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Abstract

Purpose: To examine the effect of organizational agility on the performance of commercial banks in Nairobi City County, Kenya, in the context of adapting to market changes and evolving customer demands and regulatory requirements.

Methodology: The research employed a mixed-methods design that integrated both quantitative and qualitative approaches to explore the relationship between organizational agility and bank performance in Nairobi City County, Kenya. Quantitative data was collected using structured questionnaires administered to 108 branch and operational managers, focusing on variables such as organizational agility and bank performance. Additionally, qualitative insights were gathered through semi-structured interviews with 38 Chief Executive Officers, which facilitated an in-depth examination of strategic flexibility practices. Participants were selected through stratified random sampling, resulting in a high response rate. The data collection process adhered to ethical guidelines and included a pilot study to ensure the instruments' reliability and validity. Quantitative analysis consisted of descriptive statistics, correlation, and regression analyses, while qualitative data were thematically analyzed to provide comprehensive insights.

Findings: The findings on organizational agility in commercial banks in Nairobi City County reveal a high level of adaptability among respondents, with quantitative data collected via eight questionnaire items demonstrating significant agreement across various aspects of agility. The statement with the highest mean score of 4.19 (SD = 0.76) emphasized the bank's focus on actively seeking and valuing customer feedback, while the lowest mean of 4.03 (SD = 0.79) indicated potential improvements in decision-making speed related to organizational structure. Overall, all mean scores exceeded 4.00, confirming a strong perception of organizational agility. Additionally, a simple linear regression analysis illustrated that organizational agility significantly predicts bank performance, with an R-value of 0.681 and an R-squared value of 0.464, indicating that it explains 46.4% of the variance in performance. The unstandardized coefficient for organizational agility was 0.625 (SE = 0.049), suggesting that a one-unit increase in agility is associated with a 0.625-unit improvement in performance. Qualitative interviews with bank executives and managers further supported these findings, emphasizing that organizational agility directly translates into better financial performance and customer satisfaction, thus reinforcing the critical role of organizational agility in enhancing performance within the competitive banking environment.

Unique Contributions to Theory, Practice and Policy: The study provides valuable insights for banking executives by highlighting the importance of organizational agility in enhancing responsiveness to market changes. Regulatory bodies can leverage these insights to formulate policies that support the adaptability and resilience of the banking sector. The findings encourage academic researchers to further explore the theoretical connections between strategic management and dynamic environments, thus contributing to the academic discourse on strategic flexibility. Key recommendations for commercial banks emphasize the need to prioritize the development of organizational agility to improve their responsiveness to market changes.

Keywords: *Organizational Agility, Commercial Banks, Performance, Resource-Based View Theory, Organizational Agility Theory*

JEL Codes: *M10, L20, O31, G21, G28, G40, M21*

INTRODUCTION

The performance of banks in Kenya is influenced by several factors, including increased competition, rising operating costs, reduced interest margins, credit risk, technological disruption, and evolving regulatory requirements (KPMG, 2023; PwC, 2022; Central Bank of Kenya, 2023). As traditional banks face heightened competition from fintech companies, escalating operational costs, and shrinking profit margins, they struggle to maintain profitability and returns on equity (ROE) amid these challenges. The average ROE for Kenyan commercial banks stands at a moderate 14.3%, yet this figure is declining. Therefore, enhancing organizational agility is critical in addressing these competitive pressures (Central Bank of Kenya, 2020). Agile responses to the evolving landscape are essential for sustaining a competitive edge and ensuring long-term viability in the sector.

Organizational agility refers to an organization's ability to rapidly adapt and respond to changing environments and market conditions (Huang et al., 2020). In the context of Kenyan commercial banks, organizational agility is crucial for addressing challenges such as credit risk and regulatory demands. By being agile, banks can modify their strategies and operational approaches quickly to remain competitive and responsive to customer needs. Agility comprises several dimensions, including the ability to pivot business models, reshape resource allocations, and innovate processes to seize new market opportunities (Volberda, 2020; Volberda & van den Bosch, 2020). These capabilities empower banks to react effectively to market shifts, thereby enhancing their operational effectiveness and overall performance.

The relationship between organizational agility and performance is particularly significant in the context of commercial banks, where rapid changes in technology, customer expectations, and regulatory environments necessitate a responsive and adaptive approach to business operations. Several recent studies shed light on this vital connection, emphasizing the importance of agility for enhancing performance in the banking sector.

