STRATEGIC CAPABILITIES AND PERFORMANCE OF SHARIA COMPLIANT COMMERCIAL BANKS IN KENYA

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Strategic Capabilities and Performance of Sharia Compliant Commercial Banks in Kenya

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University.

Signature ……………………………………………….…Date:…………………………

Sami Athman Kivatsi

This thesis has been submitted for examination with our approval as the University Supervisors.

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DEDICATION

To my kids; Mariga, Madiba and Madadii. Thank you for your patience.

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ACRONYMS AND ABBREVIATIONS

CBK	Central Bank of Kenya
DCT	Dynamic Capabilities Theory
IFSB	Institute Financial Services Board
IT	Information Technology
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KBT	Knowledge Based Theory
KCB	Kenya Commercial Bank
KESRA	Kenya School of Revenue Administration
KMO	Kaiser Meyer Olkin
NACOSTI	National Commission for Science, Technology and Innovation
RBT	Resource Based Theory
SBM	State Bank of Mauritius
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
UNOPS	United Nations Office for Projects Services

DEFINITION OF OPERATIONAL TERMS

Coordination Capability	Refers to a company's ability to achieve goals in a state of constant change (Ruhana & Hidayah, 2020).
Corporate Culture:	Refers to the shared values, beliefs, and behaviors of a company's employees that are expressed through their social interactions and work environment (Zammel & Najar, 2021).
Information Technology Capability	Refers to a firm's ability to combine IT-based resources with other resources to implement in value-adding ways to achieve operation goals (Bamel & Bamel, 2021).
Knowledge Management Capability	Is an organizational mechanism to continually and intentionally create information in organizations (Bolade, 2022).
Market linking capability	Is the extent to which firms create and retain lasting relationships with customers and suppliers and establish strong bonds with channel members (Hobbs, 2020).
Organizational Performance	Is the organization's ability to evaluate the value of prevailing resources and integrate them to form new capabilities (Khayer *et al.,* 2020).
Sharia Banking	Is a system which provides banking services and products in line with the rules and principles of Sharia law (Grira & Labidi, 2021).
Strategic Capabilitie	Refers to a business' ability to harness all its skills, capabilities and resources in order to gain competitive advantage, and thus survive and increase its value over time (Rozak *et al.,* 2021).

ABSTRACT

Strategic capabilities are complex and accumulated set of skills and knowledge that enable an organization or business unit to coordinate activities and use its assets to create economic value and sustainable competitive advantage. With the emergence of Sharia banking in Kenya, banks in that sector are doing all they can to ensure that there is significant contribution to the bottom line from Sharia compliant products. The main objective of this study was to assess the impact of strategic capabilities on the performance of Sharia-compliant commercial banks in Kenya. Specifically, the study aimed to examine the effects of market-linking capability, information technology capability, knowledge management capability, and coordination capability on the performance of these banks. Additionally, it sought to explore the moderating role of corporate culture on the relationship between strategic capabilities and performance. A cross-sectional survey design was employed, with primary data gathered through questionnaires from the eight licensed and operational Sharia-compliant commercial banks in Kenya as of December 31, 2022. The target staff compliment was 443 comprising management staff in the Sharia compliant banking segment domiciled at the Head offices of the various banks, and also the regional managers of Sharia compliant banking. A sample size of 136 members was computed using a model by Nasiurma (2000). The study adopted proportionate stratified random sampling technique. Pilot study was carried out to check the reliability and validity of the research instrument. Cronbach's coefficient alpha was used to test for reliability while consultations from senior management in banks assisted in improving the content and face validity of the questionnaire. Statistical Package for Social Sciences version 26 was used to facilitate data analysis. Multiple linear regression analysis was used to estimate the relationship between quantitative dependent variable and independent variables. F-test was undertaken to test the significance of the overall model and each of the specific variables. The study found that the four strategic capabilities like market-linking, information technology, knowledge management, and coordination positively impacted the performance of Sharia-compliant commercial banks in Kenya. It concluded that these capabilities significantly influenced performance, with corporate culture playing a key moderating role. The study recommends that Sharia-compliant banks build strong stakeholder relationships, enhance staff IT competencies, utilize experienced staff for mentoring, and distribute resources fairly across departments.. Regulatory authorities must ensure that there are standardized frameworks that facilitate seamless operations of Sharia banking as a component of the wider banking sector in Kenya.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategic capabilities are complex bundles of skills, knowledge, resources and assets which facilitate organizations in creating better performance and sustainable competitive advantage (Varadarajan, 2020). Organizations generally carry out their activities in highly competitive environments and the extreme competition compels organizations to fashion strategies that distinguish them from competitors. Organizations must continually develop new products and services to catch up with rapid changes in business environments and these ever sudden changes require that organizations have the capabilities to integrate and reconfigure both internal and external resources and skills which are in tandem with the business environment in order to attain intended long term goals (Sisaye, 2022).

Organizations need all sorts of interrelated capabilities in their portfolios to create requisite value, and these capabilities differ across organizations in line with attendant internal and external factors (Aagaard, 2022). The organizations' capabilities are viewed in the second level of the competencies hierarchy, where they link between an organization's resources and competencies, which express an organization's intangible resources. Organizations seek to optimize their performance and growth in the long term by recognizing their fundamental capabilities and developing them into strategic capabilities (Abazeed, 2020).

Das and Canel (2023) suggested that organizations' competences are shaped by their strategic profiles and environmental dimensions and morph into strategic capabilities that have a bearing on financial and physical assets, organizational structure, technology and human resources. Organizational based capabilities indicate that contribution of strategic capabilities to organizational performance is dependent on the environment in which organizations operate. The various types of strategic capabilities found in literature are market-linking capability, information technology capability, knowledge management capability, marketing capability and coordination capability (Liao *et al.*, 2020).

1.1.1 Global Perspective of Strategic Capabilities

In the United Kingdom, the influence of internal capabilities and environmental turbulence on market and non-market strategies was considered and how these strategies impacted financial and non-financial performance in firms (Correia *et al.,* 2020). Numerous links between capabilities and strategies were identified and jointly contributed to financial performance. Focus was put on uncertainties, capabilities, non-market strategies and market strategies and firm performance in United States of America where measures for competitive strategy, non-market strategies, management and marketing capabilities, competitive and technology uncertainties and firm performance were adopted (Parnell, 2019).

Strategic capabilities, competitive strategy, and performance among retailers in Argentina, Peru and the United States were examined with a view to determine the influence of strategic capabilities on business strategy and performance relationship among retail businesses (Reimann *et al.,* 2022). Support was established for links between focus strategy and both marketing and linking capabilities, between the differentiation strategy and technology capabilities, and between the cost leadership strategy and management capabilities. The low cost-differentiation combination strategy was linked to high performance in strategic groups whose businesses possessed strong management and technology capabilities, implying the importance of developing strategy-specific capabilities as a foundation for greater performance (Ferasso *et al.,* 2022).

Effects of political networking capability and strategic capability on exploratory and exploitative innovation from traditional manufacturing firms in China were assessed through examining the effect of political networking capability and strategic capability on exploratory innovation and exploitative innovation through the mediation of absorptive capability in traditional manufacturing firms. Political networking capability had a higher impact on exploratory innovation than exploitative innovation through absorptive capability, and these thus provide novel experiential insights into independent variables of firms' ambidextrous innovation and their implementation mechanisms (Wang *et al.*, 2022).

1.1.2 Regional Perspective of Strategic Capabilities

In Nigeria, the influence of managerial capability on performance and empirical examinations of small and medium firms in a developing economy were reviewed and attendant conditions under which managerial capability enhanced performance while considering the role of social capital within the unique boundary conditions created by competitive intensity were factored (Agyapong *et al.*, 2022). Social capital was found to serve as a mechanism through which managerial capability influenced performance and it was determined that competitive intensity did not significantly moderate the important indirect relationship and role of managerial capability and how it ought to be harnessed in enhancing performance.

An extant literature approach was adopted in examining the relationship between the measures of strategic capability of small, medium, and micro-enterprises, and the sustainability measures of the small, medium and micro-enterprises in Egypt, and it was noted that there was a positive relationship between strategic capability and sustainability of small, medium, and micro-enterprises (Khan *et al.*, 2021). The measures of strategic capability included sensing, seizing, transforming, and innovative capabilities. On the other hand, the sustainability measures of small, medium and micro enterprises were strategic objectives, customer satisfaction and retention, organizational value, networking, availability of resources, innovation capability, profitability and organizational competitiveness.

The extent to which dynamic capabilities of small and medium enterprises are associated with partnerships success in South Africa were sought to determine to what extent the relationship influenced the number of safeguards used by the small and medium enterprises (Robb *et al.,* 2020). These enterprises' strategic and internal capabilities were negatively associated with partnership success, whereas external capabilities were positively related and the inclusion of safeguards turned out to produce the hypothesized effects leading to market efficiencies which leads to more innovation, more productivity, and other benefits.

1.1.3 Local Perspective of Strategic Capabilities

Strategic capabilities and performance of firms were assessed in the leather industry in Kenya and specifically sought to determine the influence of technological capability, human resource capability, knowledge management capability and marketing capability on performance of firms in the leather industry in Kenya (Murugi & Kariuki, 2021). The review indicated that strategic capabilities had a positive and significant influence on performance of the firms in the leather industry in Kenya and these capabilities needed to be strengthened.

Strategic capabilities and performance of Kenya Revenue Authority focusing principally on how marketing capabilities, market sensing capabilities, information technology capabilities and management capabilities influenced performance (Gatama, 2021). The assessment noted a positive and significant influence of marketing capabilities, market sensing capabilities, information technology capabilities and management capabilities on performance and therefore inferred that an organization with strong marketing capabilities enables the firm to achieve better targeting and positioning of its brands relative to the competing brands. An assessment of the influence of organizational capabilities on performance of Customs Services Department at Kenya Revenue Authority noted that great influence of subject capabilities specifically managerial capability and technological capability (Njuguna, 2020).

Organizational strategic capabilities were examined for compliance with regulations and competitive advantage of commercial banks in Kenya and examined the effect of information technology capability, knowledge management capability, operational adjustment agility and market capitalizing agility on competitive advantage of commercial banks in Kenya (Kamau, 2020). It was established that organizational strategic capabilities including knowledge management capability, information technology capability, operational adjustment agility and market capitalizing agility were moderately developed and had a positive and significant effect on competitive advantage of commercial banks in Kenya.

1.1.4 Performance of Sharia Compliant Commercial Banks in Kenya

Sharia banking is a system which provides banking services and products in line with the rules and principles of Sharia law and is conducted under direct supervision and audit of Sharia scholars. Sharia compliant banking is regarded by many as a fast growing division of the banking sector in the world. In Africa, Islamic banking is a fast growing financial sector that is attracting all customers even those of different religious orientation (Grira *et al.,* 2021). The uptake of Islamic banking is anticipated to grow exponentially in sub-Saharan Africa. Kenya is among other African countries that are taking up a central role in Sharia compliant banking services and today, Sharia compliant banking services continue to make marginal strides despite its introduction in 2007.

As at December 31st 2022, the Kenyan banking sector comprised of the Central Bank of Kenya (CBK) as the regulatory authority, 40 banking institutions (39 commercial banks and 1 mortgage finance company), 9 representative offices of foreign banks, 14 Microfinance Banks (MFBs), 3 Credit Reference Bureaus (CRBs), 19 Money Remittance Providers (MRPs), 8 non-operating bank holding companies and 69 foreign exchange bureaus. Of these 40 banking institutions, 38 were privately owned while the Kenya Government had majority ownership in 2 institutions. Out of the 38 privately owned banks, 23 were locally owned with the controlling shareholders domiciled in Kenya while 17 were foreign-owned (Njeru, 2022).

Kenya's banking sector boasts of three exclusive Islamic banks and as at end of December 31st, 2022, the three banks collectively controlled a market share of 1.29% of the banking sector with total deposits of Ksh.61 billion, total shareholders' funds of Ksh. 10.9 billion and net assets of Ksh.76.5 billion. The three banks had 0.27% of total deposit accounts and 0.05% of loan accounts (Njeru, 2022). Apart from the three banks, there were five conventional commercial banks offering Sharia compliant products as part of their product stable through specially created Islamic banking windows. Moreover, other conventional commercial banks have developed and continue to show interest in providing Sharia compliant products to the increasing customer base for purposes of creating an additional revenue stream (Bashir & Gordon, 2023).

Faizi (2024) noted that Sharia compliant products, services and contracts conform to Islamic law and Islamic banking and finance products and services differ from those in conventional banking. The Islamic banking products include *Mudharabah* (profit sharing), *Wadiah* (safekeeping), *Musharakah* (joint venture), *Murabahah* (cost plus finance), *Ijar* (leasing), *Hawala* (an international fund transfer system), *Takaful* (Islamic insurance), and *Sukuk* (Islamic bonds). In order to have an informed regulatory framework, CBK joined in 2019 the Institute Financial Services Board (IFSB) which is an international standard-setting organization based in Kuala Lumpur, Malaysia, for the Islamic financial services industry as an associate member. It promotes the soundness and stability of the industry, by issuing global prudential standards and guidance for Islamic banking, Islamic capital markets and *Takaful* (insurance) sectors (Mohamed, 2022).

In general terms, measuring the overall financial health of Sharia compliant commercial banks is done over a period of time in diverse ways with the concentration hinging towards loans and advances, deposits, total interest income and other cost measures used as metrics for the banks' financial performance (Noori, 2021). Operational performance is another aspect that Sharia compliant banks focus on to measure their level of efficiency as used in determining banking operations, and in order to measure organizational performance, comparison is made between actual achievements against set goals such as profit and innovation against actual results, also measuring efficiency of business functions and processes (Anwar & Abdullah, 2021).

Sharia compliant banks are not different from other commercial banks in that they need strong strategic capabilities to maintain a competitive edge and guarantee superior firm performance. These are the unique qualities that customers value and are hard to be replicated by competitors (Mohamed, 2022). Teece's (2020) framework on strategic capabilities provided a coherent explanation for how and why specific firms achieve a competitive edge in environments characterized by rapid change, and sought to close the knowledge gap left by other frameworks that describe how a certain competitive advantage might be maintained in stable circumstances but fell short in describing the initial attainment of advantage and how it might be maintained in unstable circumstances.

1.2 Statement of the Problem

The key aspects of Sharia system of banking include profit and loss sharing, transparent dealing, non-payment of interest, absence of speculation and also non-tolerance to gambling (Msellek & Altan, 2023). Sharia compliant banks do not deal in unethical business but only promote just policies. Sharia banks prohibit the payment and receipt of a fixed or predetermined rate of interest, which is replaced by profit and loss sharing arrangement whereby the rate of return to financial assets held by banks is not known and not fixed prior to the undertaking of each transaction (Parameswaran, 2022). In this respect, Sharia compliant banks differ from conventional banks whereby the prudential standards that are applied negate the former’s operational performance.

In actual practice, Sharia banking deviates markedly from the stated paradigm and is undertaken in a variety of ways between the benchmark case and conventional banking, and this is more so for banks that practice conventional banking as well as Sharia banking windows (Setiawan, 2022). In 2021, the total assets value of global Islamic finance markets amounted to about USD. 3.95 trillion and the market is expected to grow to USD. 5.9 trillion by 2026 (Banna *et al.*, 2022). The International Monetary Fund found that African countries accounted for only 2% of global Islamic finance assets while Qatar, Indonesia, Saudi Arabia, Malaysia, the United Arab Emirates and Turkey, bore the primary force of development of Islamic finance, accounting for 78% of the world's Islamic financial assets.

Kenya's prospects of becoming a hub of Sharia compliant investment products to counterpart Sharia banking has been fraught by few Sharia compliant investment vehicles, sub-optimal legal and regulatory framework and less awareness by majority of the populace (Ali, 2022). For Kenya to wholly embrace Sharia banking, Hassan *et al.,* (2022) noted that there is need to offer beyond Sharia compliant products by introducing investment vehicles such as unit trusts, corporate bonds (*sukuks*) and insurance (*takaful*) products and Sharia compliant treasury bills and bonds (government s*ukuk*). The Islamic finance industry in Kenya is therefore still at a budding stage, despite the desire to have the country become an Islamic finance center for the East African region.

The Central Bank of Kenya's Annual Supervision Report 2022 indicates that Sharia banking represented only 3.3% of Kenya's total banking assets and 3.37% total deposits in a country where Muslims make up approximately 15 per cent of the country's population of 55 million people (Abdullah, 2022). The statistics indicate a plateaued market growth in Sharia banking hence sub-optimal performance of Sharia compliant banks. Previous studies by Mamatzakis *et al.,* (2023); Ousama *et al.,* (2020); Umar and Musa (2021); and Sidhi (2021), mainly focused on the influence of strategic determinants, corporate governance and corporate social responsibility on performance of Islamic banks and were conducted in other countries. There are thus contextual, conceptual and methodological research gaps hence this study's specific assessment of the appropriate thematic strategic capabilities for Sharia compliant commercial banks to improve their performance, thus examined the influence of market linking capability, information technology capability, knowledge management capability, coordination capability, moderated by corporate culture, on performance of Sharia compliant commercial banks.

1.3 Objectives of the Study

The study was guided by general and specific objectives as outlined;

1.3.1 General Objective

The general objective of the study was to examine the influence of strategic capabilities on performance of Sharia compliant commercial banks in Kenya.

1.3.2 Specific Objectives

The specific objectives which guided the study were;

1. To determine the influence of market linking capability on performance of Sharia compliant commercial banks in Kenya.
2. To analyze the influence of information technology capability on performance of Sharia compliant commercial banks in Kenya.
3. To assess the influence of knowledge management capability on performance of Sharia compliant commercial banks in Kenya.
4. To examine the influence of coordination capability on performance of Sharia compliant commercial banks in Kenya.
5. To establish the moderating influence of corporate culture on strategic capabilities and performance of Sharia compliant commercial banks in Kenya.

1.4 Research Hypotheses

This study aimed to test the following null hypotheses;

$H_0$1: Market linking capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.

$H_0$2: Information technology capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.

$H_0$3: Knowledge management capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.

$H_0$4: Coordination capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.

$H_0$5: Corporate culture has no significant moderating influence on strategic capabilities and performance of Sharia compliant commercial banks in Kenya.

1.5 Significance of the Study

The findings of this study provide critical information to players in Sharia compliant commercial banks and the banking sector in general, in designing effective and efficient strategies geared towards improving their performance. In specific terms, this research is useful to the following;

1.5.1 Academicians and Researchers

This study contributes significantly to the growing body of research on strategic capabilities and their influence on performance and more so for Sharia compliant commercial banks in Kenya and beyond. The findings may be used as a reference point by other academic researchers in undertaking related research works, basing their literature on prior works done including the subject research. Researchers may use the subject study as a basis to anchor future studies in conventional commercial banks since stellar performance is sought across all sub-sectors of banking.

1.5.2 Managers of Peer Commercial Banks

Top management of various commercial banks would find this study very useful since it gives insights to management teams of the various commercial banks about the essential workings and areas of focus of Sharia banking. This would harness peer interrelationships in their day to day workings hence ensuring the presence of harmonized operations that would have a bearing on improving general performance.

1.5.3 Policy Makers

This study contributes significantly towards appreciation of the pertinent subsets of strategic capabilities and their influence on performance of Sharia compliant commercial banks and motivation for their acceptance across the banking sector. The results of this research are therefore useful in providing general and relevant strategic management advice for commercial banks in Kenya. Policy makers may be in a good position to adopt findings from this research work as a working prototype with much ease since this study's findings put forth a solid background on which adoption of other strategic management approaches can be based and applied.

1.6 Scope of the Study

Oates *et al.,* (2022) observed that the scope of a study defines the boundaries that are adopted for purposes of delineating the specific areas of focus. The scope of this study was eight (8) Sharia compliant commercial banks licensed by the Central Bank of Kenya as at December 31st, 2022. The study examined the influence of strategic capabilities on performance of Sharia compliant commercial banks and more specifically focused on market linking capability, information technology capability, knowledge management capability and coordination capability constituting the independent variables with corporate culture being the moderating variable. Performance of Sharia compliant commercial banks in Kenya was the dependent variable. The study focused on senior management staff of Sharia banking units who are deemed to participate in strategy formulation and also take part in overseeing the execution process. Data collection was conducted in May and June 2023.

1.7 Limitations of the Study

This study encountered challenges during data collection process whereby respondents unduly delayed in filling out the questionnaires and in some cases took extended periods of time up to a couple of weeks. Many of the respondents indicated that they had busy schedules and their working environment was such that there was a continuous flow of customers throughout the working hours hence limiting available time for filling in questionnaires. Some respondents confided that they had to put aside time in the evenings and also over the weekends. The researcher allowed time for feedback from the respondents but in certain cases where delay was pronounced, the researcher persistently followed up and reminded the respondents on the need to complete the questionnaires thus managing 88.9% return rate which is excellent in social science research.

The study was conducted on Sharia compliant commercial banks and the concept being fairly new in the market, not much information is known about its fundamental aspects and the proffered constructs posed a challenge in proper interpretation of models of the study. There was marked resistance in providing specific information because of the tenet of confidentiality but this was mitigated by the researcher encouraging anonymity for those filling out the questionnaire and also had the backup of the research permit from National Commission for Science, Technology and Innovation to buttress the nature of the study as being for academic purposes only.

The target population for this study was confined to senior management staff within Sharia compliant commercial banks since they take part directly in strategy formulation and also control the implementation process. This population is a very small proportion of the entire sub-sector of Sharia banking and by extension the entire banking sector since some conventional banks have Sharia banking windows. With such a confined target population, challenges abound in terms of applicability and generalizability of the study findings in the Sharia compliant banking sector. To manage the deficiency, future studies may encompass more representative cadres of staff across the banking sector specifically for imperative generalization and application of the findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter assesses related literature on the subject of strategic capabilities and performance of Sharia compliant commercial banks. It commenced by examining four common strategic management theories and discussion of how the theories are linked to the study variables. The chapter further examined the conceptual framework, discussed the study variables namely; market linking capability, information technology capability, knowledge management capability and coordination capability; with the moderator being corporate culture and the dependent variable being performance of Sharia compliant commercial banks; covered a detailed empirical review, critique of reviewed literature and finally the identified gaps in the reviewed literature.

2.2 Theoretical Framework

The study was anchored on theories drawn from strategic management and relevant in application to the study variables. The reviewed theories include resource based theory, knowledge based theory, dynamic capability theory and contingency theory. The theories were examined to show how each could be integrated in explaining strategic capabilities and performance of Sharia compliant commercial banks.

2.2.1 Resource Based Theory

Resource-Based Theory (RBT) was promoted by Penrose (2009) through proposing a model on operative management of firms' resources, expansion strategy and dynamic opportunities. RBT provides a context that highlights and predicts the fundamental elements of performance and competitive advantage (Azeem *et al.,* 2021). The emphasis of RBT on performance is based on intermediate perspectives and was a rejoinder to the earlier executive interest in the industry structure that was deemed to have a more macroperspective. RBT is more internally-driven and focuses on internal organizational resources as opposed to externally driven approaches and also leverages on other organizational activities (Kumar & Singh, 2020).

The theory purposes at expounding on the imperfectly imitable firm resources that have the potential of becoming the source of continued competitive advantage (Gibson *et al.*, 2021). The cornerstone of RBT is the heterogeneity of resources and capabilities in different firms which distinguishes the competitive advantage of each firm and the variety of trading resources across firms and creates emphasis in differences in resource benefits and their application. RBT holds that organizational attributes point out much more than being seen as altered organizations and need to correct their alignment in order to succeed and realize sustainable competitive advantage (Bai & Sarkis, 2020).

The resource-based theory (RBT) has been criticized for a number of reasons, such as its potential for tautology, challenges in defining and operationalizing important concepts, and the wide inclusivity of its resources (Apriliyanti, 2022). Further criticisms have been made on the RBT framework's limited interpretation of a firm's competitive advantage as well as the ambiguous nature of fundamental ideas like resources and value. In addition, there has been confusion and criticism in the field of resource-based competition due to the misinterpretation and disregard of classic scholarly work, especially with regard to the Valuable-Rare-Imperfectly imitable-Organization (VRIO) framework. One way to respond to these criticisms is rebuilding RBT on a sense-making basis to improve its conceptual coherence and suitability for strategic management research (Sharma *et al.*, 2023).

Resource based theory has been applied in appraising business resources and capability strategies by regulating the most contemporary developments such as technology and innovation in the business environment (Smite *et al.*, 2023). Organizational capabilities in technology, management and talent constitute the analytics capability which builds up business strategy alignment for the sole purpose of improved firm performance through application of big data. The organization’s capability in innovation involves having an appropriate system and expertise to operate big data adoption thus RBT in this study has used for conventional application to all the variables namely market linking capability, information technology capability, knowledge management capability, coordination capability as well as corporate culture and performance, hence was the overriding theory.

2.2.2 Knowledge Based Theory

Grant (1996) founded the knowledge-based theory of the firm postulating that knowledge is the most tactically significant resource in an organization because knowledge-based resources are often hard to imitate and are socially multi-dimensional and heterogeneous, thus forming knowledge bases and capabilities. They establish determinants of sustained competitive advantage and superior performance (Kaur, 2023), where knowledge is ingrained through several entities including corporate culture and identity, policies, practices, systems and employees. Taking precedence from the strategic management literature, this perspective builds upon the resource-based view of the firm.

