing the extent to which they affect the performance of commercial banks.

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APPENDICES

Appendix I: Introduction Letter

Dear Respondents,

I am a Masters student at the University of Kenyatta doing a research on **Dynamic Capabilities and Performance of Commercial Banks in Nairobi City County, Kenya.**

This questionnaires aim to get reliable responses from you and any provided details shall only be used for academic purposes. Yes, complete all the questions you have raised and all ethical considerations have been met in your case.

Yours,

Lucy M. Mugambi.

Appendix II: Questionnaire

Please tick within the boxes and fill the structured questionnaire with applicable answers.

PART A: BACK GROUND INFORMATION

1. Gender

Male [ ]

Female [ ]

2. Age

18 - 25 years [ ] 31 – 40 Years [ ]

41 – 50 Years [ ] 50 years and above [ ]

3. Highest Education level

[ ] High School [ ] Diploma [ ] Bachelor's Degree [ ] Post graduate

[ ] PhD

Others (Specify)

4. **Work Experience in years**

[ ] below 1 [ ] Between 1 to 4

[ ] Between 5 to 10 [ ] More than 10

PART B

Please show by ticking the level of agreement or inconsistency with the questions below [√]

SA=Strongly Agree, A=Agree, D= Disagree, SD= Strongly Disagree, U= Un decided

i) Innovation Capability

	SA	A	D	SD	U
The bank can easily adapt to market changes					
New products and services are created from time to time					
New technologies are easily adopted in the organization					
The bank easily adjusts to meet new customer needs					
The bank is involved in creating new markets					
Employees help in improving the existing bank products					
Services are improved to serve customers better					

ii) Technical Knowledge Capability

	SA	A	D	SD	U
Employees work under minimum supervision					
Employees understand their roles					
Employees share their knowledge with their team members					
Skills are acquired through training					
Employees are supported to grow their talents					
Employees possess skills in financial reporting					
Employees are able to solve problems					

ii) Quality Service Capability

	SA	A	D	SD	U
The bank works to make sure new customer needs are met					
Customer opinions are analyzed to improve service delivery					
Customers complaints are resolved at the right time					
New methods of service delivery are implemented					
New services are created so as to deliver value to customers					
Employees give opinions on how customer services can be enhanced					
The bank has an integral of supply chain management that connects actual company sales and the customer					

iii) Learning Culture Capability

	SA	A	D	SD	U
The bank provide training for its employees					
Employees share the knowledge on area of specialization with their colleagues					
Employees help each other in case they face difficulties in their tasks					
The bank holds seminar for employees to interact and share knowledge					
Employee learn from their team members					
Supervisor guide employees in areas where they face challenges					
The bank works as a large system which depend on each other to achieve set goals					

iv) Organizational Performance

	SA	A	D	SD	U
Generally, our performance has grown significantly					
The bank has registered organic growth over the last one year					
The bank has higher market share compared with other rivals in the same field					
Over the last financial year our revenue performance has increased over time to a sum of over 1 billion marks.					
During the span of the last financial year our revenue performance has increased to a record of over 1 billion marks.					
In the last financial year, our market share has increased by more than 20 per cent					

Appendix III: Approval of Research Project Proposal

KENYATTA UNIVERSITY
GRADUATE SCHOOL

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P.O. Box 43844, 00100
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Internal Memo

FROM: Dean, Graduate School

DATE: 21st May, 2020

TO: Lucy Makena Mugambi
C/o Business Administration Dept.

REF: D53/OL/CTY/25711/2013

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 20th May, 2020 approved your Research Project Proposal for the M.B.A Degree Entitled, Dynamic Capabilities and Performance of Commercial Banks in Nairobi City County, Kenya"

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed supervision tracking and progress report forms per semester. The forms are available at the university's website under Graduate School webpage downloads.

Thank you.

ELIJAH MUTUA
FOR: DEAN, GRADUATE SCHOOL

c.c. Chairman, Business Administration Department.

Supervisors:

1. Dr. Kinyua G. M
   C/o Department of Business Administration
   Kenyatta University

EM/bn

Appendix IV: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 589672

Date of Issue: 29/June/2020

RESEARCH LICENSE

This is to Certify that Miss.. Lucy Makena Mugambi of Kenyatta University, has been licensed to conduct research in Nairobi on the topic: DYNAMIC CAPABILITIES AND PERFORMANCE OF COMMERCIAL BANKS IN NAIROBI CITY COUNTY, KENYA for the period ending : 29/June/2021.

License No: **NACOSTI/P/20/5354**

589672

Applicant Identification Number

Director General

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013

The Grant of Research Licenses is Guided by the Science, Technology and Innovation (Research Licensing) Regulations, 2014

CONDITIONS

1. The License is valid for the proposed research, location and specified period
2. The License any rights thereunder are non-transferable
3. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research
4. Excavation, filming and collection of specimens are subject to further necessary clearence from relevant Government Agencies
5. The License does not give authority to tranfer research materials
6. NACOSTI may monitor and evaluate the licensed research project
7. The Licensee shall submit one hard copy and upload a soft copy of their final report (thesis) within one of completion of the research
8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice

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