In a study conducted by Badin and Al-Mahfoudh (2023), the authors delve into the factors influencing service quality and overall performance among banks in the MENA region. They argue that organizational agility enables banks to respond swiftly to market fluctuations and customer demands, which is crucial in an industry characterized by intense competition and changing regulatory requirements. Their findings reveal that banks that adopt agile methodologies not only improve their operational efficiency but also enhance customer satisfaction. This connection highlights how agility fosters a more personalized and responsive banking experience, ultimately leading to higher customer retention and loyalty.

Building on this idea, agility in commercial banks can be understood through its various dimensions, including flexibility, responsiveness, and innovation. For example, banks that have cultivated a culture of agility are likely to implement new technologies and digital banking solutions more effectively, enabling them to compete with fintech companies that are rapidly transforming the financial landscape. By embracing agility, banks can streamline processes, reduce time-to-market for new services, and respond to economic shifts an essential capability in an era where consumer preferences are constantly evolving.

Furthermore, the findings of Mutua and Muthoka (2022) regarding SMEs provide useful insights into how agility can be a differentiator even for smaller banking institutions. As they face similar challenges in adapting to market realities, agile practices can empower these banks to innovate and respond to customer needs quickly, similar to larger banks. This adaptability can enhance their performance, allowing them to carve out niches within the financial services market traditionally dominated by larger players.

The research of Soni and Kodali (2021) further reinforces the idea that operational agility directly correlates with improved performance metrics. In the banking sector, operational agility might manifest in optimized internal processes such as loan processing times and customer service responsiveness thereby reducing inefficiencies and enhancing service delivery. This operational excellence can lead to greater customer satisfaction and stronger financial performance.

Finally, Hayashi and Yang's (2023) exploration of organizational agility in IT firms translates well to the banking sector, as IT underpins many of the initiatives aimed at fostering agility. For banks, embracing digital transformation through agile project management approaches can significantly enhance project outcomes, from the development of mobile banking applications to implementing cybersecurity measures. Projects executed with agility often meet deadlines and stay within budget, which are essential for maintaining competitiveness in the fast-paced banking environment.

In summary, these studies collectively illustrate that organizational agility is critically linked to the performance of commercial banks. By developing agile capabilities, banks can enhance their operational efficiencies, improve customer satisfaction, and effectively navigate the complexities of the financial services industry. The growing emphasis on agility further underscores the need for banks to cultivate a proactive organizational culture that not only embraces change but anticipates it, ultimately positioning themselves for long-term success in a dynamic market.

Wanjiku and Gathenya (2020) found that agility practices had a significant effect on the performance of commercial banks in Kenya. Similarly, Njuguna and Muathe (2019) emphasized the role of technological agility in sustaining competitive advantage in a fast-changing financial environment. Gichuki and Memba (2021) also highlighted how innovation and adaptability were crucial for banks to navigate regulatory reforms and fintech disruptions. These studies collectively validated the use of responsiveness, innovation, and digital capability as reliable dimensions for measuring organizational agility among commercial banks in Nairobi City County.

Organizational agility in this study was measured through three key dimensions like responsiveness, innovation, and digital capability. Responsiveness refers to the bank's ability to swiftly identify and react to changes in the market, customer needs, or regulatory frameworks. Innovation captures the extent to which the bank generates and implements new ideas, products, or processes that enhance efficiency and competitiveness. Digital capability assesses the adoption and effective use of digital technologies to improve service delivery, internal operations, and strategic decision-making. Together, these dimensions offer a comprehensive view of how agile a commercial bank is in adapting to and thriving within a dynamic and evolving business environment.

Statement of the Problem

The commercial banking industry in Kenya has faced significant financial challenges, evidenced by an 8.8% decline in profit before tax in 2023 and an increase in the gross non-performing loans (NPL) ratio from 13.9% in 2022 to 15.6% in 2023 (CBK, 2023). These issues, alongside rising operational costs, low-interest margins, and increased credit risks (CBK, 2022;

KPMG, 2022), threaten the sector's sustainability and profitability. Performance disparities among banks, exemplified by varying Return on Equity (ROE) and NPL ratios, further underscore the uneven resilience within the industry. Institutional failures such as those of Chase Bank, Imperial Bank, and Dubai Bank highlight the critical need for strategic agility and resilience in navigating turbulent market conditions.