Knowledge-based theory of the firm is consistent with the approach to organizations as cultures and considering that organizations are hypothesized as cultures, and are intended to learn through actions that comprise cultural artefacts (Joseph & Kibera, 2019). Knowledge-based theory of the firm in strategic management is still a contested and unmapped terrain with no unified acceptance as a clear-cut theory. It is contended that the knowledge-based theory of the firm is simply an outgrowth of the resource-based view of the firm, which posits that the utilization of knowledge within the firm creates values through input to output transformation, and the knowledge-based theory has singular focus on knowledge as the driver of strategy (Shahzad *et al.,* 2020).

Although there are various approaches to knowledge-based view, the most feasible is the accrual of distinctive capabilities and core competences by organizations through the accumulation of experience, articulation of knowledge and codification (Hafeez *et al.*, 2019). This methodology can be done through the knowledge management processes of creating, acquiring, storing, sharing and deploying knowledge. Knowledge management involves the abovementioned valuable processes which can impact organizational productivity, staff performance, innovation, work relationships, customer satisfaction, stakeholder satisfaction and ultimately better performance (Lee *et al.,* 2021). Knowledge-based theory of the firm therefore fittingly explains knowledge management capability and corporate culture as variables in this study.

2.2.3 Dynamic Capability Theory

Dynamic Capability Theory (DCT) was initially introduced by Teece *et al.,* (1997) to augment the resource-based strategy of acquiring valuable technological assets, often reserved by a defensive approach towards intellectual property. The DCT develops on two essential aspects not dealt in other strategy approaches, such as the resource based view; the foremost being the firm’s capacity to renew competences in order to adapt to changes in the business environment; and the second being the ability of strategic management to leverage these competences to match the requirements of the environment (Rialti *et al.,* 2019). The DCT complements the resource based view by endeavouring to improve the concept by illustrating the nature of maintaining competitive advantage, while also anticipating to inform managerial practices (Maziriri, 2020).

Various limitations have been cited about dynamic capabilities theory including the theory's apparent ambiguity, its tautological structure, and its lack of applicability, which results in there being a disorganized and complicated body of knowledge (Scheuer & Thaler, 2022). Concerns are also expressed regarding the theory’s lack of a thorough conceptual framework, theory-congruent proxies for important variables, and empirical support for causal inference, as well as other noted drawbacks including lack of a robust theoretical framework to explain the application of dynamic capabilities in organizations and the dispersion of dynamic aspects covered by various aspects (Talafidaryani, 2021).

In terms of operationalizing the strategic management framework, dynamic capabilities can be classified into three clusters of processes, entrepreneurial and managerial organizational activities that are conducted within the firms (Lee *et al.,* 2021). These activities are required from the organization’s management and self-sustenance as markets and technologies change. In this context therefore, strategic and dynamic capabilities can be considered as rationally distinct concepts, although for all intents and purposes, they are interrelated in practice, enabling firms' access to, and ability to obtain, combine, and deploy resources in ways that adequately respond to achieving sustainable competitive advantage. This theory therefore explains market linking capability and coordination capability variables.

2.2.4 Contingency Theory

The contingency approach was founded by Fiedler (1964) **as** an organizational theory that claimed that there is no best way to organize a corporation, to lead a company, or to make decisions, instead, the ideal course of action is dependent upon the internal and external situation. The theory explains that a middle ground exists to isolate common recurrent settings and observations and establishes how structures and behavioral processes perform in these precise settings (Zhang *et al.,* 2021). The contingency approach postulates that there are multiple ways to realize effectiveness in organizations and each way has varying effectiveness in different situations, where one way may be more appropriate for a certain situation than another.

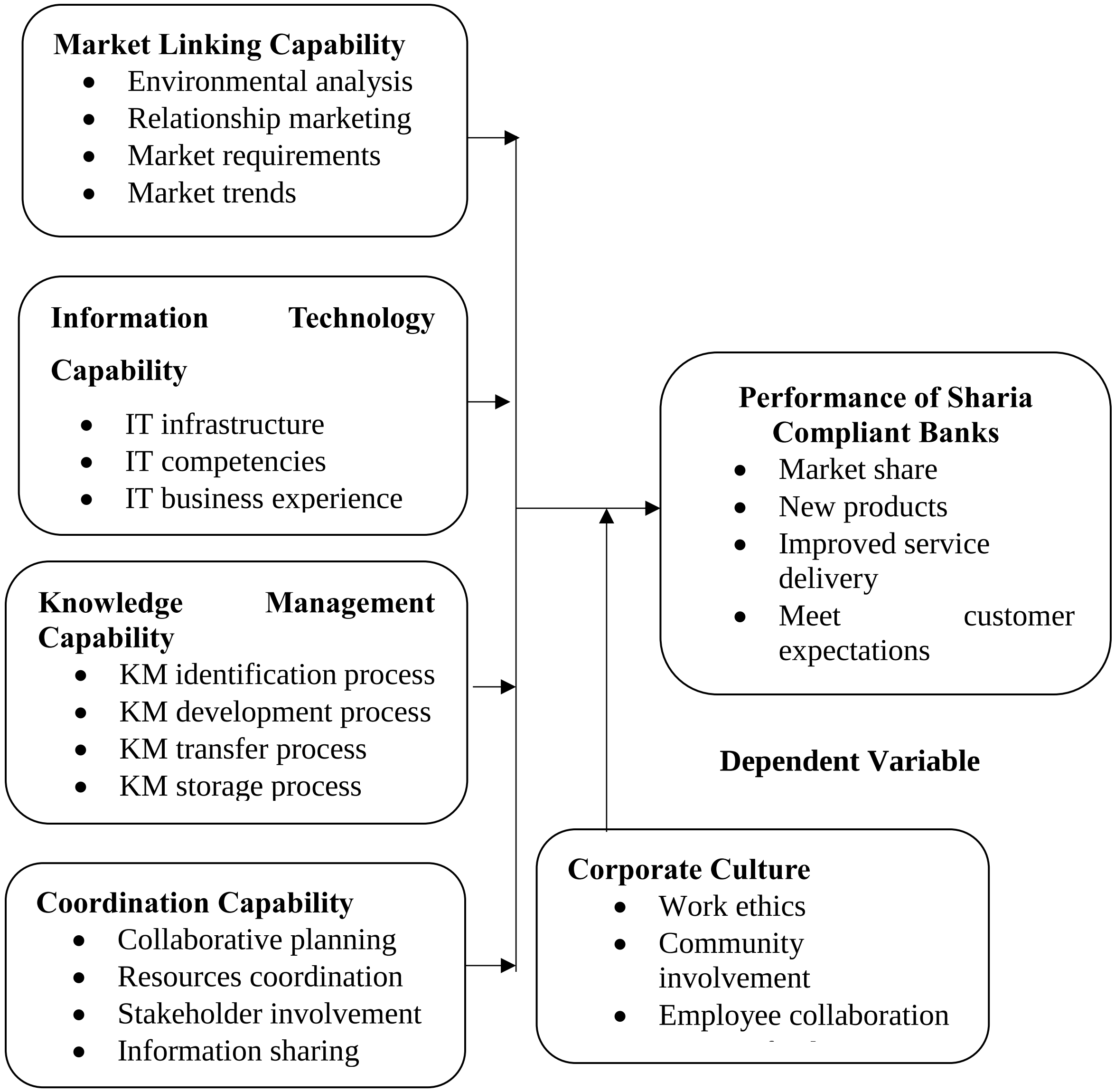
Contingency theory is criticized as being static and lacking a philosophy of organizational change approach to fit that challenges this perception, and also that the theory is obsolete due to continuously emerging organizational for (Shenkar & Ellis, 2022). However, the criticism is preempted and lacks credibility as conceptualization around the organizational structure is still relevant. In addition, there are challenges in methodology such as inconsistencies in operationalization and measurement validity problems and also the assumption that more planning was being questioned, suggesting that less sophisticated planning may be better suited to certain contexts (Demir *et al.,* 2023).

Although there is a range of propositions on the prescribed theoretical foundations of strategic management, one of the most consistent theoretical perspectives used in the subject research is contingency theory, which presupposes that improved performance is contingent upon a combination of organizational, process and people-based factors

(Mendy, 2020). Consequently, the contingency approach holds that universal and common solutions and principles may not be applied to all organizations and what managers do in practice is contingent upon a given set of circumstances in their ecosystems in line with the current organizational culture, and attendant workings in the specific sector. This theory therefore explains corporate culture and performance of Sharia compliant banks as variables in this study.

2.3 Conceptual Framework

A conceptual framework is a formation of sequenced and logical schemes whose purpose is to make a grounding for the study variables and support the study's importance (Mahdi & Nassar, 2021). This study hypothesized that performance of Sharia compliant banks, being the outcome variable, was dependent on market linking capability, information technology capability, knowledge management capability and coordination capability; and moderated by corporate culture. The conceptual framework is shown in Figure 2.1;



Independent Variables **Moderating Variable**

Figure 2.1: Conceptual Framework

2.4 Review of Literature on Study Variables

2.4.1 Market Linking Capability

Market linking capability is defined as the degree to which organizations create and retain lasting relationships with customers and suppliers, and also establish robust bonds with channel members (Sashi, 2021). Accordingly, market linking capabilities are grounded on external market knowledge and the finding and monitoring of trends in market development, consequently satisfying market and customer requirements. This capability supports organizations that are actively seeking, absorbing and scanning the external market trends that develop in a competitive environment. Specifically, organizations that engage in innovative efforts cannot disregard the influence of external market dynamics such as customer requirements and competitors' strategies (Wang *et al.*, 2020).

Superior market linking capabilities provides new insight into how an organization's products, processes and service offerings actually meet customer requirements and exploit marketplace opportunities (Tidd & Bessant, 2020). Market linking capabilities facilitate organizations to ascertain and predict marketplace requirements before competitors could connect their other capabilities to the external environment to form idiosyncratic competencies and develop sustainable competitive advantages. Thus, market linking capabilities can yield superior market knowledge, which in turn is a key resource linked to organizations' abilities to respond to the market and ensure profit growth (Kaur, 2023).

In a dynamic service economic environment, market awareness becomes a critical element in deploying service innovation efforts because they are regarded as driven by progressively complex customer requirements and the need to portray a capability-based view of the competitive advantages that enable an organization to offer superior value compared to its competitors (Azeem *et al.,* 2021). The capability-based perspective suggests that an organization can improve its competitive advantages using its distinctive market-oriented capabilities. Clearly, a well-developed capability, such as a market linking capability, demonstrates to be very useful in dynamic operational environments in the realm of strategic flexibility and competitive weapons.

Organizations’ focus on market-oriented service innovation permits them to ascertain and link to the external market in order to discover customer requirements and market trends (Endres *et al.,* 2020). Organizations that are more conversant with market conditions are more responsive to varying customer needs and thus are in a much better locus to reflect market trends. Therefore, a market acuity capability affords a vehicle for learning from customers and competitors to enable organizations to gain a vibrant focus on the provision of precise and superior customer value and thus to transfer and apply their knowledge to commercial aims in terms of new service and product offerings to generate value through innovative deeds (Zhang *et al.,* 2022).

Accordingly, a market linking capability is considered to be a crucial capability that must account for an organization’s engagement in service innovation not only to allow such organizations to respond to promptly changing market trends and customer needs but also to offer them assistance in acquiring opportune information that can be directly applied for new products and service development (Foris *et al.*, 2020). Thus, organizations that possess strong market linking capabilities can be more responsive in assimilating complex and changing market information in the dynamic servitization market and can convert information and knowledge into internal service innovation strengths (Babaei & Aghdassi, 2022).

Market linking capabilities are predominantly important in turbulent markets for service-based organizations such as commercial banks and these capabilities facilitate an organization's acquisition of market-timing information prior to the competitors’ acquisition of that information hence enabling such organizations to rapidly respond to market requirements and customer needs (Gigante *et al.*, 2023). Consequently, commercial banks that possess well-developed market linking capabilities become more prone to connect market trends to their strategic capabilities hence reduce the impact of uncertainty. Market linking capabilities are crucial for commercial banks because these capabilities may motivate the discovery of highly turbulent market requirements which form a source of new products and services to support the diverse domain in successfully commercializing innovative services (Iizuka & Ikeda, 2021).

2.4.2 Information Technology Capability

Information technology (IT) capability is defined as an ability that combines information technology-based resources with other resources in implementation of value-adding endeavors to achieve operational goals (Kumar *et al.,* 2020). The capability has four sub-dimensions namely IT technology infrastructure, IT business experience, IT relationship resources and IT human resources. IT infrastructure offers the foundation for organizations to deliver business applications such as servers, networks, laptops and customer support. IT business experience includes the organization's skill to unify IT strategy with business strategy. IT relationship resources constitute the organization's ability to integrate IT functions into business units and utilization of IT resources. IT human resources are the most important of the IT asset base, and represent a strategic organizational resource and crucial capability (Alfiero *et al.,* 2021).

Organizations are allowed to keep up with customers' needs and preferences, to develop aggressively and to realize competitiveness rapidly through information technology because using IT, organizations easily respond to changes in the global markets more swiftly than they would otherwise generally do (Malone *et al.,* 2022). Accordingly, the strategic importance of building efficient IT capability has been recognized as a critical management matter that requires attention. Information technology is widely regarded as a leverage for organizations to survive and grow and IT capability's role is to maximize on the value of other resources and capabilities (Lee *et al.*, 2020).

Without IT resources, organizations find it difficult to thrive which is why most of them usually invest extensively in IT assets so as to guarantee success. As Mahapatro (2022) noted, the IT platform determines the organization's degrees of freedom it takes advantage of in its business plans. Organizations with strong IT human resources can integrate the

IT and business planning processes more effectively and be able to conceive and develop reliable and cost effective applications that support the business needs of the organization faster than competition, communicate and work with business units more efficiently, and anticipate future business needs and innovate valuable new product features earlier than competitors (Aljanabi, 2022).

In the context of an organization's IT capability, top management always seek to determine how investments in technology create superior intangible resources for the organization. Generally, organization-specific intangibles are inclined to be tacit, idiosyncratic and profoundly embedded in the organization's social fabric and history (Tummers & Bakker, 2021). Highly effective information technology users tend to put greater attention to the intangible benefits of IT such as improved customer service, enhanced product quality, improved market responsiveness, advanced operational processes and better coordination of customers and other primary stakeholders in evaluating information technology systems (Jesiek *et al.,* 2018).

The most important dimensions of human IT resources include technical IT skills such as programming, systems analysis and design, and competencies in emerging technologies, and also liaison IT skills which include abilities such as the effective management of information system functions, coordination and collaboration with user community, project management and leadership skills (Hemon *et al.,* 2020). Organizations with robust human IT resources are able to integrate the IT and business planning processes more effectively; conceive and develop reliable and cost effective applications that support the business needs of organizations faster than their competition; communicate and work with business units more efficiently and anticipate future business needs of the organization (Kouzes & Posner, 2023).

Commercial bank’s infrastructure, human IT skills, and their ability to leverage IT for intangible benefits serve as organization-specific resources, which in amalgamation create an organization-wide IT capability. While each of the individual IT resources are complex to obtain and hard to imitate, banks that achieve competitive advantage through IT have also learned to combine their IT resources effectively to create an overall IT capability (Afuah, 2020). Knowledge about the creative application of IT and the manner in which individual IT resources must be combined to create superior applications become embedded in these banks in the form of organizational routines further supplementing the IT skills base of the banks, which creates superior IT capability and in turn promote superior performance by bolstering the organizational bottom line.

2.4.3 Knowledge Management Capability

Knowledge management denotes the process of identifying, developing, transferring, transmitting, storing, acquiring and implementing knowledge in an organization (Gatiti, 2021). Knowledge management is perceived to be a tactical organizational asset and produced knowledge is managed by way of sharing, disseminating and subsequent application in the organization. The acknowledgement of knowledge as a crucial resource in organizations in the current business environment endorses the necessity for processes that enable individual and collective knowledge creation, transfer and leverage (Muturi, 2021).

Knowledge management capability enables articulation and routine directions that affect the level of organizational performance and organizations' knowledge, skills and experience having the ability to create superior performance if an organization successfully applies them for value addition. Qamar and Samad (2022) noted that organizations which perform in superlative ways are associated with capability-based advantages that are derivatives of grander access to knowledge and integration of the same knowledge. Operative knowledge management improves organizational performance through innovation, coordination efforts, marketing of new products and response to market changes and challenges hence knowledge development is the basis upon which innovation happens leading to greater performance (Otioma, 2022).

Knowledge management identification process which is generated by employees may be shared within the organization and becomes institutionalized as organizational artifacts which may lead the organization into high levels of performance (Saher *et al.*, 2022). Organizations have realized the importance of crowning those who hold valuable knowledge and make maximum use of them. The acknowledgement of knowledge as a key resource for organizations confirms the need for processes that ease individual and collective knowledge creation, transfer and leverage (Walsh & Lannon, 2020). Knowledge management capabilities are measured by the processes of knowledge identification, knowledge development, knowledge transfer and knowledge storage.

2.4.4 Coordination Capability

Coordination capability which is also referred to as integration capability, describes the organization's ability to evaluate the value of prevailing resources and integrate them to form new capabilities (Khayer *et al.,* 2020). The implementation of new configurations of operational capabilities involves the effective coordination of a range of tasks and resources and the synchronization of diverse activities. Coordination capabilities enable organizations to identify and develop those assets and capabilities of topmost strategic value in dynamic competitive environments. An organization's coordination capability includes processes for gathering and interpreting data, allocation of resources and tasks, and communicating decisions and information (Gupta & Quamara, 2020).

The coordination and integration of non-tradable assets within the organization can result in new value-enhancing amalgamations as they cannot be easily simulated in the market (Delis *et al.,* 2021). Lack of efficient collaborative planning and consolidation of different resources and tasks may put the seemingly slight technological changes to have massive effects on incumbent organization's competitive positions in the market (Ernst *et al.*, 2019). The devastating impact of seemingly minor innovations on incumbent organizations in the banking industry has a significant influence on how systems have to be configured, and such systemic innovations require the efficient integration and coordination of multiple tasks (Hall *et al.,* 2020).

Coordination capabilities improve the harmonization and integration of inferred and codified knowledge that allows organizations to cost-effectively deliver their services and obtain further information regarding customers' needs (Adam *et al.,* 2021). Coordination capabilities are frequently related to new product development where teams fitting in different organizational segments work together by combining their diverse skills and backgrounds in order to design and develop the specific products and services. Coordination between different organizational functions and often with consultants and other stakeholders' involvement is needed for effective detection and linking of technological and market opportunities and assessment of existing capabilities comparative to the environmental requirements (Wu *et al.,* 2023).

Chung *et al.,* (2021) noted that coordination capabilities subsist as a result of individual capabilities and principal competencies controlled by organizational employees especially those in top-level management. This happens as a result of specific acquainted skills and experience through training and learning. Better coordination capabilities have for long been recognized as important sources of above normal contributions to the organizations mainly through proper information sharing. Coordination capabilities within an organization are typically required for effective communication and implementation of strategy, maintaining valuable relationships with internal and external stakeholders and taking part in organizational resource allocation and disposition including innovation, entrepreneurial and incentive systems (Latif *et al.,* 2021).

Specifically, in order for top managers to successfully undertake their coordination tasks sufficiently, they have to possess organization-specific knowledge which is history-dependent and also acquired through learning by doing (Maaninka & Haapanen, 2020). Coordination capabilities encompass perceptive and implicit set of competencies geared towards innovativeness of exceptional skills. The coordination capability concepts recognize the risk-taking element of decision making in order to weather unique qualities and even warrant the action of head-hunting competent managers for purposes of seeking effective organizational performance (Pooe & Munyanyi, 2019).

Farrukh *et al.,* (2023) noted that coordination capability as a strategic capability harmonizes resources from the external environment that leads to the development of new capabilities and resources that can help individual Sharia compliant commercial banks to gain competitive advantage that sets them apart from other banks in the sub-sector. Integrating stakeholders involves intense inter-organizational processes which require banks to coordinate the stakeholders' activities to ensure interoperability and seamless process synchronization (Xue & Lu, 2020). Commercial banks emphasize on maintaining healthy relationships and working on harmonizing their internal coordination and agility activities for purposes of overcoming the limitation of resources and surmounting market changes and customer needs, and creating a unique competitive advantage for development in a dynamic business environment (Lu & Anumba, 2022).

2.4.5 Corporate Culture

Corporate culture which is also referred to as organization's culture, denotes the collection of values, beliefs, ethics and attitudes that represent an organization and guide its practices and to a certain extent, it is expressed in organizations' mission and vision statements (Bitar *et al.,* 2020). Essentials of corporate culture include the organization's physical environment; human resource management practices and work habits espoused by staff. Corporate culture is also reflected in the amount of emphasis that is placed on several defining foundations such as hierarchy, process, innovation, collaboration, competition, community involvement and social engagement (Cennamo, 2021).

A corporate culture that depicts the wider culture is often more successful than one that is at odds with it and this is especially so in current global culture, which values transparency, equality and communication (Doyle *et al.,* 2019). A private organization with a strict hierarchical structure is more prone to having challenges in recruiting and retaining workers and appealing to customers and partners. Many organizations entrench unmatched cultures that break away from certain norms and anticipated best practices, a move that defines such organizations as pioneers and help them prosper in the industry (Kiriiri *et al.,* 2020).

Multiple organizations be they for-profit or nonprofit entities and even government departments, have had a sense of identity that can be referred to as corporate culture which is thought to be synonymous with workplace culture (Qing *et al.,* 2020). However, workplace culture is a distinct idea that precisely describes the conditions under which employees carry out their work in what is called employee experience (Taye *et al.,* 2019). Most organizations that determine and develop a chosen corporate culture through authorizing it by account of shared values and policies intend to activate the cultural values. Many other organizations have their culture evolving progressively and by chance over time, end up with a pitiable and toxic organizational culture since such organizations may not have focused on adopting a more nurturing environment (Moore & Hanson, 2022).

An organization's culture defines to a large degree the method through which workers behave and what they deem to be acceptable practices of interacting with each other as well as with other organizational stakeholders (Meyer *et al.,* 2020). An organization's culture also significantly defines how it responds to change, advancement and crises and it allows extreme bearing on the organization's ability to invent and succeed in both short-term and long-term perspectives. Corporate culture has continually grown and reviews have been done to establish how particular qualities have a bearing on an organization's general approach to work, view of human capital and the general public insight about the organization (Kehoe & Han, 2020).

Organizations with innovation oriented unique philosophies and practices usually do better on key metrics such as innovation, recruitment, employee retention, public opinion and organizational performance (Yong *et al.,* 2019). Kehoe *et al.,* (2020) acknowledged four categories of corporate culture including clan, which reveals a family-like atmosphere with a lot of emphasis on mentoring, nurturing and togetherness; adhocracy with a self-motivated and entrepreneurial methods that value risk-taking and innovation; market, with a results-oriented attention that values competition and achievement; and hierarchy which has structures and controls that ensure efficiency and stability in the workplace (Stone *et al.*, 2020).

The foremost values of the residents in the geographic background in which the organization is domiciled may be progressively adopted in the organization, and the same applies to the values of executives, top managers and other stakeholders (Schulman, 2020). The process through which such is adopted together with workplace expectations and customs also shape an organization's culture. Nevertheless, organizational leaders who possess a strategic determination to cultivate a culture that embodies certain specific values do so by inaugurating policies and procedures that support the envisioned culture or bring about culture change (Tian *et al.,* 2018). Commercial banks with well-conceived cultures and also bearing good policies that attract workers who fit well in the environment eventually have more committed and productive employees.

2.4.6 Performance of Sharia Compliant Banks

Performance of organizations incorporates the actual output and results of an organization as measured against its envisioned outputs or goals and objectives, and similarly refers to the achievement or fulfilment of an organization at the end of projects as it is intended (Saebi *et al.,* 2019). It incorporates three specific areas of organizational outcomes namely financial performance which comprises profits, return on assets and return on investment; product market performance entails improved sales and increase in market share; and shareholder returns which involves economic value addition and term pay outs (Kumar & Dua, 2022).

The performance metrics integrate quantitative also known as objective measures as well as qualitative, also called subjective measures. Quantitative measures put emphasis on final results including sales turnover and return on investment whereas qualitative measures emphasize on the criteria for achieving the end results such as product or service quality, customer satisfaction, employee satisfaction and commitment (Supriyanto *et al.*, 2021). Organizational performance denotes an organization’s ability to increase its market share, improve efficiency, improve service delivery, products, sales, innovative practices and overall profitability and general well-being of the organization (Hammedi *et al.*, 2021).

Organizational performance is measured at different points of its hierarchical order and can be assessed for individuals, groups and the entire organization (Kroll, 2022). Teshome *et al.,* (2020) argued that the measures for organizational performance were dependent on who asks the questions and why there would be the necessity for measuring organizational performance. Multiplicity of reasons are proffered for measuring and reporting organizational performance and these include rationalizing the valid use of investors' capital, overseeing managerial decision-making by pointing out the pain-points and other distress areas, associating performance contributions of different functions, projects and people, in all these bearing in mind the operating environment (Swammy & McMaster, 2018).

When assessing organizational performance wholesomely, a regiment of measures ought to be adopted in order that all components may be monitored and evaluated systematically (Richard *et al.,* 2022). There is a cognizant call to transition towards a comprehensive definition of organizational performance, and one identifies and addresses sustainability of work processes and outcomes. An additional key variable for defining organizational performance is assimilating a formal assessment of strategic planning in the measurement and when organizations appraise their strategic planning using internal and external assessments with a cascading system of goals, strategies and plans, the effectiveness of attaining these goals is deemed to be improved (George *et al.,* 2019).

Organizational performance has a nexus to efficiency, effectiveness, financial stability as well as relevance of the organization in the ecosystem. It denotes the ability of an organization to achieve its goals through efficient and effective use of resources (Anwar *et al.,* 2021). Effectiveness means providing either a product or a service that meets customer needs while efficiency focuses on how the organization utilizes resources to realize organizational objectives. When appraising the performance of organizations within a similar context, human capital acts as the unique contributory factor, with other significant heterogeneous indicator for determining organizational performance being market orientation which denotes the ability of firms to collect market information, disseminate it and respond to it vide effective decision-making (Lange, 2021).

Rubino and Napoli (2020) noted that non-financial indicators were more suitable for measuring performance because they are flexible and can be executed at all levels of the organization and act as indicators of a more clear-cut picture than financial indices whose results are superficial in most cases. Besides, Jamali and Karam (2018) noted that financial indicators mostly reflected past organizational performance hence could not reflect the current and future operating conditions. Financial measures of performance are based on traditional accounting practices and emphasize short-term indicators like profit, turnover, cash flow and share prices, and are not abundantly suitable in measuring organizational performance (Qiao & Wang, 2021).

2.5 Empirical Review

2.5.1 Market Linking Capability and Performance of Sharia Compliant Commercial Banks

Torres and Jasso (2022) analyzed capabilities, innovation, and entrepreneurship in startups in Latin America. An analysis of participation of entrepreneurship studies from the perspective of capabilities and technology-based startups, considered capabilities from a perspective of innovation, technology, knowledge and learning. The analysis showed that innovation and capabilities had been addressed slightly and adoption based on specific entrepreneurial capabilities was to be considered as a way of understanding the creation and trajectory of startup companies which result in the construction of new capabilities that feed the further growth of the company.

Kisubi *et al.*, (2022) assessed entrepreneurial competencies and performance of Ugandan SMEs with the mediating role of firm capabilities. Specifically, the study sought to establish the direct influence of entrepreneurial competencies and firm capability on small and medium enterprises performance; and to examine the mediating role of firm capability between entrepreneurial competencies and small and medium enterprises performance. A positive and significant influence of entrepreneurial competencies and firm capabilities on SME performance was established. Among the seven entrepreneurial competencies reviewed, innovative competency was highly associated with SME performance than other competencies while under firm capabilities, market linking capability returned the highest association.

Aduwo and Deya (2022) reviewed dynamic capabilities and competitive advantage of commercial banks in Kenya and in the study, the target population comprised all forty (40) licensed and operational commercial banks operating in Kenya, and respondents were the requisite staff involved in strategy formulation. The study established that market linking capability, knowledge management capability, technological capability, and financial management capability bore a positive and significant influence on competitive advantage of commercial banks in Kenya. Specifically, market linking capability had a higher correlation with competitive advantage of commercial banks.

2.5.2 Information Technology Capability and Performance of Sharia Compliant Commercial Banks

Barbieri *et al.,* (2022) assessed regional technological capabilities and green opportunities in Europe, and sought to map the geographical distribution of innovative activities and profile regions in terms of technological capabilities; and also elaborate a metric that identifies the regions' green innovation potential. The study also checked whether possessing a comparative advantage in specific, green and non-green technological domains was associated with a region's capacity to develop green technologies. The results indicated that the regions with the most advanced green capabilities were mainly in central and Western Europe, with Germany standing out. Further, only few regions had capacity to patent at the highest level in all green technologies, thus suggesting that local capabilities are important to fostering, or hampering their development.

Arokodare *et al.* (2020) studied the relationship between information technology capability and performance of selected oil and gas marketing companies in Lagos State, Nigeria with the moderating role of organizational culture. Findings revealed that there was a significant and positive relationship between information technology capability and market share and also found that organizational culture significantly moderated the relationship between information technology capability and market share of oil and gas marketing companies in Lagos State, Nigeria, identifying that organizational culture style and made improvements to the companies' culture that supported the change management process to ensure success.

Otioma (2022) reviewed information technology capability, organizational learning and innovation performance of firms in Kenya and specifically explored the role played by information technology capability in firm innovation performance through the channel of organizational learning in Kenya and demonstrated that information technology capability had a significant effect on innovation performance of firms. The study found a mediation role of organizational learning in the relationship between information technology capability and innovation performance and was realized mainly through explorative learning whilst enabling the firm to exploit existing knowledge base.

2.5.3 Knowledge Management Capability and Performance of Sharia Compliant Commercial Banks

Rafi *et al.*, (2022) studied knowledge management capabilities and organizational agility as liaisons of business performance. Specifically, the study investigated the effects of knowledge management capabilities consisting of knowledge infrastructure capability and knowledge processing capability, on organizational agility and business performance. The study also examined organizational agility as an underlying mechanism between knowledge management capabilities and business performance relationship. Results revealed that both dimensions of knowledge management capabilities positively influenced organizational agility and business performance. In addition to the direct effect, knowledge management capabilities also had an indirect effect on business performance mediated through organizational agility.

Alamiri *et al.*, (2019) analyzed organizational resources and knowledge management capability: a systematic review. The review revealed that the main organizational knowledge management resources were culture, people, leadership, organizational structure, capabilities, strategy and technology. To these, the review had added some factors that were social, organizational knowledge, and organizational characteristics. The study was significant in finding the most common variables in business knowledge management, and also their implication for enhancing knowledge capability and organizational performance.

Kirugumi *et al.,* (2022) studied the influence of knowledge management capability on internationalization status of public universities in Kenya. The study was conducted in public chartered universities in Kenya and employed a descriptive research design. A cross-sectional survey involving both analytical and descriptive methods to address the objectives of the study was used and in order to analyze quantitative data, descriptive factor analysis and inferential statistics, both correlation and regression were used. Hierarchical regression results showed that knowledge management capability had a significant and positive influence on internationalization status of public universities in Kenya.

2.5.4 Coordination Capability and Performance of Sharia Compliant Commercial Banks

Khalil and Belitski (2020) looked at dynamic capabilities for firm performance under the information technology governance framework and aimed at investigating the role of dynamic capabilities in the information technology (IT) governance view framework and explored the relationship between three domains of IT governance being strategy, management and operations, and firm performance. The study used a mixed methods approach and collected data from successful European SMEs in the multi-country setting of Belgium, Bulgaria, Denmark, Spain and the United Kingdom (UK). Findings showed that various IT governance mechanisms worked as dynamic capabilities and were directly associated with firm performance with the impact of each mechanism being different.

Shalupin *et al.*, (2022) appraised improving the coordination capabilities of air transport control specialists as a condition for the safety of civil aviation. The study used a methodology for the development of specialized coordination qualities, which involved the systematic and consistent application of exercises using sports training methods and creation on the basis of complex forms of managerial actions. Study results indicated that coordination abilities improved but representation of the experimental group was still in the initial situation, and further substantiated the effectiveness of the organization in carrying out operational functions using motor actions of a coordination nature.

Okwemba (2019) studied the influence of organizational capabilities on non-financial performance of manufacturing firms in Kenya. The specific objectives of the study were to establish the influence of knowledge management capabilities, technological capabilities, managerial capabilities, coordination capabilities and marketing capabilities on non-financial performance of manufacturing firms in Kenya. The study also sought to determine the moderating effect of managers' cognition on the relationship between organizational capability and non-financial performance of manufacturing firms in Kenya. The study found that technological capabilities, marketing capabilities, coordination capabilities and managerial capabilities had a positive and significant effect on performance.

2.5.5 Moderating Influence of Corporate Culture on Strategic Capabilities and Performance of Sharia Compliant Commercial Banks

Seo and Lee (2021) reviewed the moderating effect of organizational culture type on the relationship between cultural satisfaction and employee referral intention for mining employees. The study explored how organizational culture type and cultural satisfaction were associated with employee referral intention. A total of 1,789 online reviews on nine companies from the three industries were collected. Applying directed content analysis based on the competing values framework, the study found that cultural satisfaction significantly increased the probability of employee referral intention. However, the moderating effect of organizational culture type on the relationship between cultural satisfaction and employee referral intention were not statistically significant.

Shuaib and He (2023) examined the moderating role of organizational culture in the relationship between total quality management and organizational innovation among manufacturing small and medium enterprises in Nigeria. The study examined the relationship with a moderating effect of organizational culture, customer relation, and employee relations that were positively and significantly related to innovation. However, management leadership was found to be negatively related to innovation. Organizational culture positively and significantly moderated the relationship between continuous improvement, management leadership and innovation, and had a positive but insignificant moderating role on the relationship between employee relation and innovation.

Oloo (2021) analyzed strategic leadership, organizational culture, and performance of the land administration function in Kenya. The study sought to investigate the relationship between strategic leadership and performance of the land administration function. The broad objective was to assess the moderating effect of organizational culture on the relationship between strategic leadership and organizational performance. Specific objectives were to assess the effects of strategic thinking, the effect of leading change, the effect of strategic direction, and the effect of development of core competencies. The study reported that organizational culture had a moderating effect on the relationship between strategic leadership and performance of land administration function in Kenya.

2.6 Critique of Reviewed Literature

Reviewed studies on strategic capabilities were conducted more in developed countries (Torres & Jasso, 2022; Barbieri *et al.*, 2022; Rafi *et al.*, 2022; Khalil & Belitski, 2020) thus occasioning a paucity of studies that have been carried out locally and especially those focusing on Sharia compliant banking in Kenya. Furthermore, in the reviewed literature, most studies focused on individual capabilities and are well acknowledged but their influence on the general performance of global economies where applicable were largely circumstantial and not openly articulated. Alamiri *et al.*, (2019) sought to establish the relationship between organizational resources, knowledge management capability and firm performance, in which it was established that multiplicity of capabilities were randomly hypothesized hence presenting low relationships with performance.

Kisubi *et al.*,(2022); Arokodare *et al.*,(2020); Seo and Lee (2021) and Shalupin *et al.*, (2022) reviewed studies that put more attention on diverse sectors comprising manufacturing, healthcare, e-commerce enterprises, educational institutions but none was carried out on Sharia banking. Although such studies may have analogous foundational fundamentals on application of strategic capabilities and organizational performance, they may not have universal generalizability on the local Sharia banking sector. Aduwo *et al.*, (2022) reviewed dynamic capabilities and competitive advantage of commercial banks in Kenya and concluded that dynamic capabilities influenced competitive advantage. Although the study was local, it primarily focused on conventional banking whose dynamics are not similar to Sharia banking.

Local studies greatly canvassed the influence of dynamic capabilities but simply provided a generic methodology to examining these capabilities on competitive advantage and firm performance (Otioma, 2022; Kirugumi *et al.,* 2022; and Oloo, 2021), hence inadequate research that gauged the influence of global strategic capabilities on performance of Sharia compliant commercial banks in Kenya. From the reviewed literature, the studies appeared to be short on meeting the needs of Kenya's Sharia compliant commercial banks which like in other economies, is organically growing in terms of both advancements in technological savviness and the complexity of the nature of transactions they carry out.

2.7 Research Gaps

There is a lot of literature on dynamic capabilities and competitive advantage of different organizations and their application in diverse industries, however, the same cannot suffice and be fully applicable for Sharia compliant banking sub-sector. Studies done on strategic capabilities in different industries especially those which are finance based indicate that they are better implemented under complex and uncertain environments (Aduwo & Deya, 2022; Otioma, 2022). The literature review showed a general use of dynamic capabilities and their approach by organizations without really having focused reference to the specific and attendant strategic management approaches hence causing a conceptual gap of matching the type of capabilities with the intended outcome of the organization.

The reviewed literature do not explicitly divulge the form of challenges most organizations and more so those in the banking industry face in the event that they do not adopt standardized classification of strategic capabilities and their influence on performance of Sharia compliant commercial banks given that banking is a sensitive industry across economies (Adan, 2022; Ali, 2022). Every sector has its set of unique dynamics that influence organizational performance though different methodology approaches may be adopted which is why the reviewed literature adopted the concepts of organizational framework as a leading lens to examining aspects of strategic management phenomena (Banna *et al.*, 2022) hence a marked contextual gap in the reviewed studies.

Lastly, the reviewed studies indicated a generic application of capabilities and most organizations exhibited characteristics that ranged from being complex to being simple depending on the level of expertise that was applied in addressing organizational competitiveness and performance (Abdullah, 2022; Ahmed, 2020). However, it was noted that there were countable studies that proved why categorizing the capabilities in thematic areas was a better consideration than individual sub-capabilities. In view of the foregoing knowledge gap, no reviewed local studies had classified market linking capability, information technology capability, knowledge management capability, coordination capability with their attendant subsets as the thematic strategic capabilities that influence performance of Sharia compliant commercial banks in Kenya.

2.8 Summary of Literature

This study's main objective was to examine the influence of strategic capabilities on performance of Sharia compliant commercial banks in Kenya. The study was guided by applicable theories including Resource Based Theory, Knowledge Based Theory, Dynamic Capability Theory and Contingency Theory. This chapter presented the conceptual framework of the study which illustrated the interrelationships between independent, moderating and dependent variables. The chapter also appraised literature on study variables, and went further to review the empirical literature based on the research objectives. A critique of related literature was undertaken and research gaps identified.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methods and procedures that were used to gather and analyze data on strategic capabilities and performance of Sharia compliant commercial banks in Kenya. It explains the research philosophy, research design, target population, sampling design, data collection instruments, data collection procedures, pilot test and data analysis and presentation.

3.2 Research Philosophy

A research philosophy denotes the belief concerning how data about an occurrence or phenomenon should be collected, analyzed and used by potential beneficiaries (Birks & Mills, 2022). This study adopted a positivist research philosophy which is a scientific method that is principally based on rationality and empiricism which are geared towards enhancing objectivity. In this archetype of research, various models including formulated objectives and hypotheses are tested (Wulf & Blohm, 2020). In the positivist paradigm, a research is anchored on evident social realities and rationale for purposes of getting results of a study. Kamau (2020) adopted a similar philosophy in a study on organizational strategic capabilities, compliance with regulations and competitive advantage of commercial banks in Kenya.

3.3 Research Design

Research design is a general plan of how data collection and analysis are structured to achieve the research objectives through empirical evidence in a systematic and economic manner (Sachin & Rajesh, 2022). It is a blueprint for collection, measurement and analysis of data in order to realize the stated objectives (Hoerl & Snee, 2020). This study adopted cross-sectional survey design since the design is suitable for finding out the predominance of a phenomenon or condition and all the dimensions of the cross-section of a sample are obtained at a single point in time using the same questionnaire (Kumar, 2018). Odwaro *et al.,* (2022) reviewed effect of dynamic capabilities on performance of commercial banks and adopted a similar research design.

3.4 Target Population

Hancock *et al.,* (2021) described a study population as the complete group of individuals or items that are under consideration in any field of inquiry and have common attributes to which the results can be inferred. The first level target population was eight (8) licensed commercial banks that carry out Sharia banking in Kenya, out of which three banks offered full-fledged Sharia banking and these were Gulf African Bank, First Community Bank and Dubai Islamic Bank. The other five banks did conventional banking in addition to Sharia banking windows and include; Absa Bank, KCB Bank, National Bank of Kenya, Standard Chartered Bank and State Bank of Mauritius (SBM Bank) (Kithandi, 2022), and these banks formed the unit of analysis. The unit of observation was 443 senior management staff working in the Sharia banking sections of these banks. Mohamed (2022) adopted a similar target population in a study on strategic determinants of sustainable competitive advantage of Islamic Commercial Banks in Kenya.

Table 3.1: Sharia Compliant Commercial Banks in Kenya

SN.	Institution	Sharia Banking Senior Management Staff
1.	Gulf African Bank Ltd	54
2.	First Community Bank Ltd	38
3.	Dubai Islamic Bank	26
4.	Absa Bank PLC	81
5.	KCB Bank	84
6.	National Bank of Kenya	71
7.	Standard Chartered Bank	43
8.	SBM Bank	46
	Total	**443**

Source: CBK, 2022; Banks Databases

3.5 Sampling Frame

A sampling frame is the list of elements from which the sample is drawn and forms a source list of possible items of a finite population and should represent the population as much as possible (Cargill & O'Connor, 2021). The sampling frame for this study was made up of eight (8) Sharia compliant commercial banks as at 31st December 2022.

3.6 Sample and Sampling Technique

3.6.1 Sample Size

Sampling is the process of selection of a section of the study population to be involved in the research process and involves the techniques that a researcher uses to gather people, or objects to be studied. A sample is therefore a part of the whole population that can be used in a research study and bears all the attributes of the entire population hence giving a fair representation. According to Kothari (2019), the definitive test of a sample is how well it represents the attributes of the entire population used in the research.

This study derived its sample from the unit of observation namely the senior management staff designated as Heads of Portfolio, Departmental Managers, Relationship Managers and Regional Managers, forming key classification strata of the eight Sharia compliant banks. Proportionate stratified random sampling technique was used since the method guaranteed that each Sharia compliant bank's representatives were represented in the final sample and therefore gave an accurate reflection of the attributes of the population. Kothari (2019) averred that a population is stratified based on its different features and a sample ought to be picked from each stratum. The sample size was determined using a model by Nasiurma (2000) which has improved precision in drawing samples as shown;

$n = (Ncv^2) / (cv^2 + (N\text{-}1)\ e^2)$

where;

n = Sample size
N = Population
cv = Coefficient of variation (take 0.7)
e = Tolerance at desired level of confidence (take 0.05 at 95% confidence level).

The substituted values in determining the sample size from the target population are;

$n = 443 \times 0.7^2 / (0.7^2 + (443 - 1)\ 0.05^2)$

$n = 217/ (0.49 + (442)\ 0.0025)$

$n = 217/ 1.595$

$n = 136$

Table 3.2: Sample Size

S/N	Bank name	Population	Sample	Percentage (%)
1	.Gulf African Bank Ltd	54	16	11.7
2.	First Community Bank Ltd	38	12	8.8
3.	Dubai Islamic Bank	26	8	5.9
4.	ABSA Bank PLC	81	25	18.4
5	KCB Bank	84	26	19.1
6	National Bank of Kenya	71	22	16.2
7	Standard Chartered Bank	43	13	9.6
8.	SBM Bank	46	14	10.3
	Total	**443**	**136**	**100**

3.6.2 Sampling Technique

Sampling technique is the process of choosing a certain number of entities from a population in such a manner that the selected cluster is made up of elements that are representative with attributes that are found in the entire group (Bhardwaj, 2019). The definitive ability of a sample was how it precisely represents the overall attributes of the whole population (Pandey & Pandey, 2021). In order to come up with a suitable study sample, the study employed proportionate stratified random sampling technique since the population was clustered into strata representing individual full-fledged Sharia banks and those carrying out conventional banking with Sharia banking windows.

3.7 Data Collection Instruments

Data collection instruments are the tools and procedures used for gathering and measuring the study variables (Cervone & Pervin, 2022). This study used questionnaires which are a popular method for collecting data because they afford researchers the ability to collect data fairly easily and the obtained responses can be coded easily. This study used primary data and Kothari (2019) affirmed that primary data denotes original information that was collected for the first time. Questionnaires can be used to collect data from a large sample with the objective being to translate the research objectives into specific questions and the obtained answers for each question to provide the data for hypotheses testing.

The questionnaire was divided into two segments with Part A being for the response rate and demographic information while Part B contained questions to respondents about the salient issues concerning the study. The questionnaire contained both closed and open-ended questions where the closed ended questions sought to obtain specific information from respondents and this facilitated structured data collection. On the other hand, the open-ended questions allowed respondents the latitude to express themselves on key areas in the study. A Likert scale was adopted because it is among the best tools in measuring opinions and could be adopted with ease and balance (Vorm & Combs, 2022).

3.8 Data Collection Procedure

In order for the study to conform to the checklist of ethical issues relating to research undertakings, permission to conduct the study was granted by Jomo Kenyatta University of Agriculture & Technology through an approval letter sanctioning the research and a request letter issued to participating Sharia compliant commercial banks beseeching them to take part in the research by filling out the questionnaires. A research permit was sought and obtained from National Commission for Science, Technology and Innovation (NACOSTI) and the researcher also wrote a request letter for participation to the various institutions. The researcher made full disclosure about the study by explaining to the management of participating banks that the intention of the research was solely for academic purposes. The study upheld privacy and confidentiality and research findings were specifically submitted to the University.

On being granted permission to undertake the study, a pilot test was done to essentially check the reliability and validity of the research instrument, and the same was done amongst a few respondents outside the sample, principally helping in gauging the respondents' perspectives on the type of questions that were posed. Required amendments were consequently adopted in the instrument before final data collection was undertaken. The final questionnaires were then circulated to the respondents and collected within a reasonable period of time where applicable. Respondents dealt with the questionnaires on their own but requisite clarification was done to those who were not clear about some issues to ensure that respondents gave relevant feedback when answering questions.

3.9 Pilot Test

Pilot testing encompasses undertaking a preliminary test of data collection instruments and procedures in order to identify and address any challenges, allowing programs to make corrective adjustments before actual collection of data from the target population. Rahmah *et al.,* (2022) specified that a pilot test is done to identify weaknesses in the design and composition of the research instrument and to provide alternate data for selection of a probability sample. Through carrying out pilot testing, the researcher guaranteed that fitting questions were posed, appropriate data collected and precise data collection methods adopted.

The questionnaire was tested on 23 members who were part of the target population but not in the final sample and was approximately 17% of the sample size which is within the range of 10%-30% that is endorsed by social scientists (Guest *et al.,* 2020). Pilot testing was undertaken with members from the target population but not meant to be respondents in the final study to avoid repeat bias. Huseynli (2023) indicated that in pilot testing, the study items are chosen in such a way that each item bears rich information about the parameters under review in the population.

3.9.1 Reliability

Reliability is the degree to which a scale gives consistent results if measurements are carried out in an iterative manner (Gupta & Bhattacharya, 2022). This is realized through establishing the relationship between the obtained scores from various administrations of the scale. If the relationship is high enough, the inference is that the scale produces dependable results and is therefore considered to be reliable. Internal consistency among the items of each construct were determined using Cronbach's alpha coefficient which ranges from 0 to 1.0. The study items were constructed around market linking capability, information technology capability, knowledge management capability, coordination capability as independent variables and corporate culture as the moderator. The recommended lower limit Cronbach alpha coefficient is 0.7. The questionnaire was then reviewed in order to include the feedback that was collected from the analysis for purposes of improving its reliability.

3.9.2 Validity

Validity is the degree to which an instrument measures what it is supposed to measure as well as perform as it is designed to perform and the degree to which results that are obtained from data analysis actually represent the phenomenon being studied (Chen & Terada, 2021). Face validity and content validity were reviewed by the questionnaire being subjected to an assessment by experts in strategic management who proposed corrections on the type of questions. Construct validity was checked through factor analysis where KMO and Bartlett's test of Sphericity where KMO value should be above 0.6 while the significance of Bartlett's test should be below 0.05 to be indicative of instrument validity and identify areas of improvement.

3.10 Diagnostic Tests

3.10.1 Normality Test

Normality tests are used to determine whether or not a data-set is properly modelled by normal distribution and to calculate how possible it would be for a random variable underlying the data-set is normally distributed (He & Yang, 2021). Kolmogorov-Smirnov and Shapiro-Wilk tests for normality were applied for this study together with the visual tool of Quantile-Quantile (Q-Q) plots. Where the p-value was higher than 0.05, the data was taken to have normal distribution features but if the p-value was less than 0.05, the data was not normally distributed.

3.10.2 Multicollinearity Test

Multicollinearity is a concept where one predictor variable in a multiple regression model can be linearly projected from the others with a significant degree of accuracy (Simeon & Olaiya, 2021). With multicollinearity, the estimate of one variable's influence on the dependent variable while controlling the other variables become less specific than if predictors were uncorrelated with each other. Variance Inflation Factor (VIF) method was used to check multicollinearity in regression models. It points out whether a predictor variable has a strong linear relationship with the other predictors in the model. VIF values that exceed 10 are regarded as indicating multicollinearity, but in certain weaker research models, values above 2.5 may be a cause of concern.

3.10.3 Heteroscedasticity

In regression analysis, heteroscedasticity means unequal scatter and more especially in the context of the residuals or error term, and specifically, heteroscedasticity is a systematic change in the spread of the residuals over the range of measured values (Farrar, 2022). Heteroscedasticity is a problem because ordinary least squares regression assumes that all residuals are drawn from a population that has a constant variance otherwise called homoscedasticity. Heteroscedasticity occurs more often in datasets that have a large range between the largest and smallest observed values, mainly because of the error variance changing proportionally with a factor, which may be variable in a model. This study used the Breusch–Pagan test, by performing an auxiliary regression of the squared residuals on the independent variables (Farrar, 2022).