Despite these pressing concerns, there is a notable research gap in understanding how banks can effectively adapt through organizational agility in the Kenyan context. Specifically, existing studies largely focus on global or broad strategic concepts, with limited empirical research on the operationalization of agility dimensions namely responsiveness, innovation, and digital capability within Kenyan banks. Moreover, there is a paucity of bank-level agility-performance models that explicitly link agility to financial outcomes in Kenya's unique regulatory and economic environment. This gap is compounded by the poor articulation of agility as a multidimensional construct, with many studies failing to adequately define or measure its key components, thereby hindering practical application and comparative analysis.

Most existing literature either overlooks the Kenyan context or treats agility as a broad, abstract concept without precise operational measures, leading to a lack of localized models that could inform strategic decision-making for Nairobi-based banks. Consequently, this study aims to address these gaps by empirically examining how responsiveness, innovation, and digital capability influence the performance of commercial banks in Nairobi City County, Kenya. It seeks to develop a context-specific, operationalized model of bank agility that can guide both academic understanding and managerial practice in enhancing bank resilience and competitiveness.

Objective of the Study

To establish the effect of organizational agility on performance of commercial banks in Nairobi City County, Kenya.

Research Hypothesis

$H_0$1: Organizational agility has no significant effect on performance of commercial banks in Nairobi City County, Kenya.

Theoretical Review

Resource-Based View Theory

The Resource-Based View (RBV), originally articulated by Jay B. Barney in the 1980s, offers a valuable framework for understanding how organizations, including banks, can achieve sustained competitive advantage through the deployment of unique internal resources and capabilities. In the Kenyan banking sector, the RBV emphasizes the importance of leveraging distinctive assets such as technological infrastructure, organizational culture, customer relationships, and employee competencies to enhance performance and resilience. Several studies have extended the application of the RBV to explore how specific resources underpin organizational agility. For instance, Gathenya and Mwangi (2023) highlight how Kenyan commercial banks utilize core capabilities such as innovative digital platforms and advanced data analytics as strategic resources that enable swift adaptation to market shifts. Similarly, Ainuddin et al. (2021) demonstrate that the development of technological capabilities, including mobile banking and digital payment systems, acts as a crucial resource that allows banks to respond rapidly to changing customer preferences and regulatory demands. Nyongesa and Omwenga (2022) further argue that intangible resources, such as organizational culture and employee expertise, are vital in facilitating agility, especially amidst market volatility and regulatory changes.

The RBV also emphasizes the significance of intangible assets like brand reputation, customer trust, and organizational learning, which serve as critical enablers of responsiveness and innovation. Njoroge et al. (2023) explore how these non-physical assets act as facilitators of agility, helping banks differentiate themselves and adapt swiftly to external shocks. However, capturing and valuing such intangible resources remains inherently challenging, and establishing direct causal links between these assets and performance outcomes is complex. Wernerfelt (2014) acknowledges that intangible resources such as reputation and customer trust are difficult to quantify, yet they play a crucial role in the RBV framework, particularly in banking where differentiation often hinges on non-physical assets.

Despite its strengths, the RBV has notable limitations, especially when applied to the modern, tech-driven financial sector. Its primary focus on internal resources and capabilities tends to overlook external environmental factors such as rapid technological innovations, regulatory shifts, fintech disruptions, cybersecurity threats, and evolving customer expectations. These external forces can dramatically reshape the competitive landscape, often necessitating swift external adaptation that internal resources alone cannot guarantee. Onyango (2023) emphasizes that in today's banking environment, external disruptions driven by technology are often the primary sources of competitive advantage or disadvantage, yet the traditional RBV framework may not fully address this external dynamism. Reliance solely on internal resources presumes stability and control, which are often absent in sectors where external innovations like digital-only banks and fintech companies constantly emerge and challenge existing models. This can render previous internal resources less relevant or even obsolete if external changes are not actively sensed and responded to.

To address these shortcomings, scholars advocate for extending the RBV framework by integrating it with theories such as the Dynamic Capabilities approach (Teece, 2018). This approach emphasizes an organization's ability to sense external changes, seize opportunities, and reconfigure internal resources accordingly, thus providing a more comprehensive view of agility in a volatile environment. Employing such an integrated perspective allows banks to develop not only internal strengths but also external adaptation mechanisms, which are essential in a landscape characterized by rapid technological advancements and external shocks. Additionally, adopting qualitative and longitudinal research methods can better capture the influence of external market volatility on organizational capabilities and performance, providing deeper insights into how banks can remain agile in the face of external disruptions (Kamau & Mutua, 2024).