3.10.4 Linearity Test

Prior to computing the correlation coefficient and covariance, linearity must be confirmed because these measures rely on the assumption of a linear relationship between the variables being studied. This study adopted the goodness of fit test for linearity which is based on the null hypothesis stating that the relationship between independent and dependent variables is linear while the alternative hypothesis holds that the relationship is not linear (Cardoso & Galeno, 2023). Plotting the measured values against corresponding values of the reference standards is the first step in a linearity test, which determines whether or not the measured values fall on a straight line with a slope equal to 1.

3.11 Data Analysis and Presentation

Prior to having the responses processed, the questionnaires were prepared and checked for completeness and consistency (Aisle *et al.*, 2022). Data analysis had three elementary objectives namely getting a feel of the data, evaluating the goodness of the data and testing the hypotheses developed for the study. The first objective was accomplished using qualitative techniques such as descriptive statistics that included the response rate, frequency distributions, individual items' response scores, means and standard deviation for the variables that were included in the study.

To realize the second objective which was to evaluate the goodness of data, the study improved the credibility and reliability of data that formed the basis of analysis and reliability was confirmed through the use of Cronbach's alpha coefficient which measures the correlation of a set of items in a group. Cronbach's alpha is sensitive to the number items in the scale and generally tends to underestimate the internal consistency or reliability when the number of items are few (Xiao & Hau, 2023). Last but not least, in order to test the hypotheses that were put forth by the study, an appropriate statistical test namely F-test was used to match the statistical model that was fitted to the data set in order to ascertain if the model was suited for the population from which the data were sampled.

Both qualitative as well as quantitative methods of data analysis were used to analyze the research variables in the study. Collected data was revised, coded and classified into relevant categories. A Likert scale was adopted to provide a measure for closed-ended questions and the scale aided in minimizing subjectivity and making it possible to use quantitative analysis. Numbering of the scale was done in such a way that they indicated the strength of presence or absence of the attributes that were being measured. This blend of tools was necessary because some aspects of the study were qualitative while others were quantitative in nature.

3.11.1 Qualitative Data Analysis

The process of data analysis entails deriving meaning from the text and image data, starting with preparing the data for analysis and going further into understanding the analysis process, presenting the findings and making an informed interpretation of the larger meaning of the concept (Naeem *et al.*, 2023). The researcher carried out qualitative data analysis with an interest in systematic analysis of the data in order to arrive at useful conclusions and recommendations. In qualitative review, the researcher got comprehensive information about the phenomena being researched and established patterns, trends and relationships from the gathered data. The researcher put down notes on keywords and phrases and those which recurred were noted and manual themes were developed thus forming the foundation for codes that were used for content analysis.

The codes were categorized based on the questionnaire items and were entered into Statistical Package for Social Sciences (SPSS) version 26 where developed pattern codes were grouped into summaries of data with smaller number of sets, themes and constructs, and using the software, the researcher analyzed the frequencies of the emerging themes, mostly from the frequency of presence of a particular idea which was obtained as a measure of content. The subsequent information that was derived from the analysis was then coherently presented, giving a detailed account of the respondents' viewpoints on the diverse research items that were under review.

3.11.2 Quantitative Data Analysis

Quantitative data analysis seeks to test the hypotheses behind the study with the objective being to prove or fail to prove the hypotheses. In this study, inferential analysis started with looking at the relationship between independent variables under the framework of strategic capabilities and the dependent variable being performance of Sharia compliant commercial banks. Additionally, the joint influence of the independent variables on performance of Sharia compliant commercial banks was carried out, subsequently followed by the moderation influence of corporate culture on strategic capabilities and performance of Sharia compliant commercial banks in Kenya.

The study analyzed descriptive statistics using frequencies and measures of central tendency and was presented in form of tables and pie charts. Standard multiple regression analysis was used for the analysis as it gives reliable estimates of net effects between the variables and has superior explanatory power. F-tests were calculated for individual variable coefficients in order to determine the significance of individual models. The rule of interpretation was that the null hypothesis be rejected or fail to be rejected based on the obtained p-value whether it was below or above the level of significance taken as $\alpha = 0.05$, respectively.

3.11.3 Statistical Measurement Models

A statistical model embodies a set of numerical assumptions concerning the generation of sample data and similar data from the larger population and the model represents an idealized form of the data-generating process (Lavin *et al.*, 2021). Linear regression analysis was undertaken to ascertain the relationship between individual independent variables and the dependent variable. Multiple regression analysis was adopted to establish whether or not the joint variables mutually predicted the dependent variable and, in so doing, purposed to increase the accuracy of the estimate. Regression is the most preferred method because it has the capability to precisely determine and demonstrate whether there is a positive or negative relationship between independent and dependent variables and goes further to show whether the identified relationship is significant or not. The general single and multiple regression models applied for the study were;

Single Variable:

$Y = \beta_0 + \beta_i X_i + \varepsilon$ (i =1,2,3,4);

$Y = \beta_0 + \beta_i X_i + \beta_m M + \varepsilon$;

Multiple Variables:

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

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

Where;

Y = Performance of Sharia Compliant Commercial Banks

β_0 = Constant

β_i = Coefficient for X_i (i =1,2,3,4)

β_i = Coefficient of interaction term

X_1 = Market linking capability

X_2 = Information technology capability

X_3 = Knowledge management capability

X_4 = Coordination capability

M = Corporate culture (moderating variable)

ε = Error term

3.11.4 Variables Definition and Measurement

Table 3.3: Variables Definition

Variable	Hypothesis	Models
Market linking Capability	Market linking capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.	$Y = \alpha_1 + \beta_1X_1 + \varepsilon$ $Y = \beta_0 + \beta_1X_1 + \beta_mM + \varepsilon$
Information Technology Capability	Information technology capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.	$Y = \alpha_2 + \beta_2X_2 + \varepsilon$ $Y = \beta_0 + \beta_2X_2 + \beta_mM + \varepsilon$
Knowledge Management Capability	Knowledge management capability has no significant influence on performance of Sharia compliant commercial banks in Kenya	$Y = \alpha_3 + \beta_3X_3 + \varepsilon$ $Y = \beta_0 + \beta_3X_3 + \beta_mM + \varepsilon$.
Coordination Capability	Coordination capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.	$Y = \alpha_4 + \beta_4X_4 + \varepsilon$ $Y = \beta_0 + \beta_4X_4 + \beta_mM + \varepsilon$
Corporate Culture	Corporate culture has no significant moderating influence on strategic capabilities and performance of Sharia compliant commercial banks in Kenya.	$Y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta mM + \varepsilon$

Table 3.4: Study Hypotheses

Objective	Hypothesis	Analysis Type	Interpretation
To establish the influence of market linking capability on performance of Sharia compliant commercial banks in Kenya.	Market linking capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.	Pearson correlation Linear regression analysis	If p-value is < 0.05, reject the null hypothesis
To examine the influence of information technology capability on performance of Sharia compliant commercial banks in Kenya.	Information technology capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.	Pearson correlation Linear regression analysis	If p-value is < 0.05, reject the null hypothesis
To assess the influence of knowledge management capability on performance of Sharia compliant commercial banks in Kenya.	Knowledge management capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.	Pearson correlation Linear regression analysis	If p-value is < 0.05, reject the null hypothesis
To determine the influence of coordination capability on performance of Sharia compliant commercial banks in Kenya.	Coordination capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.	Pearson correlation Linear regression analysis	If p-value is < 0.05, reject the null hypothesis
To establish the moderating influence of corporate culture on strategic capabilities and performance of Sharia compliant commercial banks in Kenya.	Corporate culture has no significant moderating influence on strategic capabilities and performance of Sharia compliant commercial banks in Kenya	Correlation Moderated multiple regression analysis F –test t - test	If p-value is < 0.05, reject the null hypothesis

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis of data, interpretation and findings based on the study objectives, hypotheses and the attendant discussion; and presents general information about the study respondents and analysis of the dependent and the independent variables. Descriptive and inferential statistics have been adopted to analyze the data. The study undertook different statistical techniques derived by SPSS version 26 in analysis of the data. The data was summarized and presented using tables, pie charts and histograms. This chapter also describes the reliability and validity of the research instrument, tests of assumptions for the regression model, testing of hypotheses, interpretation and presentation of the findings. The main objective of the study was to examine the influence of strategic capabilities on performance of Sharia compliant commercial banks in Kenya.

4.2 General Characteristics of the Study Sample

4.2.1 Response Rate

The researcher circulated one hundred and thirty-six (136) questionnaires out of which one hundred and twenty-one (121) were filled and collected representing 88.9% of the total questionnaires distributed. Stedman *et al.,* (2019) noted that 50% response rate is deemed to be average, between 60% and 70% is considered to be adequate while a score above 70% is considered to be an excellent response rate. This study's score of 88.9% was therefore an excellent response rate which could be explained by the data collection procedure adopted by the researcher to personally distribute questionnaires by way of drop and pick method and following up where necessary and reminding respondents to fill the questionnaires.

Table 4.1: Response Rate

Questionnaire	Frequency	Percentage (%)
Returned	121	88.9
Not returned	15	11.1
Total	**136**	**100**

4.2.2 Nature of Sharia Banking

The descriptive statistics of the study indicated that 52.1% of respondents were from commercial banks with Sharia banking window platform while 47.90% of respondents were from the fully Islamic commercial banks. This inferred that representation between the two classifications was nearly equally distributed hence the data collected was balanced in terms of the different dynamics that obtain in both settings.

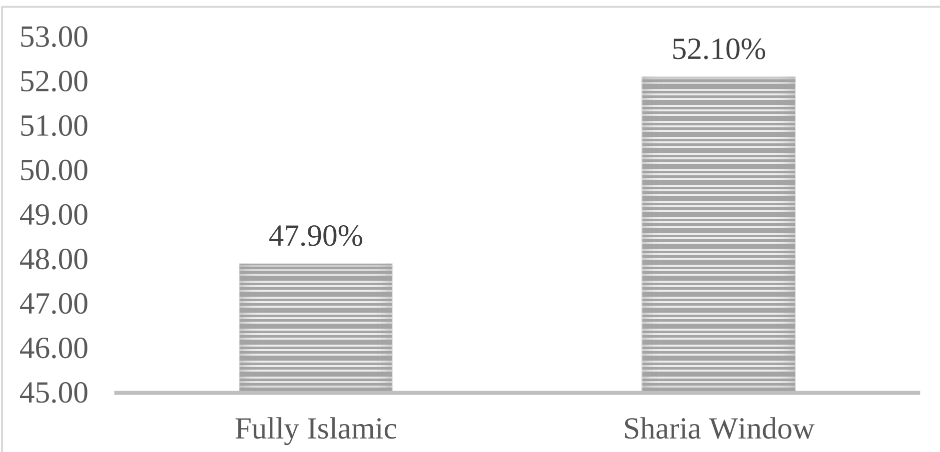


Figure 4.1: Nature of Sharia banking

4.2.3 Duration of Bank Operations

Table 4.2 indicates that 51 of the respondents indicated that their banks had been in operation for between 5 and 10 years, 38 indicated that their banks had been in operation for between 11 and 20 years, 24 came from those in operation for over 20 years and 8 were from those in existence for under 5 years. This showed that majority of respondents were from banks that had existed for long hence bearing strong banking structures.

Table 4.2: Duration of Bank Operations

	Frequency	Valid Percent	Cumulative Percent
Less than 5 years	8	6.6	6.6
5 - 10 years	51	42.1	48.8
11 - 20 years	38	31.4	80.2
More than 20 years	24	19.8	**100.0**
Total	**121**	**100.0**	

4.3 Reliability and Validity of the Research Instrument

4.3.1 Reliability Analysis

Reliability is the extent to which a scale gives consistent results if measurements are carried out iteratively and reliability testing is undertaken by determining the association between scores that are derived from the varied administrations of the scale (Hayes & Coutts, 2020). Where the association of the scores is significant then it surmises that the scale indeed gives consistent results and therefore it is deemed to be reliable. Internal consistency among the questionnaire items was determined using Cronbach's alpha coefficient and it is the most commonly used measure because of its appropriateness in measuring reliability when using the Likert scale.

The questionnaire was revised after pilot testing and factored in all the feedback that was collected from the analysis of results with the purpose of improving the reliability of the instrument. Cronbach's alpha coefficient values range from 0 to 1.0 where 1.0 indicates perfect reliability and the value 0.70 is taken as the lower limit of acceptability (Hayes *et al.*, 2020). The obtained results in Table 4.3 indicated that the questionnaire used in this study had a high level of reliability.

Table 4.3: Reliability Statistics

Variable	Cronbach Alpha	No. of items	Comments
Market Linking Capability	.861	8	Accepted
Information Technology Capability	.808	8	Accepted
Knowledge Management Capability	.741	8	Accepted
Coordination Capability	.753	8	Accepted
Corporate Culture	8248	8	Accepted
Performance Sharia Banks	.731	8	Accepted
Overall	**.786**		

4.3.2 Validity

Aung *et al.,* (2021) described validity of a research instrument as how well the results obtained among the study participants epitomize true findings among similar units outside the study. Validity is the degree to which the results attained from data analysis are a true representation of the phenomenon that is being studied and also embodies the exactitude of the data that is obtained in the study to represent the variables (Lee & Landers, 2022). This study considered two main types of validity namely content validity which examines whether the instrument sufficiently covers all aspects of the subject domain in which case the instrument was subjected to experts in strategic management and research methods who comprehensively interrogated and critiqued it where appropriate, and confirmed that the questionnaire items covered all relevant areas of the study.

Additionally, construct validity was reviewed and refers to whether inferences can be drawn about test scores related to the concept being studied, especially homogeneity, convergence and theoretical evidence (Flake *et al.,* 2022). Construct validity is concerned with how well a set of indicators represent a concept that is not directly measurable and therefore seeks to accumulate evidence to support the interpretation of the measure. In this study, the test sought to establish the appropriateness of inferences made on the basis of measurements, specifically whether a test can reasonably be considered to reflect the intended construct. KMO and Bartlett tests were carried out for all the questionnaire items and results are shown;

Table 4.4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.760
Bartlett's Test of Sphericity	Approx. Chi-Square	1821.012
	df	1128
	Sig.	.000

A Principal Component Analysis with Varimax rotation was undertaken on the forty-eight subscale items under strategic capabilities in order to examine the dimensionality of the variables that influence performance of Sharia compliant commercial banks. Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was undertaken for all the variable items in the instrument and a score of .760 was obtained indicating great acceptability of the use of factor analysis and therefore demonstrating adequate correlation between the questionnaire items. This constituted a reliable source of data to ascertain whether or not the forty-eight items were valid measures of the intended concept namely strategic capabilities. Bartlett's test of Sphericity was significant (Chi-Square = 1821.012, p-value = .000). The applicable rule of thumb is that a KMO measure having a value above 0.5 and a Bartlett's test with significance level below 0.05 infers that there is substantial correlation in the data.

4.4 Descriptive Statistics

The purpose of this study was to examine the influence of strategic capabilities on performance of Sharia compliant commercial banks in Kenya. This section provides the findings and discussion in the order of the specific objectives of the study being market linking capability, information technology capability, knowledge management capability, coordination capability as well as the moderator which is corporate culture, and the questions were based on the Likert scale. The respondents were requested to provide answers based on their extent of agreement or disagreement with statements under each variable.

A five point Likert scale was coded appropriately with numerical values assigned as 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree and 5 = strongly agree. This enabled easy data analysis whereby the results were analyzed based on mean and standard deviation per questionnaire item where a standard deviation value less than two was considered to be low and indicated that respondents' opinions were in agreement with the mean. A large standard deviation (>2) suggested that respondents had differing opinions that deviated from the mean. For the mean score, values between 1-1.8 meant strongly disagree, 1.8-2.6 disagree, 2.6-3.4 neutral, 3.4-4.2 agree and 4.2-5 strongly agree.

4.4.1 Market Linking Capability and Performance of Sharia Compliant Commercial Banks

Respondents provided answers on statements relating to market linking capability and the results were as presented in Table 4.5;

Table 4.5: Market Linking Capability

	N	Mean	Std. Dev
Our bank always scans the environment to attract new customers.	121	3.68	.858
Our bank creates and manages lasting customer relationships.	121	3.93	.901
Our bank establishes stable relationships with consultants and other stakeholders.	121	3.83	.833
Our bank embraces and strives to maintain all channel users active.	121	3.83	.972
Our bank projects customer requirements to ensure full retention.	121	3.79	.915
With new product features, our bank embraces customer suggestions for adoption.	121	3.51	.886
Our bank analyzes market trends for positioning purposes.	121	3.73	.866
The current market trends determine our response strategies.	121	3.62	.915
Valid N (listwise)	121		

n = 121 *Mean = (Strongly Disagree = 1 – 1.8; Disagree = 1.9 – 2.6; Neither Agree nor Disagree = 2.7 – 3.4; Agree = 3.5 - 4.2; Strongly Agree = 4.3 – 5.0)

Results in Table 4.5 show that the standard deviation values were less than two (<2) indicating that the respondents did not have divergent opinions on market linking capability. The findings further indicated that respondents substantially agreed that their banks created and managed lasting customer relationships (M=3.93, S.D=0.901). Similarly, most respondents agreed that their banks established stable relationships with consultants and other stakeholders to enable smooth running of operations (M=3.83, S.D=0.833) and also, there was convergence of respondents' opinions that majority of the Sharia compliant banks embraced and maintained all channel users active thereby contributing to their bottom lines (M=3.83, S.D=0.972). These findings imply that market linking capability was critical in ensuring sustained catchment for the Sharia banks.

The findings concurred with Gomes *et al.*, (2022) who studied the role of entrepreneurial orientation, organizational learning capability and service innovation in organizational performance and noted that market linking capability is a strong driver of service innovation and performance. The findings also concurred with Akter *et al.*, (2023) in a framework for artificial intelligence powered service innovation capability in a review and agenda for future research where it was found that a combination of high market turbulence and high market linking capabilities had a great influence on firm performance.

In this study, it was also found that there was a low level of agreement in opinion regarding the question on new product features, banks embraced customer suggestions for adoption and in addition, few respondents indicated that the current market trends determined their response strategies to the competition. Additionally, there was a low level of agreement on the question of banks having the ability to scan the environment to attract new customers. These findings contradict those of Aduwo *et al.*, (2022) who studied dynamic capabilities and competitive advantage of commercial banks in Kenya and concluded that indeed commercial banks' competitive advantage is positively and significantly influenced by market linking capabilities. This study's findings also contrast those of

Mwangi (2023) who reviewed strategic capabilities and performance of selected media firms in Kenya and concluded that market linking capability had a positive effect on performance of selected media firms in Kenya.

4.4.2 Information Technology Capability and Performance of Sharia Compliant Commercial Banks

Respondents gave their opinion on various statements relating to information technology capability and the findings obtained were as presented in Table 4.6;

Table 4.6: Information Technology Capability

	N	Mean	Std. Dev
Our bank possesses an IT infrastructure that supports full adoption of systems.	121	3.88	.852
Our bank has skilled staff with requisite competencies to handle all projects.	121	3.89	.883
Our bank leverages on staff IT competencies to achieve its objectives.	121	3.95	.815
Our bank has relevant IT business experience to formulate better strategies.	121	3.95	.865
Our bank has resilient business processes which contributes to achievement of key performance variables.	121	3.70	.863
Our bank maximizes on IT department liaisons to achieve organizational goals.	121	3.54	.975
Liaison enhances communication among staff cadres and boosts morale through communication.	121	3.67	.952
Our bank leverages on staff IT competencies to maintain competitive advantage.	121	3.69	.895
Valid N (listwise)	121		

n = 121 *Mean = (Strongly Disagree = 1 – 1.8; Disagree = 1.9 – 2.6; Neither Agree nor Disagree = 2.7 – 3.4; Agree = 3.5 - 4.2; Strongly Agree = 4.3 – 5.0)

Results presented in Table 4.6 indicate that all statements had a standard deviation of less than two (<2) denoting that respondents' opinions had a convergence towards the mean. Much convergence was recorded for banks leveraging on staff competencies to achieve their objectives (M=3.95, S.D=.815) and banks having relevant information technology business experience to formulate better strategies for purposes of improving their organizational performance (M=3.95, S.D=0.865). Additionally, there was convergence in opinions around banks having skilled staff with requisite competencies to handle all projects within their environments (M=3.89, S.D=0.883) as well as banks having good information technology infrastructure that supported full adoption of systems (M=3.88, S.D=.852). All these were building blocks of information technology capabilities that influence performance of Sharia compliant banks.

The findings agree with Marchiori *et al.,* (2022) who did an integrated approach to the relationship between human capital, information technology capability, innovativeness and organizational performance and found that IT capabilities positively impacted organizational innovativeness, and IT capabilities together with organizational innovativeness were direct antecedents of organizational performance. The findings similarly agree with Nugroho *et al.,* (2022) who studied strategic orientations and firm performance focusing on the role of information technology adoption capability and found that IT capability was effective at helping firms to implement their strategic orientations which in turn influences firm performance.

Respondents showed dispersed agreement on the statement that banks enhanced communication among staff cadres to boost their morale through communication (M=3.67, S.D=0.952) and also that banks maximized on liaisons with the information technology departments to achieve organizational goals (M=3.54, S.D=0.975). This was in contrast with Otioma (2022) who studied IT capability, organizational learning and innovation performance of firms in Kenya, and found that there was a mediating role of organizational learning in the relationship between information technology capability and innovation performance which were realized mainly through explorative learning whilst enabling firms to exploit existing knowledge bases.

4.4.3 Knowledge Management Capability and Performance of Sharia Compliant Commercial Banks

Respondents provided their opinions on statements relating to knowledge management capability and the obtained results were as presented in Table 4.7;

Table 4.7: Knowledge Management Capability

	N	Mean	Std. Dev
Our bank seeks to identify knowledge bases within the institution.	121	3.59	.891
Requisite knowledge is developed in our bank for aligning organizational goals.	121	3.94	.869
Our bank places prioritizes safe knowledge transfer between staff members.	121	3.97	.816
Experienced staff volunteer to offer apprenticeship to newly employed staff.	121	3.98	.764
Our bank invests in staff retention to keep vital institutional memory bases.	121	3.80	.833
Our bank has invested in automated systems to be leveraged for storing valuable information.	121	3.45	1.064
Our bank has a repository where vital information can be maintained and accessed.	121	3.70	.900
Our bank places prioritizes overall knowledge management.	121	3.73	.856
Valid N (listwise)	121		

n = 121 *Mean = (Strongly Disagree = 1 – 1.8; Disagree = 1.9 – 2.6; Neither Agree nor Disagree = 2.7 – 3.4; Agree = 3.5 - 4.2; Strongly Agree = 4.3 – 5.0)

Results in Table 4.7 show that all statements had a low standard deviation of less than two which suggested that respondents had converging opinions. Respondents agreed more on the statement that experienced staff volunteered to offer apprenticeship to newly employed staff (M=3.98, S.D=0.764), which ensured passing on new knowledge by the experienced staff and also a way of inculcating a learning culture within the Sharia compliant banks. Respondents' views also strongly converged on Sharia compliant banks ensuring there being safe knowledge transfer between staff members (M=3.97, S.D=0.816). Additionally, respondents were in agreement that requisite knowledge needed to be developed in Sharia compliant banks for better alignment of organizational goals (M=.394, SD=.869). The results confirm that knowledge management capability harnessed Sharia banks' human capital capacity hence leading to improved productivity.

This study concurs with Idrees *et al.*, (2022) who reviewed the impact of knowledge management capabilities on new product development performance through mediating role of organizational agility and moderating role of business model innovation and found that knowledge sharing and knowledge application had significant and positive effect on the development of new products. The findings also concur with Moseti *et al.*, (2023) who studied the relationship between knowledge management and firm performance of geospatial firms in Kenya and found that knowledge management positively and significantly impacted firm performance of geospatial firms in Kenya.

In this study, respondents' views dispersed on the question that their institutions had invested in automated systems that could be leveraged for storing valuable information (M=3.45, S.D=1.064). Similar dispersion in opinion was observed in the question on Sharia compliant commercial banks seeking to identify knowledge bases within the institutions (M=3.59, S.D=0.891). This is evidenced by some institutions rewarding experienced staff for their continued transfer of knowledge to newer staff whereas other institutions shed off experienced staff because of higher remuneration despite the advantages that these staff carry with them. This is in contrast with findings by Duke *et al.*, (2022) who found that effective knowledge creation, transfer, integration and implementation led to superior firm performance.

4.4.4 Coordination Capability and Performance of Sharia Compliant Commercial Banks

Respondents gave their views on various statements relating with coordination capability and the findings obtained were as presented in Table 4.8;

Table 4.8: Coordination Capability

	N	Mean	Std. Dev
Our bank usually interprets market information correctly.	121	3.58	.901
Our bank allocates resources equitably across departments.	121	3.99	.822
Our bank ensures that allocated resources are properly used.	121	3.88	.766
Our bank communicates well to all staff about strategic and policy changes.	121	3.90	.800
Our bank ensures that all key decisions are cascaded to all members.	121	3.79	.816
Our bank leverages on vast ability to innovate for customer satisfaction.	121	3.63	.818
Our bank has a program for patenting all innovations to ensure assured revenue streams.	121	3.54	.885
Our bank coordinates all activities between all stakeholders to ensure mutual interdependencies.	121	3.59	.872
Valid N (listwise)	121		

n = 121 *Mean = (Strongly Disagree = 1 – 1.8; Disagree = 1.9 – 2.6; Neither Agree nor Disagree = 2.7 – 3.4; Agree = 3.5 - 4.2; Strongly Agree = 4.3 – 5.0)

The results presented in Table 4.8 showed that the standard deviation for each of the statements was less than two indicating that respondents' views were converging towards the mean score. Sharia compliant banks allocated resources equitably across departments scored (M=3.99, S.D=0.822), which facilitates seamless service provision by all departments across the institutions. Additionally, respondents agreed substantially on the issue of their banks communicating well to all staff about strategic and policy changes that were to take place within the institutions (M=3.90, S.D=0.800); further, respondents had much convergence on the issue of banks ensuring that allocated resources were properly used (M=3.88, S.D=0.766). This pointed to coordination capability influencing better resource optimization for improved bank performance.

The findings concur with Liu (2022) who examined the effect of partnership quality on small and medium enterprises success with a mediating role of coordination capability and organizational agility. The study found that there was a strong and positive relationship between coordinating capability and SME performance. Similarly, the findings concur with Muneeb *et al.,* (2023) who reviewed empowering resources recombination through dynamic capabilities of an enterprise and found that coordinating capabilities helped in resources recombination to reconfigure the resource base by extending, creating, and modifying innovative resource recombination.

Sharia banks had programs for patenting their innovations to ensure that they had assured revenue streams and banks coordinating all their activities between all stakeholders to ensure mutual interdependencies (M=3.54, S.D=0.885) and (M=3.59, S.D=0.872) respectively returned lower mean scores indicating that there was divergence of views amongst respondents. The findings are in contrast with Taleb *et al.,* (2023) who assessed the mediating effect of innovation capability between entrepreneurial resources and micro business performance and found that entrepreneurial resources, particularly technical resources, positively and significantly affected innovation capability and enhanced business performance. The findings also contrast those of Ahmed *et al.,* (2020) who found that process innovation and product innovation complement each other in improving innovation speed and quality hence enhancing firm performance.

4.4.5 Corporate Culture and Performance of Sharia Compliant Commercial Banks

The study respondents proffered their level of agreement on various statements that relate to corporate culture as presented in Table 4.9;

Table 4.9: Corporate Culture

	N	Mean	Std. Dev
Our bank recognizes the hierarchical order of staff levels.	121	3.54	.837
Our bank has a comprehensive organizational chart that specifies all designations.	121	3.75	.960
Our bank engages in corporate social responsibility as a strategically planned activity.	121	3.83	.799
Our bank collaborates freely with other institutions for the general good of the public.	121	3.79	.950
Our bank has collaboration assignments with the regulator for specific strategic projects.	121	3.84	.837
Our bank engages in social activities that bring members of the public close.	121	3.66	.871
Our bank promotes social welfare among staff members.	121	3.19	1.043
Our bank's values are emblematic of clear focus for achievement of goals and objectives.	121	3.74	.881
Valid N (listwise)	121		

n = 121 *Mean = (Strongly Disagree = 1 – 1.8; Disagree = 1.9 – 2.6; Neither Agree nor Disagree = 2.7 – 3.4; Agree = 3.5 - 4.2; Strongly Agree = 4.3 – 5.0)

From the findings in Table 4.9, the standard deviation for all statements were below two which indicated that respondents' answers were converging towards the mean score. The responses converged more about banks having collaboration assignments with the regulator for specific strategic endeavours (M=3.84, S.D=0.837). Significant convergence was also recorded on the item about Sharia compliant banks engaging in corporate social responsibility as a strategically planned activity (M=3.83, S.D=0.799) as well as Sharia compliant banks collaborating freely with other institutions for the general good of the public (M=3.79, S.D=0.750) These results meant Sharia compliant banks engaged constructively with the regulatory authorities, the community and entire ecosystem.

The findings concur with Ghumiem *et al.,* (2023) who examined corporate culture and its effects on organizational performance based on multi-group analysis with evidence from developing countries and found that there was a significant positive impact of culture on corporate performance. The findings also agreed with Ndirangu and Owino (2023) who studied the effect of intangible resources on firm's competitive advantage in the telecommunication industry in Kenya and found that corporate culture has a positive and significant effect on the competitive advantage of Kenya's telecommunications industry.

The findings showed that there was less agreement on the item on Sharia compliant banks promoting social welfare among staff members (M=3.19, S.D=1.043) indicating that few Sharia compliant banks embraced social welfare schemes for their staff members. Additionally, there was less agreement on the question about Sharia banks recognizing the hierarchical order of staff members (M=3.54, S.D=0.837), meaning that prominence was given on roles played rather than the designations. These findings contrast those of Shamsudin and Velmurugan (2023) who in a study on the drivers of corporate culture impacting employee performance in IT industry found that the composite variable, company culture, had an effect on workers' performance. The findings similarly contrasted the study by Ombachi and Deya (2022) on the influence of corporate culture on strategy implementation which found that adhocracy culture had a positive and significant effect on strategy implementation.

4.4.6 Performance of Sharia Compliant Commercial Banks

Respondents gave their level of agreement or disagreement on the various statements regarding performance of Sharia compliant commercial banks and the obtained findings are shown in Table 4.10;

Table 4.10: Performance of Sharia Compliant Banks

	N	Mean	Std. Dev
Our bank has achieved improved market share compared to peers.	121	3.64	.912
The market share of our bank is reasonable at its current status.	121	3.74	.918
Our bank has introduced several new products in preceding years.	121	3.84	.866
Our bank has always ensured that customers get efficient services.	121	3.63	.932
Our bank has metrics to check and measure customer satisfaction.	121	3.56	.875
Services in our bank are simple and easy for the customer.	121	3.55	.885
Our bank performance metrics are satisfactory to all stakeholders.	121	3.74	.832
Our bank publishes quarterly performance results.	121	3.60	.861
Valid N (listwise)	121		

n = 121 *Mean = (Strongly Disagree = 1 – 1.8; Disagree = 1.9 – 2.6; Neither Agree nor Disagree = 2.7 – 3.4; Agree = 3.5 - 4.2; Strongly Agree = 4.3 – 5.0)

Results in Table 4.10 show that the standard deviation values for each of the statement under consideration are less than two inferring that the responses did not substantially deviate from the mean. The findings further show that respondents' views converged to a great extent on the item that Sharia banks introduced several new products in their spaces in the previous two years (M=3.84, S.D=0.866), which was in order to keep in sync with customers' ever-changing needs. There was great convergence too on the statement that most Sharia compliant banks indicated that their individual market shares were satisfactory at their current levels (M=3.74, S.D=0.918); and also that the banks' performance metrics were satisfactory to all stakeholders (M=3.74, S.D=0.832), which was because of the model being fairly new in Kenya's banking space.

The findings concur with Mollah *et al.,* (2023) who in a study on exploring the pathway to sustainable organizational performance through digital leadership on information technology capabilities and organizational learning in South Korea found that IT capabilities had an effect on sustainable organizational performance. The findings similarly concur with Menganyi *et al.,* (2023) who studied the influence of strategic capabilities on competitive advantage of microfinance institutions in Nairobi County, Kenya and found that financial capabilities had the most positive impact on competitive advantage hence greatly influenced the performance of microfinance institutions in Nairobi, Kenya.

The findings show less convergence on the item on Sharia banking services being simple and easy for customers (M=3.55, S.D=0.885) and lack of convergence was also witnessed on the statement that Sharia compliant banks had metrics to check and measure customer satisfaction (M=3.56, S.D=0.875) and it was because the Sharia banking model was fairly different from conventional banking which most bank customers were conversant with. These findings contrasted those of Otioma (2022) who reviewed information technology capability, organizational learning and innovation performance of firms in Kenya and demonstrated that IT capabilities had a significant effect on innovation performance of firms which simultaneously improved products, processes, organizational and market development.

4.4.7 Aggregation of Independent Variables

With all the independent variables having achieved a good reliability score, all items per variable were aggregated and the mean and standard deviation shown. Arising from the descriptive statistics, information technology capability (X_2) had the highest rating but the third lowest variation in responses (M = 3.7831, S.D = 0.39190). Knowledge management capability (X_3) had the second highest rating and also second lowest variation in responses (M = 3.7696, S.D = 0.35758). Market linking capability (X_1) had the third highest rating but highest variation in responses (M = 3.7386, S.D = 0.40920). Coordination capability (X_4) recorded the lowest rating and also had the lowest variation in responses (M = 3.7376, S.D = 0.35554). From the derived scores, coordination capability was the worst predictor followed by market linking capability and the second best predictor was knowledge management capability with the log of prediction being topped by information technology capability. The aggregation is shown in Table 4.11;

Table 4.11: Summary of Means and Standard Deviations

	N	Minimum	Maximum	Mean	Std. Dev
Market Linking Capability	121	2.50	4.63	3.7386	.40920
Information Technology Capability	121	2.50	4.63	3.7831	.39190
Knowledge Management Capability	121	2.75	4.63	3.7696	.35758
Coordination Capability	121	2.88	4.75	3.7376	.35554
Valid N (listwise)	121				

Ranked on scale: (Strongly Disagree = 1 – 1.8; Disagree = 1.9 – 2.6; Neither Agree nor Disagree = 2.7 – 3.4; Agree = 3.5 – 4.2; Strongly Agree = 4.3 – 5.0).

4.5 Qualitative Analysis

This study was based on both qualitative and quantitative data and arising from the concept of triangulation, data was collected from specified respondents vide open and closed ended questions. Procedural triangulation involves merging both quantitative and qualitative data collection methods, grounded on the premise that a single method of data collection may prove to be inadequate for purposes of providing satisfactory and accurate research result (Knight *et al.*, 2022). A sufficient number of open-ended questions associated with the study objectives were included in the questionnaire and content analysis was performed using SPSS version 26.

Regarding market linking capability, respondents were asked what other elements of the aforementioned capability were adopted by their banks in order to improve organizational performance. There were many and diverse responses, where 26% of the respondents noted that Sharia compliant commercial banks needed to adopt ambidextrous marketing orientation whereby they would adopt multipronged marketing channels with the aim of reaching wide and niche markets. Additionally, 16% of the respondents suggested that the existing customer relationship management channels and mechanisms needed to be revved up and reinvigorated in order that relationship building and maintenance would become more agile.

A cumulative 48% of the respondents noted that Sharia compliant banks needed to work more on their brand management capabilities and in order to adopt mechanisms such that they become more visible thus making it easy for prospective customers to associate with their individual brand names. This is to forestall situations where most of the Sharia compliant banks have been more inward looking and majority of the population did not even have a clue of their existence, let alone considering doing business with them. About 5% of the respondents held the view that Sharia compliant commercial banks did not have to reinvent the wheel but rather improve the offerings in the current product portfolio hence attract new customers and retain the existing ones.

On the question about ways in which information technology capability could be harnessed by Sharia compliant commercial banks, 59.1% of the respondents suggested that there ought to be dedicated efforts to improve outcomes and reduce costs through business model innovation in which there should be more open and unbundled operations in learning and credentialing, and general information technology management. 30.2% of respondents noted that information technology capability had the potential to provide technical support for customers and business operations and consistently solve complex business concerns. The rest of the respondents' views centered around information technology capability enabling easy decision making through data-driven models.

Majority of respondents made up of 68% were in agreement that Sharia compliant commercial banks needed to create opportunities in order to engage new experiences as a crucial component for employee development and learning. Additionally, 20% of the respondents indicated that mentorship programs were a great way to create experiences and enable knowledge transfer between employees, which eventually created a culture of staff learning to learn. 11% of the respondents converged in opinion that Sharia compliant commercial banks needed to empower employees to seek out growth and learning opportunities on their own, and that there should be reward schemes for dedicating time to the learning initiatives.

An open ended question was posed on how Sharia compliant commercial banks leveraged on the coordination capability within their internal environment, and majority made up of 56% of the respondents noted that indeed coordination capability was critical in determining their institution's competitive advantage more so concerning new product development. Further, 37% of respondents noted that coordination capability enabled their institutions to tap into the pool of external information, expertise and experiences that were ordinarily held by demand-side and supply-side partners and in turn contributing to new product performance. The remaining 7% of the respondents' opinions converged towards Sharia compliant commercial banks leveraging increased formation processing requirements in which case complementarity with other strategic capabilities would significantly contribute to improved organizational performance.

To understand how corporate culture had an effect on organizational performance of Sharia compliant commercial banks, 62% of respondents' views converged around the position that institutions with strong corporate cultures were particularly able to improve their performance through involving their staff members in focused and more intense ways. 36% of the respondents' views revolved around promoting a case that if corporate culture was positive and strong, it made even average individuals in the institutions to perform and achieve superlatively whereas negative and weak culture demotivated even the most outstanding employees and would result in them underperforming hence institutions ending up with minimal achievements. The remaining respondents generally commented that corporate culture was indeed a critical factor in enhancing the attainment of organizational goals and objectives.

The researcher sought to know from respondents what good organizational performance entailed in their institutions' contexts, and majority constituting 59% of the respondents converged on the theme that better performance entailed institutions mustering survival and growth strategies, where the focus should mostly be on ensuring that the institutions met basic working requirements especially by regulatory authorities not only for survival but to also marshal growth strategies. 23% of the respondents indicated that Sharia compliant commercial banks must endeavour to be good fit in the financial sector environment for overall contribution by various stakeholders for their performance to be noticeable in the sector. The remaining respondents had a convergence that apt performance must be hinged on relevancy of returns and general results that are realized.

Respondents generally indicated that Sharia compliant commercial banks notably focused more on the major metrics of organizational performance and therefore were verily in touch with the dynamics that obtained in the banking sector generally. The findings inferred that majority of Sharia compliant commercial banks actually cascaded their strategic vision for performance, thus activating individual level performance, team level performance and departmental level performance thereby majorly facilitating contribution across the institutions and that augured well in ensuring that the strategic agenda was pursued forwards by all.

4.6 Tests of Assumptions

After exploring the independent variables through descriptive statistical analysis, the study attempted to establish the relationship between the independent variables and the dependent variable through adopting a bivariate nature of the relationship between the variables. Correlation analysis was used to assess the strength and bearing of the relationship among the variables and linear regression was used to determine the nature of the relationships. Inferential statistics were derived to test the study hypotheses for purposes of rejecting or failing to reject the null hypotheses. The applied rule was that at 5% level of significance, the null hypothesis was rejected if the obtained p-value was less than 0.05 ($p\text{-value} < 0.05$).

4.6.1 Normality Test for Variables

Approaches used in applied statistical methods for multidisciplinary research include correlation, regression, analysis of variance and parametric tests and are based on normal distribution. Normality and other attendant assumptions require to be considered with seriousness because if these assumptions do not hold, it becomes challenging to derive correct and reliable conclusions about reality (Gujarati, 2022). Normality of a dataset requires to be determined prior to undertaking other statistical tests and emphasis is that it is important to check on single and multiple outliers within a dataset in order to achieve reliable results (Robitzsch, 2022).

The universally accepted methods of approximating normality of any data distribution include numerical assessment which entails statistical tests such as Kolmogorov-Smirnov and Shapiro-Wilk. Social science research also embraces graphical methods that involve visual review such as Quantile-Quantile (Q-Q) plots and majority of social scientists prefer Shapiro-Wilk test which is universally adopted because it is most appropriate more so for small sample sizes (<50) but still has the power to deal with sample sizes as large as 2,000 and more (Knief & Forstmeier, 2021). This study used Shapiro-Wilk test for interpretation of normality of the data and the test is based on the correlation between data and the corresponding normal scores and provides better power than Kolmogorov-Smirnov test even after the Lilliefors correction (Khatun, 2021).

Table 4.12: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Market Linking Capability	.085	121	.031	.981	121	.092
Information Technology Capability	.090	121	.019	.964	121	.002
Knowledge Management Capability	.098	121	.006	.982	121	.103
Coordination Capability	.145	121	.000	.941	121	.000
Corporate Culture	.093	121	.012	.978	121	.068
Performance of Banks	.116	121	.000	.959	121	.001

a. Lilliefors Significance Correction

The null hypothesis under Shapiro-Wilk test holds that the population is normally distributed and if the p-value is less than the chosen alpha value, then the null hypothesis is rejected denoting that there is evidence that the data tested may not be from a normally distributed population. On the other hand, if the obtained p-value is greater than the chosen alpha level, then we fail to reject the null hypothesis and hold that the data came from a normally distributed population (Wei, 2022). Table 4.12 shows that two independent variables namely information technology capability and coordination capability, and the dependent variable had p-values of less than 0.05. This study therefore rejected their corresponding null hypotheses and concluded that the datasets for those variables were not normally distributed.

However, Tang *et al.,* (2023) agreed that researchers could still use parametric procedures even when the data are not normally distributed. Similar to other statistical significance tests where the sample size is sufficient, the test detects even insignificant departures from the null hypothesis which may have some statistically significant effect but may be too small to be of any practical significance. To test the significance of departure from normality, Q-Q plots were done and results shown in Figure 4.2, 4.3, 4.4, 4.5 and 4.6;

4.6.1.1 Normal Q-Q plot of Market Linking Capability

Departure from normality for market linking capability was not so pronounced and the same was confirmed from the approximation line of fit in Figure 4.2. Data was therefore near to normal distribution and could be used in regression analysis.

Normal Q-Q Plot of Market Linking Capability

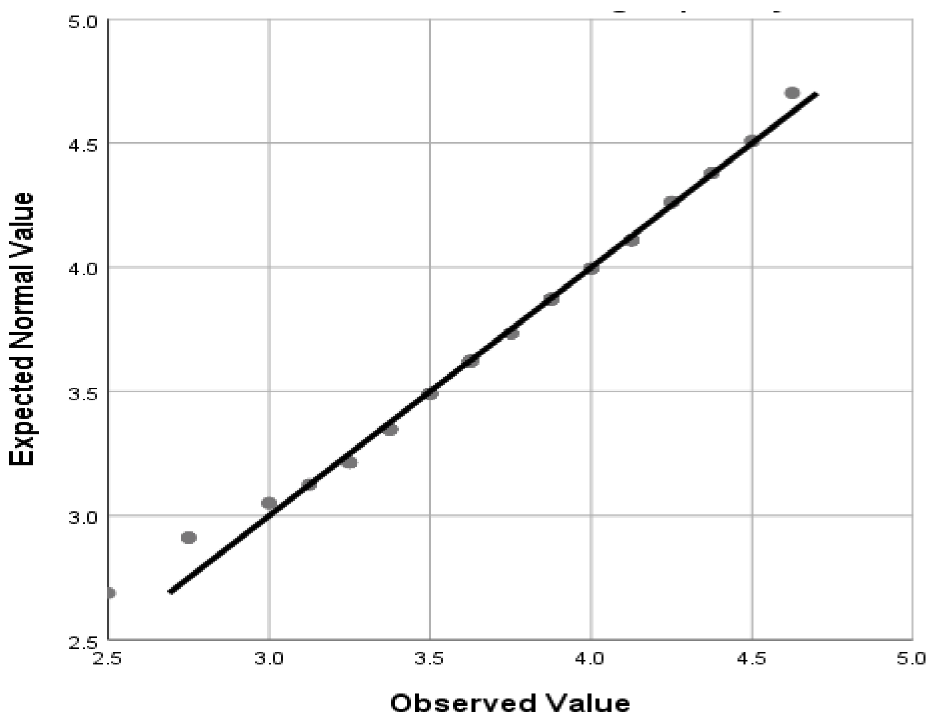


Figure 4.2: Normal Q-Q plot of Market Linking Capability

4.6.1.2 Normal Q-Q plot of Information Technology Capability

For the independent variable information technology capability, departure from normality was also not so pronounced as can be seen from the approximation line of fit. This confirmed that data was normal in its distribution and could therefore be used in regression analysis. This is shown in Figure 4.3;

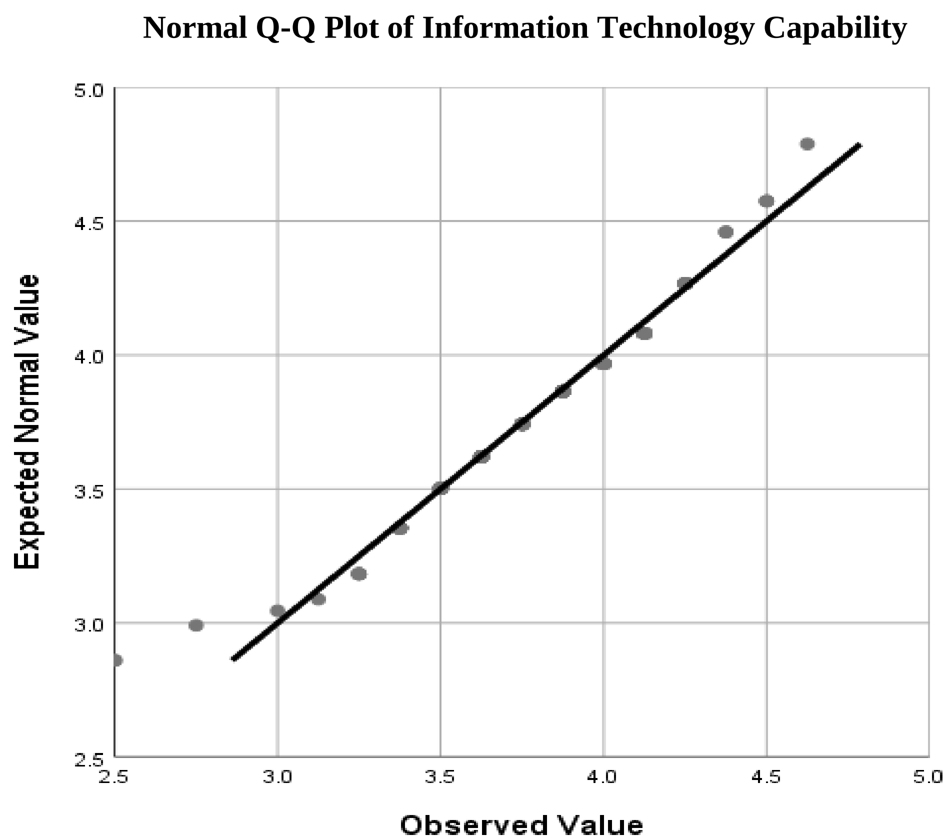


Figure 4.3: Normal Q-Q Plot of Information Technology Capability

4.6.1.3 Normal Q-Q Plot of Knowledge Management Capability

The departure from normality for independent variable knowledge management capability was not very far off from the line of approximation of fit. That was a confirmation that the data was normally distributed and hence could be used for conducting regression analysis. This is illustrated in Figure 4.4;

Normal Q-Q Plot of Knowledge Management Capability

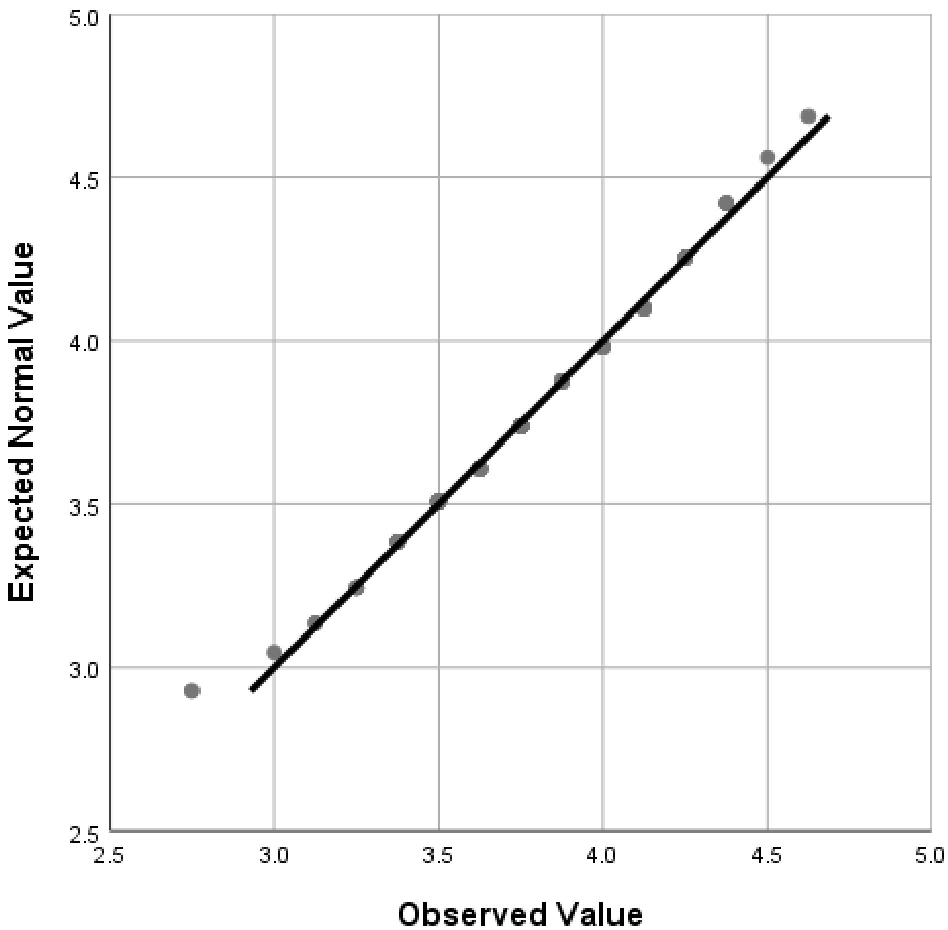


Figure 4.4: Normal Q-Q Plot of Knowledge Management Capability

4.6.1.4 Normal Q-Q Plot of Coordination Capability

For the independent variable coordination capability, departure from normality was also not so much as shown by the approximation line of fit in Figure 4.5. This confirmed that the data was near normal distribution and could therefore be used in regression analysis.