In sum, while the RBV offers a robust foundation for understanding internal sources of competitive advantage and organizational agility, its focus on internal resources limits its applicability in the fast-evolving, technology-driven banking landscape. External factors such as fintech innovations, cybersecurity threats, and regulatory changes often exert a more immediate influence on performance than internal assets alone can provide. Therefore, a more holistic approach that combines the RBV with dynamic capabilities and external environmental analysis is essential for comprehensively understanding and fostering organizational agility within Kenyan banks operating amidst external market volatility.

Theory of Organizational Agility

The Theory of Organizational Agility traces its roots to the early 1990s, emerging from the broader fields of strategic management and organizational theory. Developed primarily by David J. Teece and Gary Pisano in their seminal 1994 work, the theory was conceived in response to the increasing volatility and unpredictability of global business environments. It evolved from the Resource-Based View (RBV) of the firm, which emphasizes the strategic importance of internal resources and capabilities. However, Teece and Pisano observed that simply possessing valuable resources was insufficient for sustained competitive advantage in dynamic markets. This insight led them to introduce the concept of dynamic capabilities—the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Over time, this perspective gave rise to the specific notion of organizational agility, which emphasizes speed, responsiveness, and innovation in strategic and operational responses.

In the contemporary Kenyan banking sector, characterized by technological disruptions, evolving customer preferences, regulatory changes, and heightened competition, organizational agility has become indispensable for survival and sustainable performance. For Kenyan commercial banks, the theory offers a useful framework for building resilience and responsiveness. Agility enables banks to adjust their strategies, operations, and product offerings in real time to meet market demands and mitigate risks. This dynamic adaptability proved especially critical during disruptions such as the COVID-19 pandemic, when agile banks swiftly transitioned to digital platforms to continue service delivery. Furthermore, organizational agility fosters a culture of continuous improvement and innovation, allowing banks to introduce new digital products, mobile money solutions, and customer-centric services traits that are increasingly important given Kenya's digitally savvy population (John & Ragui, 2024).

One of the core strengths of the Theory of Organizational Agility lies in its focus on dynamic capabilities specifically, the ability to sense environmental changes, seize opportunities, and transform operationally in response to external shifts. These capabilities support strategic decision-making, innovation, and the creation of long-term value. Agile banks can anticipate market trends, act swiftly to capitalize on emerging opportunities, and realign their internal resources accordingly. This aligns well with the realities faced by Kenyan banks, where rapid technological advancements and shifting financial behaviors demand nimbleness and proactive responses (Appelbaum et al., 2021).

Despite its strengths, the theory is not without criticism. A significant limitation is the lack of specific guidance on how banks or organizations can develop and effectively implement dynamic capabilities. While it explains what needs to be achieved, it offers limited concrete steps or practical frameworks for achieving agility, especially in complex, resource-constrained environments (Eisenhardt & Martin, 2000). This makes application challenging for some banks, particularly those with limited capacity for experimentation or large-scale change. Additionally, measuring organizational agility remains a persistent challenge. There is no universally accepted framework for quantifying agility, which encompasses multiple dimensions such as structural flexibility, cultural responsiveness, and technological readiness. As a result, operationalizing and empirically assessing agility often becomes complicated (Furrer & Thomas, 2020).

Another critique concerns the emphasis on speed and adaptability, which, while vital, may inadvertently encourage short-termism. Excessive focus on rapid responses can lead organizations to prioritize immediate gains over long-term strategic objectives, risking hasty decisions that are insufficiently thought out. This is particularly risky in the banking industry, where regulatory compliance, financial prudence, and risk management are paramount. Furthermore, there is some conceptual overlap between agility, strategic agility, and dynamic capabilities, leading to potential ambiguity and dilution of the concepts' distinctiveness (Teece et al., 2016).

To address these limitations, scholars have called for the development of practical frameworks and tools that banks can use to build and sustain agility. Case studies, best practice models, and context-specific training programs are suggested as ways to translate theoretical insights into actionable strategies. Additionally, efforts to develop standardized metrics for measuring agility and employing mixed-methods research can help capture its multifaceted nature across different banking contexts (Appelbaum et al., 2021). Such advancements would strengthen the applicability of the theory and enhance its relevance in fast-changing environments like Kenya's financial services sector.

In conclusion, the Theory of Organizational Agility remains a valuable and insightful framework for understanding how banks in Kenya can maintain competitiveness amidst a dynamic marketplace. It is important to differentiate agility from flexibility while the latter refers to the capacity to adjust internal processes in response to predictable changes, agility encompasses a broader, more proactive set of capabilities involving sensing, rapid decision-making, and strategic reconfiguration in the face of unexpected market shifts. Accurate measurement and operationalization of these concepts are essential for harnessing their full potential. To maximize its benefits, the theory must be refined through the development of practical tools, empirical validation, and context-specific applications that address current conceptual and operational gaps.