Normal Q-Q Plots of Coordination Capability

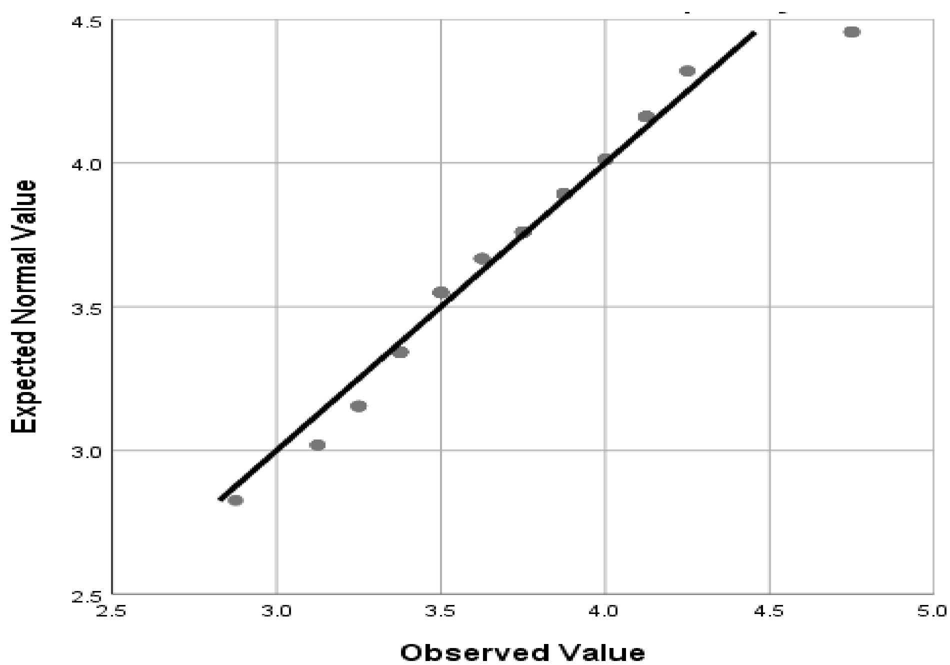


Figure 4.5: Normal Q-Q Plot of Coordination Capability

4.6.1.5 Normal Q-Q Plot of Performance of Sharia Compliant Commercial Banks

Data for the dependent variable, performance of Sharia compliant commercial banks was not far off the approximation line of fit and could therefore be used in regression analysis. This is shown in Figure 4.6;

Normal Q-Q Plot of Performance of Sharia Banks

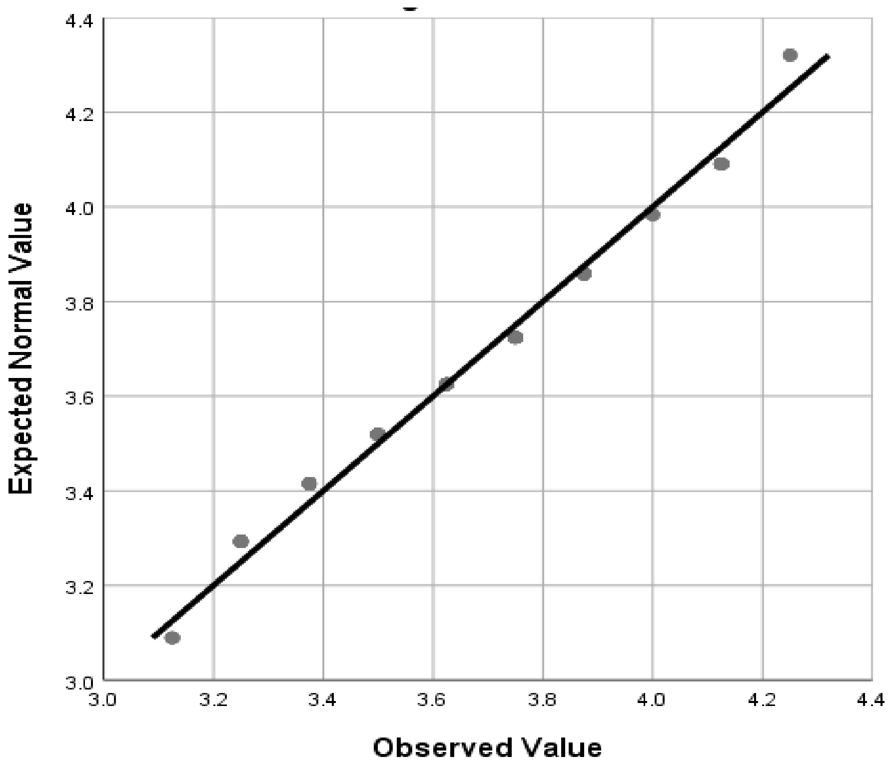


Figure 4.6: Normal Q-Q Plot of Performance of Sharia Banks

4.6.2 Multicollinearity

Multicollinearity describes the existence of strong correlations among predictor variables and occasions challenges with multiple regression analysis whereby it becomes difficult to identify easily the distinct relationship between each predictor variable and the dependent variable (Zyphur *et al.,* 2023). Multicollinearity is a condition of very high intercorrelations among the predictor variables and is thus a type of disturbance in the data and if it is present in the data, the statistical inferences derived from the data may not be reliable. If the extent of correlation between variables is high enough, it may pose problems when fitted in the model and results interpreted (Kaushik *et al.,* 2022). According to Ahmed *et al.,* (2021), in the presence of multicollinearity, the estimate of an individual variable's influence on the dependent variable, whilst controlling the other variables thus becomes less precise than if the predictors were uncorrelated.

Variance Inflation Factor (VIF) is universally used for detecting multicollinearity among predictors in regression models and the metric indicates whether or not a predictor variable bears a strong linear relationship with the other predictors in the model. The variance inflation factor is 1/Tolerance and is usually more than or equal to 1. There is no formal VIF value for establishing the presence of multicollinearity but values that exceed 10 are always regarded as indicating multicollinearity and in weaker models then values above 2.5 may be a cause for concern (Sapiri, 2023). Table 4.13 shows that all variables had VIF values of less than 10 hence were suitable.

Table 4.13: Multicollinearity Test Statistics

		Collinearity Statistics	
		Tolerance	**VIF**
1	(Constant)		
	Market Linking Capability	.836	1.196
	Information Technology Capability	.876	1.141
	Knowledge Management Capability	.895	1.117
	Coordination Capability	.768	1.302
	Corporate Culture	.739	1.353

a. Dependent Variable: Performance of Sharia Banks

4.6.3 Heteroscedasticity

Heteroscedasticity is a condition in which the variance of the residual term in a regression model diverges broadly and this happens as a result of outliers in the data. It is evidenced when the standard deviations of an outcome variable, checked over different values of an independent variable or as related to earlier time periods, are not constant. Where the error term differs at different independent values, then heteroscedasticity is said to be present meaning it occurs when the error terms are not evenly spread around a horizontal line (Sun & Wang, 2022). The presence of heteroscedasticity in the data means the population used in the regression contains unequal variance, and therefore the analysis results may be invalid.

This study performed Breusch-Pagan test to determine whether or not heteroscedasticity was present and used the null hypothesis that (H_0): homoscedasticity is present (residuals are distributed with equal variance); and alternative hypothesis that (H_1): heteroscedasticity is present (residuals are not distributed with equal variance). If the p-value of the test is less than the chosen significance level, then we reject the null hypothesis and conclude that heteroscedasticity is present in the model.

Table 4.14: Breusch-Pagan Test for Heteroskedasticity[a,b,c]

Chi-Square	df	Sig.
.030	1	.863

a. Dependent variable: Performance of Sharia Banks

The findings presented in Table 4.14 indicate that Chi-Square was 0.030 and a p-value = .863 which is greater than the chosen significance level of p-value = 0.05 and therefore indicated that the distribution of the residuals did not have equal variance. This study therefore failed to reject the null hypothesis and concluded that homoscedasticity was present in the model, inferring that there was no heteroscedasticity.

4.6.4 Linearity Test

The linearity test in research is used to determine whether a relationship between variables are adequately represented by a linear model and helps researchers to decide if a non-linear model is essential for precise representation (Zhang *et al.*, 2023). Linearity is significant to make sure that the relationship between the independent and dependent variables is linear. This study adopted goodness of fit to test for linearity which assisted in making precise the incongruity between the observed values and the predictable values under a statistical model. If the p-value is less than the significance level (< 0.05), then the relationship between the independent variables are linearly dependent. If on the other hand the p-value is greater than the significance level (>0.05), then the relationship between independent variables with the dependent variable is not linear.

Table 4.15: Linearity Test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	13.030	4	3.257	39.240	.000[b]
	Residual	9.647	116	.083		
	Total	22.677	120			

a. Dependent Variable: Performance of Sharia Banks
b. Predictors: (Constant), Coordination Capability, Market Linking Capability, Knowledge Management Capability, Information Technology Capability

From the findings in Table 4.15, the F-value of 39.240 was significant at 0.000 < 0.05 significance level hence indicating that there was a linear relationship between the dependent variable and at least one of the independent variables. This leads to the deduction that the data under consideration passed the linearity test, which is important as it ensured that the relationship between the independent and dependent variables was linear thus helps the researcher to decide if a non-linear model is necessary for accurate representation.

4.7 Correlation Analysis Results

Correlation analysis is a statistical method used to measure the strength of linear relationship between two variables and compute their association using the correlation coefficient (r), which gives a statistic that ranges from -1.0 (perfect negative correlation) to 1.0 (perfect positive correlation) and indicates the magnitude of the relationship between the considered variables where and a large correlation coefficient value denotes a stronger association between two variables, a zero coefficient value of (r) shows that there is no association between two variables (Yu & Hutson, 2022).

Table 4.16: Correlation Analysis for Study Variables

		Y	**X_1**	**X_2**	**X_3**	**X_4**	**M**
Y	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	121					
X_1	Pearson Correlation	.417	1				
	Sig. (2-tailed)	.008					
	N	121	121				
X_2	Pearson Correlation	.552*	.052	1		.	
	Sig. (2-tailed)	.003	.571				
	N	121	121	121			
X_3	Pearson Correlation	.528	.236**	.050	1	.	
	Sig. (2-tailed)	.004	.009	.585			
	N	121	121	121	121		
X_4	Pearson Correlation	.714*	.096	.305	.209	1	
	Sig. (2-tailed)	.001	.297	.070	.062		
	N	121	121	121	121	121	
M	Pearson Correlation	.303	.148	.193	.191	.387	1
	Sig. (2-tailed)	.060	.090	.086	.088	.0570	
	N	121	121	121	121	121	121

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Key: Y = Performance of Sharia Banks; X_1 = Market linking capability; X_2 = Information technology capability; X_3 = Knowledge management capability; X_4 = Coordination capability M= Corporate culture

From the findings in Table 4.16, the relationships between the dependent variable and the independent variables were significant with p-values < 0.05. The study findings also showed that there was no significant correlation amongst the independent variables and as such it inferred that there was no multicollinearity between the variables. The findings showed that market linking capability was moderately and positively related to performance (r = 0.417, p = 0.008); information technology capability had a strong positive and significant relationship with performance (r = 0.552, p = 0.003); knowledge management capability had a strong positive and significant relationship with performance (r = 0.528, p = 0.031), and finally coordination capability had a very strong positive and significant relationship with performance (r = 0.714, p = 0.008). The correlation findings show that there is significant relationship between the dependent and independent variables which means that strategic capabilities have a significant influence on performance of Sharia compliant commercial banks in Kenya.

The findings concur with Rehman *et al.*, (2023) who examined the impact of the management control system package on business performance and found that all elements of strategic capabilities have a significant and positive influence on entrepreneurial competencies and by extension organizational performance. The findings also concur with Cao and Weerawardena (2023) who reviewed strategic use of social media in marketing and financial performance in the context of SMEs and the findings broadly supported the theorization in which the strategic use of strategic capabilities was essential in organizational undertakings and hence influenced organizational performance.

The findings are also in line with Amollo (2022) who reviewed strategic capabilities for competitive advantage at British American Tobacco, Kenya and indicated that adoption of strategic capabilities affected the competitive advantage of the company. Technology, market information, resources, skills, and knowledge were found to have significantly contributed to market share, revenues, improved product brand, or sustainability and which contributed to the organization's competitive advantage, with emphasis that a high level of customer experience should be maintained over time for the competitive advantage to be sustainable.

4.8 Regression Analysis Results

Regression analysis determines the linear statistical relationship where a single or several independent variables are used to predict the dependent variable (Farrar, 2022). The null hypotheses of the study were tested using linear regression models. F-test was used to establish the validity of the model while r square was used to quantify the model's goodness of fit. The regression coefficient was adopted to give a description of the results of regression analysis and explicate the nature and strength of correlations between the study variables.

4.8.1 Influence of Market Linking Capability on Performance of Sharia Banks

To find out the influence of market linking capability (X_1) on performance of Sharia compliant commercial banks (Y), a regression model was fitted to the data and it was found to be statistically significant ($F (1, 119) = 24.804$, p-value = .000). The co-efficient of determination (R^2) was .173 indicating that market linking capability explained 17.3% variation in improvement of performance of Sharia compliant commercial banks. The adjusted R^2 explained 16.5% variation while the rest of the score could be explained by other influences not included in the model. R score of .417 indicated a moderate positive correlation between market linking capability and performance of Sharia compliant commercial banks.

The hypothesis to be tested was **H_{01}**: Market linking capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.

The survey results showed that there was a moderate positive relationship between market linking capability and performance of Sharia compliant commercial banks in Kenya (β_1 = .322, t = 3.389, p-value = .000). The regression model fitted to test the relationship was;

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \varepsilon}$$

Where;

Y = Performance of Sharia Banks

β_0 = Constant

X_1 = Market linking capability

Table 4.17: Regression Analysis Results of Market Linking Capability and Performance of Sharia Banks

a) Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.417[a]	.173	.165	.29710

a. Predictors: (Constant), Market Linking Capability
b. Dependent Variable: Performance of Sharia Banks

b) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.547	1	3.547	24.804	.000[b]
	Residual	16.960	119	0.143		
	Total	20.507	120			

a. Dependent Variable: Performance of Sharia Banks
b. Predictors: (Constant), Market Linking Capability

c) Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.710	.249		14.885	.000
	Market Linking Capability	.322	.095	.417	3.389	.000

a. Dependent Variable: Performance of Sharia Banks

The null hypothesis stating that market linking capability has no significant influence on performance of Sharia compliant commercial banks in Kenya (H_{01}: $\beta_1 = 0$) was therefore rejected ($\beta_1 = .322$, t = 3.389, p-value =.000) and a conclusion reached that market linking capability (X_1) has an influence on performance of Sharia compliant commercial banks in Kenya (Y).

The resulting regression model was;

$$\mathbf{Y = 3.710 + 0.322X_1}$$

The model equation demonstrates that standardized improvement in performance index of Sharia compliant commercial banks increases by .322 units with a unit increase in the index of market linking capability.

The findings concur with Yahiamarzouk and Jin (2022) who reviewed linking environmental scanning and organizational innovation with competitive advantage in Egyptian small and medium enterprises and found that organizational innovation fully mediated the relationship between environmental scanning and competitive advantage. Therefore, organizations must continuously track trends and occurrences in their internal and external environments. The findings are also in agreement with Boateng (2019) who reviewed online relationship marketing and customer loyalty focusing on signaling theory perspective and concluded that bank's online relationship activities, over and above the online tools utilized, need to communicate appropriate and useful signals in order to positively influence online trust and loyalty among customers.

Requirements forecasting is another element of market linking capability and this study's findings support those of Ahmad *et al.,* (2020) who reviewed renewable energy and electricity requirement forecasting models for smart grid and buildings and found that the performance of energy planning models depended on using suitable prediction algorithms for supply and sustainability of resources. The findings also concur with Xiao *et al.*, (2018) who in a study on heuristic algorithm based on resource requirements forecasting for server placement in edge computing found that forecasting is a key prerequisite for economic planners and policy makers.

However, this study's findings contrast Kibe *et al.,* (2020) whose study on big data analytics capabilities and organizational performance mediated by dual innovations found that organizations needed to evolve along with the market trends and environmental changes and that amongst the solutions for organizations to enhance their performance, quick adoption to changing dynamics in the marketplace become very critical in ensuring attainment and sustenance of such performance.

4.8.2 Influence of Information Technology Capability on Performance of Sharia Banks

In establishing the influence of information technology capability (X_2) on performance of Sharia compliant commercial banks (Y), the regression model was found to be significant (F (1, 119) = 52.219, p–value = 0.000), signifying that information technology capability was a valid predictor in the model. The coefficient of determination (R^2) value of .304 inferred that information technology capability independently explained 30.4% variation in performance of Sharia compliant commercial banks. The adjusted R^2 explained 29.6% hence the remainder could be explained by other factors that were not included in the model. The R value of .552 indicated a high positive correlation between information technology capability and performance of Sharia compliant commercial banks. The standard error of .43503 indicated the deviation from the line of best fit as captured in Table 4.18(a);

The hypothesis to be tested was **H_{02}**: Information technology capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.

The survey results indicated that there was a positive relationship between information technology capability and performance of Sharia compliant commercial banks in Kenya (β_2 = .443, t = 3.488, p-value = 0.000). The regression model fitted to test the relationship was;

$$\mathbf{Y = \beta_0 + \beta_2 X_2 + \varepsilon}$$

The null hypothesis **H_{02}:** Information technology capability has no significant influence on performance of Sharia compliant commercial banks in Kenya was therefore rejected (β_2 = .443, t = 3.488, p-value = 0.000) and a conclusion drawn that information technology capability (X_2) influenced performance of Sharia compliant commercial banks in Kenya (Y).

The model equation was;

$Y = 2.953 + .443X_2$

Where; Y = Performance of Sharia compliant commercial banks;

X_2 = Information technology capability.

The beta coefficient for information technology capability was significant ($\beta_2 = .443$, $t = 3.488$, p-value = 0.000), implying that for every single unit increase in the index of information technology capability, there was a corresponding .443 units improvement in performance of Sharia compliant commercial banks in Kenya as shown in Table 4.18(c).

Table 4.18: Regression Analysis Results of Information Technology Capability and Performance of Sharia Banks

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.552[a]	.304	.296	.43503

a. Predictors: (Constant), Information Technology Capability

b) ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.893	1	6.893	52.219	.000[b]
	Residual	15.784	119	.132		
	Total	**22.677**	**120**			

a. Dependent Variable: Performance of Sharia Banks

b. Predictors: (Constant), Information Technology Capability

c) Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.953	.385		7.662	.000
	Information Technology Capability	.443	.127	.552	3.488	.000

a. Dependent Variable: Performance of Sharia Banks

This study's findings conform to those of Marchiori *et al.,* (2022) who in an integrated approach to the relationship between human capital, information technology capability, innovativeness and performance found that IT capabilities positively impacted organizational innovativeness and in the same breadth, IT capabilities and organizational innovativeness were direct antecedents of organizational performance. Moreover, innovativeness positively moderated the effect of IT capabilities on organizational performance, and that innovativeness was a driver for performance and leveraged the effect of IT capabilities on performance.

This study's findings also correspond with those of Tadiboina and Chase (2022) who reviewed the importance and leverage of modern information technology infrastructure in the healthcare industry and found that IT capability supported accessibility of high quality magnetic electronic data. Wei *et al.,* (2022) studied the effects of information technology capability and knowledge base on digital innovation with the moderating role of institutional environments and found that IT capability positively affected knowledge breadth and knowledge depth, which consequently improved digital innovation. Moreover, the study revealed a negative moderating effect of enforcement inefficiency on IT capability and knowledge breadth relationship, and negative moderating effect of government support on IT capability and knowledge depth relationship.

This study's findings concur with Audi and Kilika (2023) who reviewed core competencies and performance of tech startups in Nairobi City County, Kenya, and found that composite construct of core competences had a significant effect on performance of tech startup companies. This is indicative that information technology competencies play a significant role among the subsets of IT capabilities and their influence on organizational performance. The findings also correspond to those of Muazu and Abdulmalik (2021) who reviewed information technology capabilities and competitive advantage and found that organizations usually identify design problems before users gain experience with systems, and eventual adoption of information technology in Kenya. Additionally, Maemunah and Cuaca (2021) found that business strategy, information technology and supply chain agility influenced firm performance in medical devices industry.

4.8.3 Influence of Knowledge Management Capability on Performance of Sharia Banks

The regression model of knowledge management capability (X_3) and performance of Sharia compliant commercial banks in Kenya (Y) was significant (F (1, 119) = 46.014, p-value = .000), implying that knowledge management capability was a valid predictor in the model. The coefficient of determination (R^2) was .278 denoting that knowledge management capability on its own explained 27.8% improvement index in performance of Sharia compliant banks. The adjusted R^2 was .269 meaning that knowledge management capability explained 26.9% improvement in performance of Sharia banks and the remainder could be explained by other factors not included in the model. As shown in Table 4.19(a), the R value of .528 implied a high positive correlation between knowledge management capability and performance of Sharia compliant commercial banks and the standard error of .43467 showed the deviation from the line of best fit.

The hypothesis to be tested was **H_{03}**: Knowledge management capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.

The survey results exhibited that there was a positive relationship between knowledge management capability and performance of Sharia compliant commercial banks in Kenya (β_3 = .488, t = 3.669, p-value = .000). In order to examine the relationship between the variables, the model fitted was;

$$\mathbf{Y = \beta_0 + \beta_3 X_3 + \varepsilon}$$

The null hypothesis $\mathbf{H_{03}}$ stating that knowledge management capability has no significant influence on performance of Sharia compliant commercial banks in Kenya was therefore rejected ($\beta_3 = .488$, $t = 3.669$, p-value = .000) and a conclusion reached that knowledge management capability (X_3) significantly influenced performance of Sharia compliant commercial banks in Kenya (Y).

The resulting regression model was;

$\mathbf{Y = 2.879 + .488X_3}$ Where;

Y = Performance of Sharia compliant commercial banks

X_3 = Knowledge management capability.

From Table 4.19(c), the beta coefficient for knowledge management capability was significant ($\beta_3 = .488$, $t = 3.669$, p-value = .000) which implied that for every single unit increase in the index of knowledge management capability, there was a corresponding .488 units improvement in the index of performance of Sharia compliant commercial banks.

Table 4.19: Regression Analysis Results of Knowledge Management Capability and Performance of Sharia Banks

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.528[a]	.278	.269	.43467

a. Predictors: (Constant), Knowledge Management Capability

b) ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.304	1	6.304	46.014	.000[b]
	Residual	16.373	119	.137		
	Total	22.677	120			

a. Dependent Variable: Performance of Sharia Banks
b. Predictors: (Constant), Knowledge Management Capability

c) Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	F	Sig.
		B	Std. Error	Beta		
	(Constant)	2.879	.420		6.852	.000
	Knowledge Management Capability	.488	.133	.528	3.669	.000

a. Dependent Variable: Performance of Sharia Banks

From Table 4.19(c), the findings confirmed that knowledge management capability positively influenced performance of Sharia compliant commercial banks in Kenya (β_3 = .488, t = 3.669, p-value = .000). Results from regression analysis indicated that knowledge management capability had a moderate influence on performance of Sharia compliant commercial banks. The model showed that improvement in performance index of Sharia compliant commercial banks would increase by .488 for every unit increase in knowledge management capability index. Pearson product moment correlation coefficient for knowledge management capability and performance of Sharia compliant commercial banks (r = .528, p-value = 0.000) was significant at the chosen 0.05 level of significance.

The findings concur with AlMulhim (2023) who studied knowledge management capability and organizational performance as a moderated and mediated model of environmental dynamism and opportunity recognition respectively, and found that knowledge management capability was directly and indirectly through opportunity recognition related to organizational performance. The study also found that environmental dynamism moderated the linkage between knowledge management capability and opportunity recognition, as well as between opportunity recognition and organizational performance. The findings similarly concur with Shaqrah and Alzighaibi (2023) who found that knowledge management capabilities as mediated by big data capabilities influenced enterprise value-adding processes.

This study's findings confirm the study by Idrees *et al.,* (2022) on the impact of knowledge management capabilities on organizational performance in construction firms mediated by innovation and found that knowledge management dimensions namely knowledge acquisition, application and protection positively and significantly influenced organizational performance, however, the study found that knowledge conversion is insignificant. Furthermore, innovation positively and substantially mediated the relationship between knowledge acquisition, application, protection, organizational performance and the insignificant terms of knowledge conversion. This is in consonance with the current study that considered knowledge identification, knowledge development, knowledge transfer and knowledge storage.

This study concurs with Taghizadeh *et al.,* (2020) who reviewed knowledge management capability, environmental dynamism and innovation strategy in Malaysian firms and found that knowledge management capability had a positive and significant effect on innovation strategy, also that environmental dynamism strengthened the positive effect of knowledge management capability on innovation strategy. Further, this study's findings concur with Wachinga and Deya (2021) who reviewed the influence of knowledge management capabilities on performance of mobile telephone firms in Kenya and the study found that knowledge acquisition, knowledge application, knowledge transfer and knowledge protection had a positive significant effect on organizational performance.

Muleke *et al.,* (2023) investigated knowledge sharing practices and performance of public research institutions in Kenya and found that knowledge sharing practices had a positive and significant effect on organizational performance and this was premised on top management of organizations promoting knowledge sharing by encouraging members of staff and departments to share knowledge and expertise with each other. The subject study emphasizes the need to have knowledge transfer within organizations which is a subset of knowledge sharing. Top management invests in inculcating a culture of knowledge sharing to improve the capacity of staff hence adequate contribution to improvement in organizational performance.

The current study contradicts findings by Kassaneh *et al.,* (2021) who studied knowledge management practices for sustainable supply chain management as a challenge for business education and found that organizations and their capability to introduce innovations and face various knowledge transfer dimensions had little practical usefulness from a managerial viewpoint because they do not necessarily ultimately influence organizational performance. Additionally, the subject study contradicts the findings of Demir *et al.,* (2023) who found that knowledge generation did not significantly affect knowledge storage and actual performance was as a result of tacit knowledge and not explicit knowledge and that knowledge storage best acted as a moderator for organization performance.

4.8.4 Influence of Coordination Capability on Performance of Sharia Compliant Commercial Banks

As shown in Table 4.20, the regression model of coordination capability (X_4) and performance of Sharia compliant commercial banks was significant (F (1, 119) = 124.193, p-value = 0.000), confirming that coordination capability was a valid predictor in the model. The coefficient of determination (R^2) was .509 inferring that 50.9% improvement in performance of Sharia compliant commercial banks could be explained by coordination capability. Adjusted R^2 was .501 meaning that 50.1% was explained by coordination capability while the rest could be ascribed to other factors not captured in the model. Correlation coefficient (R) score of .714 denoted a high positive correlation between coordination capability and performance of Sharia compliant commercial banks in Kenya. The standard error of .42386 designated the deviation from the line of best fit.

The hypothesis to be tested was **H_{04}**: Coordination capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.

The survey results showed that there was a positive relationship between coordination capability and performance of Sharia compliant commercial banks (β_4 = .767, t = 3.854, p-value = 0.000) and in order to test the relationship, the regression model fitted was;

$$\mathbf{Y = \beta_0 + \beta_4 X_4 + \varepsilon}$$

The null hypothesis **H_{04}** stating that coordination capability has no significant influence on performance of Sharia compliant commercial banks in Kenya (H_{04}: $\beta_4 = 0$) was therefore rejected (β_4 = .767, t = 3.854, p-value = 0.000) and a conclusion was drawn that actually coordination capability (X_4) influenced performance of Sharia compliant commercial banks in Kenya (Y). The resulting regression model was;

$Y = 2.208 + .767X_4$ where;

Y = Performance of Sharia compliant commercial banks

X_4 = Coordination capability

The beta coefficient for coordination capability was significant (β_4 = .767, t = 3.854, p-value = 0.000), implying that for every one-unit improvement in the index of coordination capability, there was a .767 index improvement in performance of Sharia compliant commercial banks in Kenya.

Table 4.20: Regression Results for Coordination Capability and Performance of Sharia Banks

a) Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.714[a]	.509	.501	.42386

a. Predictors: (Constant), Coordination Capability

b) ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.550	1	11.550	124.193	.000[b]
	Residual	11.127	119	.093		
	Total	22.677	120			

a. Dependent Variable: Performance of Sharia Banks

b. Predictors: (Constant), Coordination Capability

c) Coefficients[a]

		Unstandardized Coefficients		**Standardized Coefficients**		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	2.208	.409		5.405	.000
	Coordination Capability	.767	.199	.714	3.854	.000

a. Dependent Variable: Performance of Sharia Banks

The survey findings showed that coordination capability had a positive and significant impact on the performance of Sharia-compliant commercial banks ($\beta 4 = .767$, $t = 3.854$, $p = 0.000$). The regression analysis indicated that coordination capability contributed to a .767 unit improvement in the performance index. Additionally, the Pearson correlation coefficient ($r = .714$, $p = 0.000$) demonstrated a strong and significant relationship between coordination capability and performance at the 0.05 significance level.

This study's findings concur with Arun and Ozmutlu (2022) who in a study on narratives of environmental munificence of third party logistics firms on the relationship between dynamic capabilities, strategic management and organizational performance, found that dynamic capabilities especially sensing and coordinating capabilities, were a strong predictor for organizational performance whereas environmental munificence also emerged as a key predictor for dynamic capabilities and strategic management, and strategic management fully mediated the link between dynamic capabilities and organizational performance. This study's findings are also in agreement with Zhu *et al.*, (2022) who found that while the balancing strategy could mitigate the resulting risks, the complementing strategy did not create synergistic effects on the focal firms' competitive performance.

The findings of this study similarly are in consonance with Lin and Benneker (2022) who in a study on assessing collaborative planning and the added value of planning support apps in the Netherlands found that collaborative planning had emerged as a means to cope with conflicts of interest and complex problems in the regeneration of organizational operations and other planning domains and that what was crucial to collaborative planning was citizen participation and stakeholder collaboration in planning processes. However, the study noted that there had been so much criticism on collaborative planning whereby limited room for citizen participation, unequal power relations and difficulties in consensus building were allowed.

This study concurs with Khan *et al.,* (2021) who reviewed the role of project governance and stakeholder management in improving the performance of public sector infrastructure projects and found that moderation analysis showed that project governance had a positive relation with project performance at medium and higher regression coefficients values of stakeholder management. Under coordination capability, stakeholder management seeks to attain organizational values and stakeholders' buy-in. In contrast, the external stakeholders assisted in abetting organizational effectiveness and by extension overall organizational performance. The findings can be replicated in Sharia compliant commercial banks given the prominent role played by regulatory authorities.

Kanji et al. (2023) examined the impact of organizational capability on the performance of Kenya's financial services sector, finding that values, processes, and resources positively and significantly influenced performance. These results align with the current study. Similarly, Mwangi (2023) explored strategic capabilities in Kenyan media firms, concluding that strategic capabilities had a positive and significant correlation with and effect on performance.

The subject study's findings agreed with Baqleh and Alateeq (2023) in a study on impact of supply chain management practices on competitive advantage with the moderating role of big data analytics and found that there is a significant positive impact of supply chain management practices on competitive advantage. Specifically, a significant positive impact was found between information quality and information sharing on competitive advantage. Echongu and Njagi (2022) studied the influence of organization capabilities on the performance of commercial state corporations in Kenya and the study established that there was a positive and significant effect of organization capabilities on state corporations' performance in Kenya. Specifically, the study showed that innovative capabilities and resource capabilities had a positive and statistically significant influence on the performance of commercial state corporations.

4.8.5 Joint Influence of Independent Variables on Performance of Sharia Banks

Multiple regression was carried out whereby all the variables were aggregated to assess their collinearity with performance of Sharia compliant commercial banks in Kenya. A multiple regression model was fitted to the data and it was found to be statistically significant (F (4,116) = 39.240, p-value = 0.000). The r square (R^2) of the four variables was .574 showing that they jointly explained 57.4% variation in improvement of performance of Sharia compliant commercial banks in Kenya.

The hypothesis to be tested was that strategic capabilities have no significant influence on performance of Sharia compliant commercial banks in Kenya. To test the hypothesis, the following model was fitted;

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Where;

Y = Performance of Sharia Compliant Banks

X_1 = Market linking capability

X_2 = Information technology capability

X_3 = Knowledge management capability

X_4 = Coordination capability

ε = Error term

The regression model fitted was;

$$\mathbf{Y = 1.671 + .117X_1 + .127X_2 + .121X_3 + .265X_4}$$

Under the joint influence of capabilities, the null hypothesis stated that strategic capabilities have no significant influence on performance of Sharia compliant commercial banks in Kenya. Regression analysis results revealed that market linking capability had a positive and significant relationship with performance of Sharia compliant commercial banks (H_{01}: $\beta_1 \neq 0$), since ($t = 3.078$, p-value = .002).

We therefore reject the null hypothesis and conclude that market linking capability (X_1) has a significant influence on performance of Sharia compliant commercial banks in Kenya (Y).

Information technology capability had a positive and significant influence on performance of Sharia compliant commercial banks in Kenya (H_{02}: $\beta_2 = 0$), since ($t = 3.175$, p-value =.001). We therefore reject the null hypothesis and conclude that information technology capability (X_2) has a significant influence on performance of Sharia compliant commercial banks in Kenya (Y). The inference being that a unit increase in the index of information technology capability occasions 0.127 improvement in performance of Sharia compliant commercial banks in Kenya when all the other variables are held constant.

Knowledge management capability had a positive and significant influence on performance of Sharia compliant commercial banks (H_{03}: $\beta_3 = 0$), since ($t = 3.903$, p-value $= .000$). This infers that we reject the null hypothesis and conclude that knowledge management capability (X_3) has a significant influence on performance of Sharia compliant commercial banks in Kenya (Y). It means that a unit increase in knowledge management capability causes 0.121 improvement in performance of Sharia compliant commercial banks in Kenya when all the other variables are held constant.

Coordination capability had a positive and significant influence on performance of Sharia compliant commercial banks in Kenya (H_{04}: $\beta_4 = 0$), since ($t = 3.955$, p-value $= .000$). We therefore reject the null hypothesis and conclude that coordination capability (X_4) has a significant influence on performance of Sharia compliant commercial banks in Kenya (Y). This means a unit increase in coordination capability causes .265 improvement in performance of Sharia compliant commercial banks in Kenya. In the model equation, the constant and all the other terms were significant.

Table 4.21: Regression Results for Joint Relationship Model

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.758[a]	.574	.542	.42621

a. Predictors: (Constant), Coordination Capability, Market Linking Capability, Knowledge Management Capability, Information Technology Capability

b) ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.030	4	3.257	39.240	.000[b]
	Residual	9.647	116	.083		
	Total	22.677	120			

a. Dependent Variable: Performance of Sharia Banks
b. Predictors: (Constant), Coordination Capability, Market Linking Capability, Knowledge Management Capability, Information Technology Capability

Key: X_1 = Market linking capability X_2 = Information technology capability
X_3 = Knowledge management capability X_4 = Coordination capability

c) Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.671	.667		2.504	.014		
	X_1	.117	.038	.110	3.078	.002	.938	1.066
	X_2	.127	.040	.124	3.175	.001	.890	1.123
	X_3	.121	.031	.122	3.903	.000	.899	1.113
	X_4	.265	.067	.217	3.955	.000	.853	1.172

a. Dependent Variable: Performance of Sharia Banks

4.8.6 Moderated Multiple Regression Analysis

The fifth objective of the study was to evaluate the moderating influence of corporate culture on strategic capabilities and performance of Sharia compliant commercial banks in Kenya. As an answer to the objective, the study computed the moderated regression model and the adopted model was;

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_i M + \varepsilon}$$

Where;

M = moderating variable (corporate culture)

Table 4.22: Moderated Model Summary

Model Summary[c]				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.758[a]	.574	.542	.42621
2	.762[b]	.580	.554	.43326

a. Predictors: (Constant), Coordination Capability, Market Linking Capability, Knowledge Management Capability, Information Technology Capability
b. Predictors: (Constant), Coordination Capability, Market Linking Capability, Knowledge Management Capability, Information Technology Capability, Interaction $Term_3$, Interaction $Term_1$, Interaction $Term_2$, Interaction $Term_4$
c. Dependent Variable: Performance of Sharia Banks

In Table 4.22, the model summary findings indicated that the value of adjusted R Square was 0.542 before the introduction of the moderating variable. Comparing these findings to those of model 2 after the introduction of corporate culture as the moderating variable, the value of adjusted R Square increased to 0.554 suggesting that 55.4% variation in performance of Sharia compliant commercial banks could be explained by changes in moderated market linking capability, information technology capability, knowledge management capability and coordination capability. The remaining 44.6% denoted other factors that were not included in the subject model that could be attributed to variation in performance of Sharia compliant commercial banks.

From the study findings, the moderated variables were significantly and positively related with performance of Sharia compliant commercial banks in Kenya as indicated by the correlation coefficient (R) = 0.762 which demonstrated the strength of the relationship between the dependent and independent variables. From the findings, adjusted R Square increased when the moderating variable being corporate culture was introduced, from 0.542 to 0.554, suggesting that introduction of the moderating variable increased the amount of variation in performance of Sharia compliant commercial banks that could be explained by the subject variables of this study.

Table 4.23: Moderated ANOVA

ANOVA[a]						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	13.030	4	3.257	39.240	.000[b]
	Residual	9.647	116	.083		
	Total	22.677	120			
2	Regression	13.152	8	1.644	19.341	.000[c]
	Residual	9.525	112	.085		
	Total	22.677	120			

a. Dependent Variable: Performance of Sharia Banks
b. Predictors: (Constant), Coordination Capability, Market Linking Capability, Knowledge Management Capability, Information Technology Capability
c. Predictors: (Constant), Coordination Capability, Market Linking Capability, Knowledge Management Capability, Information Technology Capability, Interaction $Term_3$, Interaction $Term_1$, Interaction $Term_2$, Interaction $Term_4$

From the ANOVA Table 4.23, the model was significant since the p-value = .000 was less than 0.05 hence the model was statistically significant in establishing the influence of moderated market linking capability, information technology capability, knowledge management capability and coordination capability on performance of Sharia compliant commercial banks in Kenya. Furthermore, the F-calculated was 19.341 which was greater than the F-critical ($F_{8,112}$ = 2.022) indicating that strategic capabilities moderated by corporate culture could be used to predict performance of Sharia compliant commercial banks in Kenya and as such, the moderating variable was significant.

Table 4.24: Moderated Beta Coefficients

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.671	.667		2.504	.014
	Market Linking Capability	.117	.038	.110	3.078	.002
	Information Technology Capability	.127	.040	.124	3.175	.001
	Knowledge Management Capability	.121	.031	.122	3.903	.000
	Coordination Capability	.265	.067	.217	3.955	.000
2	(Constant)	1.689	.612		2.759	.006
	Market Linking Capability * Int. Term$_1$	.214	.094	.209	2.276	.024
	Information Technology Capability * Interaction Term$_2$	.225	.065	.122	3.461	.000
	Knowledge Management Capability * Interaction Term$_3$	.221	.059	.120	3.745	.000
	Coordination Capability * Interaction Term$_4$	.359	.092	.311	3.902	.000

a. Dependent Variable: Performance of Sharia Banks

4.8.7 Optimal Model

This study derived an optimal model from the overall models, showing the flow of variables based on their strength. Based on the flow of the independent variables, the overall moderated model was used where coordination capability had the strongest influence on performance of Sharia compliant commercial banks followed by information technology capability, then followed by knowledge management capability and market linking capability which had the least influence on performance of Sharia compliant banks in Kenya. The following models were fitted from the overall unmoderated and overall moderated variables;

$$\mathbf{Y = 1.671 + .117X_1 + .127X_2 + .121X_3 + .265X_4} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\text{(Unmoderated)}$$

$$\mathbf{Y = 1.689 + 0.214X_1{*}M + 0.225X_2{*}M + 0.221X_3{*}M + 0.359X_4{*}M} \ldots\ldots\text{(Moderated)}$$

The model equation given indicates that holding the moderated variables market linking capability * corporate culture; information technology capability * corporate culture; knowledge management capability * corporate culture; coordination capability * corporate culture to a constant zero, performance of Sharia compliant commercial banks would be at a constant value of 1.689.

The findings also indicate that market linking capability * corporate culture had a positive influence on performance of Sharia compliant commercial banks ($\beta = 0.214$, p-value = 0.024) and the influence was significant since the p-value was less than the significance level of 0.05. Therefore, introduction of corporate culture as a moderating variable on market linking capability explained 0.214 units of performance of Sharia compliant commercial banks compared to 0.117 explained when the variable was not moderated, hence corporate culture had a positive influence on market linking capability and performance of Sharia compliant commercial banks in Kenya.

Information technology capability * corporate culture was also observed to have significant relationship with performance of Sharia compliant commercial banks ($\beta = 0.225$, $p = 0.000$); and the influence of information technology capability * corporate culture on performance of Sharia compliant banks was positive. Consequently, improvement in information technology capability * corporate culture resulted in an improvement of performance of Sharia compliant commercial banks. Therefore, the introduction of corporate culture as a moderating variable on information technology capability explained 0.225 of performance compared to 0.127 explained when the variable was not moderated, inferring that corporate culture had a positive influence on information technology capability and performance of Sharia compliant commercial banks.

Further, the study findings indicated that knowledge management capability * corporate culture had a positive influence on performance of Sharia compliant commercial banks ($\beta = 0.221$, p-value = 0.000) hence the influence was significant given that the p-value was less than the selected level of significance of 0.05. Therefore, an improvement in knowledge management capability * corporate culture occasioned an improvement in performance of Sharia compliant commercial banks by 0.221 units. It thus inferred that introduction of corporate culture as a moderating variable for knowledge management capability explained 0.221 of performance of Sharia compliant commercial banks compared to 0.121 explained when the variable was not moderated. Therefore, corporate culture had a positive influence on knowledge management capability and performance of Sharia commercial banks.

Finally, coordination capability * corporate culture had a significant relationship with performance of Sharia compliant commercial banks ($\beta = 0.359$, $p = 0.000$) and as such the influence of coordination capability * corporate culture on performance of Sharia compliant commercial banks was positive. Therefore, introduction of corporate culture as a moderating variable for coordination capability explained 0.359 of performance of Sharia compliant commercial banks compared to 0.265 explained when the variable was not moderated. Therefore, corporate culture had a positive influence on coordination capability and performance of Sharia compliant commercial banks.

Based on the study findings in Table 4.22, the value of adjusted R Square increased with the introduction of corporate culture as the moderating variable, which inferred that corporate culture had a positive moderating influence on strategic capabilities and performance of Sharia compliant commercial banks in Kenya. Correspondingly, from the analysis of variance in Table 4.23, the moderated model was found to be significant and therefore corporate culture could be said to have a positive and significant moderating influence on strategic capabilities and performance of Sharia compliant commercial banks in Kenya.

4.9 Hypotheses Test Results

Table 4.25: Hypotheses Testing

Hypothesis	β	t	p-value	Decision
H_{01}: Market linking capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.	.322	3.389	.000	Reject H_{01} since p–value is less than 0.05; (H_{01}: $\beta_1 \neq 0$).
H_{02}: Information technology capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.	.443	3.348	.000	Reject H_{02} since p–value is less than 0.05; (H_{02}: $\beta_2 \neq 0$).
H_{03}: Knowledge management capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.	.488	3.669	.000	Reject H_{03} since p–value is less than 0.05; (H_{03}: $\beta_3 \neq 0$).
H_{04}: Coordination capability has no significant influence on performance of Sharia compliant commercial banks in Kenya.	.767	3.854	.000	Reject H_{04} since p–value is less than 0.05; (H_{04}: $\beta_4 \neq 0$).
H_{05}: Corporate culture has no significant moderating influence on strategic capabilities and performance of Sharia compliant commercial banks in Kenya.	Joint		.000	Reject H_{05} since p–value is less than 0.05; (H_{05}: $\beta_5 \neq 0$)

The first null hypothesis was that market linking capability has no significant influence on performance of Sharia compliant commercial banks in Kenya (H_{01}: $\beta_1 = 0$). The derived results presented in Table 4.25 indicate that ($\beta_1 = .322$, t = 3.389, p – value = .000). The study therefore rejected the null hypothesis and concluded that market linking capability had a significant influence on performance of Sharia compliant commercial banks in Kenya.

The second null hypothesis stated that information technology capability has no significant influence on performance of Sharia compliant commercial banks in Kenya (H_{02}: $\beta_2=0$). The derived results shown in Table 4.25 disclosed that (β_2 = .443, t = 3.348, p – value = .000). The study therefore rejected the null hypothesis and concluded that information technology capability had a significant influence on performance of Sharia compliant commercial banks in Kenya.

The third null hypothesis of the study stated that knowledge management capability has no significant influence on performance of Sharia compliant commercial banks in Kenya (H_{03}: $\beta_3=0$). The study results indicated that knowledge management capability has significant influence on performance of Sharia compliant commercial banks in Kenya (β_3 = .488, t = 3.669, p – value = .000), hence the study rejected the null hypothesis and concluded that knowledge management capability had a significant influence on performance of Sharia compliant commercial banks in Kenya.

The fourth null hypothesis of the study was that coordination capability has no significant influence on performance of Sharia compliant commercial banks in Kenya (H_{04}: $\beta_4 = 0$). The results from coefficients Table 4.25 show that coordination capability has a significant influence on performance of Sharia compliant commercial banks in Kenya (β_4 = .767, t = 3.854, p – value = .000). This infers that the null hypothesis was rejected and a conclusion reached that coordination capability has a significant influence on performance of Sharia compliant commercial banks in Kenya.

The fifth null hypothesis stated that corporate culture has no significant moderating influence on strategic capabilities and performance of Sharia compliant commercial banks in Kenya (H_{05}: $\beta_5 = 0$). The results from moderated beta coefficients in Table 4.24 show that corporate culture has a significant influence on strategic capabilities and performance of Sharia compliant commercial banks in Kenya (β_5 = .214, t = 2.276, p – value = .000; β_5 = .225, t = 3.461, p-value = .000; β_5 = .221, t = 3.745, p-value .000; and β_5 = .359, t = 3.902, p-value .000). The results inferred that the null hypothesis was rejected and a conclusion reached that corporate culture has significant moderating influence on strategic capabilities and performance of Sharia compliant commercial banks in Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of key findings, conclusions derived from the study findings and recommendations made as a result. The conclusions and recommendations particularly focused on addressing the objectives of the study and suggestions for further research. For the summary of findings, the study concentrated on summarizing the findings based on each study objective and by extension the independent variables. The conclusion sought to respond to the general objective of the study on whether strategic capabilities influenced performance of sharia compliant commercial banks in Kenya. The proffered recommendations were based on the study findings of each of the variables and the suggestions derived from responses of key study informants and areas of further research focused on the future needs in thematic areas as identified by the researcher.

5.2 Summary of Findings

A summary of the study findings was presented for each of the specific objectives of the study which were; to determine the influence of market linking capability on performance of Sharia compliant commercial banks in Kenya; to analyze the influence of information technology capability on performance of Sharia compliant commercial banks in Kenya; to assess the influence of knowledge management capability on performance of Sharia compliant commercial banks in Kenya; to examine the influence of coordination capability on performance of Sharia compliant commercial banks in Kenya; to establish the moderating influence of corporate culture on strategic capabilities and performance of Sharia compliant commercial banks in Kenya. Quantitative data was analyzed by use of both descriptive and inferential statistics. Before the research instruments were used in the final study, reliability and validity tests were carried out vide a pilot study. The collected quantitative data was analyzed using statistical measures while qualitative data was analyzed through content analysis, both embedded in SPSS version 26.

5.2.1 Market Linking Capability and Performance of Sharia Compliant Commercial Banks in Kenya

The first specific objective of the study was to determine the influence of market linking capability on performance of Sharia compliant commercial banks in Kenya. The hypothesis tested was that market linking capability has no significant influence on performance of Sharia compliant commercial banks in Kenya. The study found that market linking capability had a statistically significant influence on performance of Sharia compliant commercial banks in Kenya. Further, the study found that Sharia compliant commercial banks created and managed lasting customer relationships, as well as establishing stable relationships with consultants and other stakeholders.

Sharia compliant commercial banks embraced and sought to maintain all channel users active since they ultimately contributed to the bottom line of the institutions. The study also found that Sharia compliant commercial banks proactively projected their customers' requirements for purposes of ensuring that they were properly served and the institutions would attain full retention of customers. The findings showed that Sharia compliant commercial banks readily undertook environmental scanning in order to identify, attract and target new customers thus improving their customer bases, which is paramount as far as the ultimate contribution to the institutions' bottom lines is concerned and by extension improvement in overall organizational performance.

Conversely, the study found that to a lesser extent, for new product features, the Sharia compliant commercial banks embraced customer suggestions for adoption prior to execution. This infers that the Sharia compliant commercial banks may have used other alternative channels to identify customer needs hence the introduction of new products without active engagement of customers. Based on the foregoing, the research hypothesis was rejected and a conclusion drawn that there is a significant influence of market linking capability on performance of Sharia compliant commercial banks in Kenya. The model was found to be fit to predict performance of Sharia compliant commercial banks using market linking capability.

5.2.2 Information Technology Capability and Performance of Sharia Compliant Commercial Banks in Kenya

The second specific objective of the study was to analyze the influence of information technology capability on performance of Sharia compliant commercial banks in Kenya. The research hypothesis tested was that information technology capability has no significant influence on performance of Sharia compliant commercial banks in Kenya. The study disclosed that Sharia compliant commercial banks leveraged on staffs' information technology competencies to achieve their objectives; also the study established that Sharia compliant commercial banks had relevant information technology business experience that was used to formulate better strategies.

The study also established that Sharia compliant commercial banks had skilled staff with requisite information technology competencies to undertake all strategic decisions to foster operations in the institutions and sequel to this, the study found that Sharia compliant commercial banks had good information technology infrastructure that supported full adoption of support systems by the regulator and other stakeholders including payment validation partners. Additionally, the study found that Sharia compliant commercial banks had resilient business processes that contributed to achievement of key performance variables.

On the other hand, the study found that there were disparate views regarding the item on Sharia compliant commercial banks maximizing on their information technology departments liaising with other stakeholders to achieve organizational goals. The study also established that Sharia compliant commercial banks sparsely engaged in liaison that aimed at enhancing communication among staff cadres and boosted morale through continuous communication. On the whole, the research hypothesis was rejected and a conclusion was drawn that there was a significant relationship between information technology capability and performance of Sharia compliant commercial banks in Kenya. The model was found to be fit to predict the performance of Sharia compliant commercial banks in Kenya through information technology capability.

5.2.3 Knowledge Management Capability and Performance of Sharia Compliant Commercial Banks in Kenya

The third specific objective of the study was to assess the influence of knowledge management capability on performance of Sharia compliant commercial banks in Kenya. The research hypothesis tested was that knowledge management capability has no significant influence on performance of Sharia compliant commercial banks in Kenya. The study found out that experienced staff in Sharia compliant commercial banks volunteered to provide apprenticeship to new employees, and this offered a platform for knowledge transfer to the new staff. The study also found that Sharia compliant commercial banks prioritized that there was safe knowledge transfer between staff devoid of undue influence, duress or misrepresentation.

The study found that requisite knowledge was developed within Sharia compliant commercial banks and was duly aligned to achieving organizational goals and objectives, hence contributing to organizational performance. In the same vein, the study established that Sharia compliant commercial banks invested in having robust staff retention programs in order to ensure that relevant staff stay on as they bear the most crucial institutional memory that ought to be maintained and passed on to subsequent generational transitions in leadership. Moreover, this study found that Sharia compliant commercial banks had repositories in which vital information was stored and made accessible on need basis through relevant approvals.

The study also found that Sharia compliant commercial banks had not widely invested in automated systems to be used as a leverage for storing valuable information, and it was notable that Sharia compliant commercial banks needed to adopt such automated systems for enabling easy use, storage and access to important information. The research hypothesis was rejected and a conclusion drawn that there is a significant relationship between knowledge management capability and performance of Sharia compliant commercial banks in Kenya. The model was found to be fit to predict performance of Sharia compliant commercial banks vide knowledge management capability.

5.2.4 Coordination Capability and Performance of Sharia Compliant Commercial Banks

The fourth specific objective of the study was to examine the influence of coordination capability on performance of Sharia compliant commercial banks in Kenya. The hypothesis tested was that coordination capability has no significant influence on performance of Sharia compliant commercial banks in Kenya. The study found that most Sharia compliant commercial banks allocated resources equitably across departments with allocations being predicated on importance and value to be recouped from the ventures. The study established that Sharia compliant commercial banks communicated well with staff members about overall organizational strategy and envisaged policy changes that talked to changes in processes and procedures of operations, whose ultimate end goal was to bolster organizational performance.

The study also disclosed that resources allocated by Sharia compliant banks across their departments were optimally and properly used, ensuring that there was no undue wastage. Such rationalization ensured that such institutions saved on unnecessary expenses to replenish wasted resources. Further, the study found that Sharia compliant commercial banks ensured that all key decisions were cascaded to all members of staff and that ensured that all staff were on the same pedestal in so far as understanding what was required of them was concerned. It is only then that staff members could easily focus on organizational goals and objectives coming from a perspective of same wavelength, and that hastened overall improvement in organizational performance.

This study established that there was dispersion in opinion on the issue of Sharia compliant commercial banks having a program that aimed at patenting all innovations in order to ensure that revenue streams out of such innovations were assured; and the same dispersion was on the item about Sharia compliant commercial banks always interpreted market information correctly. The study hypothesis was therefore rejected and a conclusion reached that there is a significant relationship between coordination capability and performance of Sharia compliant commercial banks in Kenya. The model was found to be fit to predict performance of Sharia compliant commercial banks.

5.2.5 Moderating Influence of Corporate Culture on Strategic Capabilities and Performance of Sharia Compliant Commercial Banks

The fifth specific objective of the study was to assess the moderating influence of corporate culture on strategic capabilities and performance of Sharia compliant commercial banks in Kenya. The hypothesis tested was that corporate culture has no significant moderating influence on strategic capabilities and performance of Sharia compliant commercial banks in Kenya. The study established that Sharia compliant commercial banks had collaboration assignments with regulatory authorities for specific projects given that these banks have some products that are distinct from those of conventional commercial banks.

The study established that Sharia compliant commercial banks engaged in corporate social responsibilities as strategically planned activities and not as afterthought philanthropic endeavours. This means the activities are substantively embedded in the strategic plans of these commercial banks with clear execution arrangements. Additionally, the study found that Sharia compliant commercial banks collaborated freely with other conventional commercial banks and similar attendant institutions for purposes of enhancing service provision to customers. The study also found that most Sharia compliant commercial banks had comprehensive organizational charts that specified all designations that were in the individual banks thereby ensuring that there were no redundant positions that incurred expenses yet could not contribute to the institutions’ bottom line.

This study revealed that fewer Sharia compliant commercial banks promoted social welfare among staff members indicating that less attention was placed on the well-being of staff members outside official engagement realms. Similarly, the study established that few Sharia compliant commercial banks recognized the hierarchical order of staff levels indicating that these banks may be assigning staff for roles that ordinarily needed to be undertaken by special cadres of staff. The research hypothesis was therefore rejected and a conclusion drawn that strategic capabilities moderated by corporate culture could be used to predict performance of Sharia compliant commercial banks in Kenya.

5.3 Conclusions of the Study

The study sought to examine the influence of strategic capabilities on performance of Sharia compliant commercial banks in Kenya, and was predicated on reviewed literature and the findings of the study, and it is in order to conclude that market linking capability, information technology capability, knowledge management capability and coordination capability influenced performance of Sharia compliant commercial banks in Kenya. The study results confirmed that the model as hypothesized was a good fit to predict performance of Sharia compliant commercial banks in Kenya using strategic capabilities. The conclusions arrived at summarize each of the study variables sequentially and their influence on performance of Sharia compliant commercial banks in Kenya.

Market linking capability had a positive influence on performance of Sharia compliant commercial banks in Kenya, and the banks created and managed lasting customer relationships that proved to be a sure way of retaining customers and getting value out of them. Maintaining stable relationships with consultants and other stakeholders ensured that there was seamless access to services provided to the banks thus hastening operational efficiencies. Other aspects like banks embracing and maintaining all channel users had statistically significant influence on organizational performance. Since it was concluded that all the dimensions of market linking capability had a positive influence on performance of Sharia compliant commercial banks, the null hypothesis was therefore rejected.

The study concluded that information technology capability had a statistically significant and positive influence on performance of Sharia compliant commercial banks, as confirmed by aspects such as IT infrastructure, competencies, business experience and liaison resources. In conclusion, it was evident that an improvement in information technology capability aspects resulted in an improvement in performance of Sharia compliant commercial banks in Kenya. The null hypothesis was therefore rejected based on the study findings and it was held that information technology capability had a statistically significant and positive relationship with performance of Sharia compliant commercial banks.

The study established that knowledge management capability had a positive influence on performance of Sharia compliant commercial banks. Also, the influence was found to be statistically significant which implied that improvement in knowledge management capability resulted in an improvement in performance of Sharia compliant commercial banks. On analysis of the study responses, it was determined that knowledge identification, knowledge development, knowledge transfer and knowledge storage played a crucial role in impacting on performance of Sharia compliant commercial banks in Kenya. Thus, a conclusion was reached that knowledge management capability influenced performance of Sharia compliant commercial banks hence the null hypothesis was rejected.

The study established that coordination capability had a positive influence on performance of Sharia compliant commercial banks and that was derived after investigating collaborative planning, resources coordination, stakeholder management and information sharing as subsets of coordination capability. It was thus concluded that coordination capability had a significant influence on performance of Sharia compliant commercial banks in Kenya, and therefore the null hypothesis was rejected.

This study’s correlation and regression results revealed that corporate culture moderated the relationship between strategic capabilities and performance of Sharia compliant commercial banks in Kenya. The null hypothesis was rejected implying that there was a notable moderating influence of corporate culture between performance of Sharia compliant commercial banks and the independent variables, market linking capability, information technology capability, knowledge management capability and coordination capability. Based on the study findings, the null hypothesis was rejected and it was concluded that the relationship between strategic capabilities and performance of Sharia compliant commercial banks in Kenya was duly moderated by corporate culture.

5.4 Recommendations

This section presents recommendations that were anchored on actual findings from the study objectives and also from the literature review on strategic capabilities and performance of Sharia compliant commercial banks. Consequent from the study findings and conclusions, the recommendations for the study were proffered with a view to improving the performance of Sharia compliant commercial banks in Kenya. The recommendations were based on the independent variables namely market linking capability, information technology capability, knowledge management capability and coordination capability as moderated by corporate culture.

5.4.1 Managerial Implications

The study recommends that Sharia compliant commercial banks ought to create and manage lasting relationships with customers since better looked after customers develop loyalty to the institution and by so doing the commercial banks would have sustainable customer bases from which value is thus derived, and that would have the effect of revving up contribution to the banks' bottom lines, and consequently contributing to improved organizational performance. Similarly, this study recommends that Sharia compliant commercial banks should continuously embrace and seek to maintain all consumers of their channel services to be active since that has the effect of contributing to revenues that ultimately promote ultimate organizational performance.

The study further recommends that Sharia compliant commercial banks ought to leverage on staff information technology competencies to achieve their intended objectives since adept employees usually executed the bank's vision seamlessly. This is more so where individual commercial banks enhanced internal capacity development programs that enhance training and education of employees. Additionally, the study recommends that Sharia compliant commercial banks should leverage the relevant information technology business experience that they have for formulating better strategies, that are focused on taking care of customer needs but at the same time be good enough to earn the banks revenues that contribute to overall organizational performance.

This study recommends that Sharia compliant commercial banks should maximize on the use of their experienced staff to volunteer and offer apprenticeship to newly employed staff in order to train and gradually pass requisite knowledge and experience that they have gained over the years. It is instructive that these banks need to retain such experienced staff who usually take up the role of being custodians of institutional memory. Additionally, this study recommends that Sharia compliant commercial banks need to prioritize that there was safe knowledge transfer between the different departments and cadres of members of staff, such that unorthodox methods may not be used to extract information from experienced staff through duress and threats, neither should the recipients of the information be coerced into taking in what could be more than necessary.

Further, the study recommends that Sharia compliant commercial banks should always allocate resources equitably across departments so that all departmental goals and objectives are met which ultimately contributes to the overall organizational performance. This study also recommends that Sharia compliant commercial banks should continue communicating appropriately with all staff members about all major strategic and policy developments within the institutions so that all staff are on the same pedestal regarding the banks' visions and overall strategic focus. This would contribute to employees aligning their individual goals and objectives to those of their employers which is key to improving organizational performance.

The study also recommends that Sharia compliant commercial banks need to have entrenched corporate culture aspects such as consistent engagement in corporate social responsibility as a strategically planned activity and not a ritualistic jamboree that comes as an afterthought. The study also recommends that Sharia compliant commercial banks ought to have collaboration assignments with regulatory authorities especially in the case of specific strategic projects. Additionally, Sharia compliant commercial banks should collaborate freely with other institutions for the general good of their customers and the wider public in general, especially in the case of liaisons that would promote better service to customers and general public.

5.4.2 Recommendations for Policy and Practice

The findings from the study indicated that the influence of strategic capabilities on performance of Sharia compliant commercial banks was positive and significant. Since all the independent variables namely market linking capability, information technology capability, knowledge management capability and coordination capability were positively related to performance of Sharia compliant commercial banks in Kenya, and based on this study’s findings, the specific policy recommendations proffered included:

Regarding policy implementation, this study recommends that Central Bank of Kenya ensures that there is a standardized legal and regulatory infrastructure to govern the operations of Sharia banking through systematic and logical regulatory models, so that there are no grey areas in licensing, regulation and rational processes. There ought to be deliberate efforts to educate the general population about Sharia banking so that it should not be misconstrued that it is for Muslims only but emphasis should be made that it is a banking channel that can be accessed and used by all and sundry. The Central Bank of Kenya in consultation with Islamic law scholars, should promote and enhance training especially in the area of Sharia banking in order to have a ready pool of professionals to be absorbed in the sector.

Similarly, this study recommends that Sharia compliant commercial banks to proactively put in place requisite policies to promote their banking operations including deposit mobilization mechanisms to shore up their total deposits and other notable regulatory obligations. This would ensure that Sharia compliant banks offer not only alternative sources of long term financing for development projects within Kenya's economy, but also have inherent characteristics and principles that catalyze real economic development in the country. Based on their inherent ethical, sustainable, environmentally and socially-driven approach that further promotes risk sharing, Sharia compliant commercial banks ought to work towards connecting the financial sector with other sectors and the general economy at large.

5.4.3 Contribution to Existing Body of Knowledge

The study was primarily underpinned by resource based theory, knowledge based theory, dynamic capability theory and contingency theory. The current study aptly contributes towards integration of founded information and knowledge on strategic capabilities and how the same can be applied in the context of Sharia banking. The elaborate review and evaluation of the relationship between strategic capabilities and performance of Sharia compliant commercial banks in Kenya actually provides a significant contribution to theory and literature on strategic management practice.

This study is a testament to the focus that is required to have strategic capabilities embedded in Sharia banking in order to promote organizational performance. Leaders in Sharia banking sub-sector should adopt the tenets of strategic capabilities as identified and propounded in this study. This study contributes to the knowledge on strategic capabilities and by extension general strategic management by emphasizing on the individual capabilities and establishing specifically the extent to which each of the four variables influenced performance of Sharia compliant commercial banks. Based on the findings of this study, the earlier gap in practice of strategic capabilities as employed in performance of Sharia compliant commercial banks was empirically filled through these study findings.

The hypothesized strategic capabilities in this study and their influence on performance of Sharia compliant commercial banks as captured are relevant for application in both Sharia compliant commercial banks and conventional commercial banks. The individual capabilities considered under various thematic classifications have been simplified so that all practitioners in strategic management of the institutions can identify the requisite capabilities with ease based on the unique dynamics that obtain in certain contexts. Although the chosen capabilities have been applied in other sectors, efforts were made in this study to ensure that the ones chosen fit well within the area to enhance improvement in overall performance, and most especially for Sharia compliant commercial banks in Kenya.

5.5 Areas for Further Research

The general objective of this study was to examine the influence of strategic capabilities on performance of Sharia compliant commercial banks in Kenya. The considered capabilities were market linking capability, information technology capability, knowledge management capability and coordination capability, and their influence on performance of Sharia compliant commercial banks in Kenya, and the relationship was moderated by corporate culture. From the findings, corporate culture had a marginal moderating influence on strategic capabilities and performance of Sharia compliant commercial banks despite evidence in theoretical literature indicating that corporate culture is a significant moderating variable in diverse contexts. Future studies could proceed to investigate why corporate culture had a marginal moderating influence in contrast to what is hypothesized in the existing literature.

This study adopted cross-sectional survey design in which case data was collected at a particular point in time but Sharia compliant commercial banks begun operations at disparate time periods. Based on the foregoing, robust conclusions on the direction of causality as implied in the model may not be properly drawn and as such relationships between the study variables ought to be interpreted in a more astute way in order not to occasion a deficiency in interpretation of research models used in multiple regression analysis. Future research may be done to examine the influence of strategic capabilities on organizational performance using longitudinal research design where data could be collected from Sharia compliant commercial banks in an iterative manner over a period of time for purposes of re-evaluating the direction of causality between the study variables.

The target population for the present study was confined to management staff of Sharia compliant commercial banks who directly contribute to strategy formulation. This constitutes a very small proportion of the population that work in Sharia banking sub-sector in Kenya. Given such a narrow target population, there could be challenges on applicability and generalizability of the results obtained to other sectors, and also a target population that is representative of other cadres may be imperative. Future studies may employ a more representative population to facilitate appropriate generalization and application of the findings of the study.

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APPENDICES

Appendix I: Letter of Introduction

Sami Athman Kivatsi,

P.O BOX 81310-80100,

Mombasa.

Dear Respondent,

<u>RE: REQUEST FOR COLLECTION OF DATA</u>

I am a student at Jomo Kenyatta University of Agriculture and Technology pursuing a doctorate degree in Business Administration (Strategic Management). I seek your indulgence to volunteer in filling a data collection questionnaire whose responses are used in analysis of my research study titled, *''Strategic Capabilities and Performance of Sharia Compliant Commercial Banks in Kenya''*. The research thesis is a requirement for the **award of the degree of Doctor of Philosophy in Business Administration (Strategic Management) of Jomo Kenyatta University of Agriculture & Technology.**

Please spare some time and complete the questionnaire and your responses are kept absolutely anonymous. Your feedback together with that from others forms a good basis for anchoring the analysis of my study. The information produced from this process is to be treated with a lot of confidentiality and won't be used against the respondent nor the institution whatsoever and is to be used purely for academic purposes.

Yours faithfully,

Sami Athman Kivatsi,

0722-812828

skivatsi@gmail.com

Appendix II: Research Questionnaire

Strategic Capabilities and Performance of Sharia Compliant Commercial Banks in Kenya.

Please fill this questionnaire openly and honestly. Confidentiality is to be be strictly adhered to hence no mention of your personal name nor your bank. Kindly provide the following information as required;

Section A: Background Information

1.1. Indicate your current position in the bank (optional)

………………..…

1.2. Please indicate whether your bank is fully Islamic or operates a Sharia window.

Fully Islamic Bank ☐ Sharia window ☐

1.3. How long has your bank been in operation?

Less than 5 years ☐ 5 to 10 years ☐

11 to 20 years ☐ More than 20 years ☐

1.4. What is the size of your bank based on market share?

Large bank ☐ Medium size bank ☐ Small bank ☐

Please indicate the degree to which you agree or disagree with the following statements by marking ***ONE*** *answer in the appropriate box. Scale of 1-Strongly Disagree and 5-Strongly Agree*

Section B: Market Linking Capability

1.Market Linking Capability	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
1.1 Our bank always scans the environment to attract new customers.					
1.2 Our bank creates and manages lasting customer relationships.					
1.3 Our bank establishes stable relationships with consultants and other stakeholders.					
1.4 Our bank embraces and seeks to maintain all channel users active.					
1.5 Our bank projects customer requirements to ensure full retention.					
1.6 With new product features, our bank embraces customer suggestions for adoption.					
1.7 Our bank analyzes market trends for positioning purposes.					
1.8 The current market trends determine our response strategies.					

1.9. What are the other market linking capability elements that have been adopted by your bank?...

....

Please indicate the degree to which you agree or disagree with the following statements by marking ***ONE*** *answer in the appropriate box. Scale of 1-Strongly Disagree and 5-Strongly Agree*

Section C: Information Technology Capability

2. Information Technology Capability	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
2.1 Our bank possesses an IT infrastructure that supports full adoption of systems.					
2.2 Our bank has skilled staff with requisite competencies to handle all strategic decisions.					
2.3 Our bank leverages on staffs' IT competencies to achieve its objectives.					
2.4 Our bank has relevant IT business experience to formulate better strategies.					
2.5 Our bank has resilient business processes which contribute to achievement of key performance variables.					
2.6 Our bank maximizes on IT department liaisons to achieve organizational goals.					
2.7 Liaison enhances communication among staff cadres and boosts morale through communication.					
2.8 Our bank leverages on unique competencies to achieve competitive advantage.					

2.9. Enumerate steps taken by your bank to harness the possibilities presented by information technology capability …………………………………………………………...

………………………………………………………………………………………………..

*Please indicate the degree to which you agree or disagree with the following statements by marking **ONE** answer in the appropriate box. Scale of 1-Strongly Disagree and 5-Strongly Agree*

Section D: Knowledge Management Capability

3. Knowledge Management Capability	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
3.1 Our bank seeks to identify knowledge bases within the organization.					
3.2 Requisite knowledge is developed in our bank for aligning organizational goals					
3.3 Our banks prioritizes safe knowledge transfer between staff members.					
3.4 Experienced staff volunteer to offer apprenticeship to newly employed staff.					
3.5 Our bank invests in staff retention to keep vital institutional memory bases					
3.6 Our bank has invested in automated systems to leverage on storing valuable information.					
3.7 Our bank has a repository where vital information can be maintained and accessed.					
3.8 Our bank prioritizes overall knowledge management.					

3.9 Knowledge management is vital in many organizations. How else does your bank manage knowledge? …………………………………………………………………………

……………………………………………………………………………………………….

*Please indicate the degree to which you agree or disagree with the following statements by marking **ONE** answer in the appropriate box. Scale of 1-Strongly Disagree and 5-Strongly Agree*

Section E: Coordination Capability

4. Coordination Capability	**Strongly Disagree**	**Disagree**	**Neither Agree nor Disagree**	**Agree**	**Strongly**
4.1 Our bank always interprets correctly market information.					
4.2 Our bank allocates resources equitably across departments.					
4.3 Our bank ensures that allocated resources are properly used.					
4.4 Our bank communicates well to all staff about strategic and policy changes					
4.5 Our bank ensures that all key decisions are cascaded to all members					
4.6 Our bank leverages on vast ability to innovate for customer satisfaction.					
4.7 Our bank has a program for patenting all innovations to ensure assured revenue streams.					
4.8 Our bank coordinates all activities between all stakeholders to ensure mutual interdependencies.					

4.9 How does your bank leverage on coordination capability to maximize on its use in the institution?

………………………………………………………………………………………………

………………………………………………………………………………………………

*Provide the following information by marking **ONE** answer in the appropriate box that* *you trust best describes the interplay between variables. Scale 1-Strongly Disagree and 5- Strongly Agree.*

Section F: Moderating Influence of Corporate Culture on Strategic Capabilities and Performance of Sharia Compliant Commercial Banks

5. Corporate Culture	**Strongly Disagree**	**Disagree**	**Neither Agree nor Disagree**	**Agree**	**Strongly Agree**
5.1 Our bank recognizes the hierarchical order of staff levels.					
5.2 Our bank has a comprehensive organogram that specifies all designations.					
5.3 Our bank engages in corporate social responsibility as a strategically planned activity.					
5.4 Our bank collaborates freely with other institutions for the general good of the public.					
5.5 Our bank has collaboration assignments with the regulator for specific strategic projects.					
5.6 Our bank engages in social activities that bring members of the public close.					
5.7 Our bank promotes social welfare among staff members.					
5.8 Our bank's values are emblematic of clear focus for achievement of goals and objectives.					

5.9 How else does corporate culture influence performance of Sharia compliant banks?

…………………………………………………………………………………………......

Please indicate the degree to which you agree or disagree with the following statements by marking ***ONE*** *answer in the appropriate box. Scale of 1-Strongly Disagree and 5-Strongly Agree*

Section G: Performance of Sharia Compliant Commercial Banks in Kenya

6. Organizational Performance of Sharia Compliant Commercial Banks	**Strongly Disagree**	**Disagree**	**Neither Agree nor Disagree**	**Agree**	**Strongly Agree**
6.1 Our bank has achieved improved market share compared to peers.					
6.2 The market share of our bank is reasonable at its current status.					
6.3 Our bank has introduced several new products in the preceding years.					
6.4 Our banks has always ensured that customers get efficient services.					
6.5 Our bank has metrics to measure customer satisfaction.					
6.6 Services in our bank are simple and easy for the customer.					
6.7 Our performance metrics are cover all aspects of stakeholders.					
6.8 Our bank publishes quarterly performance results					

6.9. Briefly describe what good performance in your bank would entail

…………………………………………………………………………………………..

…………………………………………………………………………………….....

....

Appendix III: List of Sharia Compliant Commercial Banks in Kenya

1. Gulf African Bank
2. First Community Bank
3. Dubai Islamic Bank
4. ABSA Bank
5. Standard Chartered Bank
6. KCB Bank
7. National Bank of Kenya
8. SBM Kenya

Source: Central Bank of Kenya, 2022

Appendix IV: Research License

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