Empirical Review

Organizational Agility and Performance of Commercial Banks

The study conducted by Ali, Ullah, and Khan in 2015 in Pakistan investigated the influence of organizational agility on the performance of commercial banks through quantitative methods, including correlation and regression analyses, with data collected from 250 bank managers. The research revealed a significant positive relationship between organizational agility and various performance indicators such as profitability, customer satisfaction, and market share, underscoring the importance of traits like flexibility, adaptability, and responsiveness in driving bank success. While the study's conceptualization of organizational agility and its impact on performance appears well-defined, further elaboration on how these concepts were operationalized could enhance clarity. The research methodology, although appropriate for the study's objectives, would benefit from more explicit details on variable measurements and statistical techniques used to ensure transparency and replicability. Situating the findings within existing theoretical frameworks and considering contextual factors could enrich the study's analysis and provide a deeper understanding of how organizational agility influences commercial bank performance within the specific context of Pakistan.

The study conducted by Obeidat, Alsmadi, and Abdallah (2016) in Jordanian commercial banks investigated the interplay between organizational agility, firm performance, and environmental uncertainty, highlighting a positive relationship between agility and performance, particularly in environments characterized by high uncertainty. While the study's conceptualization of agility and its impact on firm performance appears well-defined, a deeper exploration of the precise definitions and operationalization of these concepts could enhance clarity. The research methodology, which involved data collection from 281 bank employees, provided a substantial sample size for analysis; however, further methodological details on variable measurements and statistical techniques could improve transparency. Integrating relevant theoretical frameworks, such as contingency theory or resource-based view, could bolster the study's theoretical foundation and contextualizing the findings within the unique business environment of Jordan would offer valuable insights for future research in the field of organizational agility and firm performance in the Jordanian banking sector.

The study by Alshurideh and Saif (2017) in Jordanian commercial banks delves into the relationship between organizational agility and firm performance, emphasizing financial metrics, customer satisfaction, and innovation outcomes. While the conceptualization of agility and its impact on performance seems well-defined, further elaboration on precise definitions and operationalization could enhance clarity. Methodologically, the research, based on data from 109 bank employees and employing descriptive statistics, correlation, and regression analyses, offers a suitable approach for investigating these relationships, yet more detailed information on variables measured and statistical techniques used would strengthen transparency. Contextually, the study's focus on Jordan provides valuable insights, but a deeper integration of relevant theoretical frameworks could bolster the study's theoretical underpinnings. Grounding the research in established theories like dynamic capabilities theory could fortify the findings. By addressing these aspects, future studies can advance knowledge on how organizational agility influences firm performance in Jordanian commercial banks, contributing to the broader understanding of agility in banking contexts.

The study conducted by El-Jardali and Fawaz (2017) in Lebanese commercial banks explores the link between organizational agility and organizational performance, emphasizing financial performance, customer satisfaction, and employee productivity. While the research demonstrates a robust and positive correlation between agility and performance, there are areas for critique. Conceptually, the study could benefit from a more detailed elucidation of how organizational agility and performance were defined and operationalized to enhance conceptual clarity. Methodologically, relying on data from 203 bank employees through quantitative methods is a strength, yet providing more comprehensive information on variable measurements and statistical techniques would enhance methodological transparency. Contextually, the study's focus on Lebanese commercial banks offers valuable insights, but a deeper integration of relevant theoretical frameworks could strengthen the study's theoretical foundations. Grounding the research in established theories like organizational learning theory could enrich the findings. Addressing these aspects would not only refine the study but also contribute to advancing knowledge on the impact of agility on performance in the Lebanese banking sector, providing valuable implications for practice and future research endeavours.

The study by Saghir and Mahmood (2018) in commercial banks in Pakistan investigates the influence of organizational agility on financial performance, highlighting strategic, operational, and technological agility as pivotal factors. The research, employing a case study approach involving interviews and document analysis, offers valuable insights into the relationship between agility dimensions and financial performance indicators. While the study demonstrates a positive impact of organizational agility on the financial performance of commercial banks, there are areas for critique. Conceptually, a more detailed explication of

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how organizational agility and financial performance were conceptualized and operationalized could enhance clarity. Methodologically, while the case study approach is appropriate for in-depth exploration, providing additional information on the sampling strategy and data analysis methods would bolster methodological transparency. Contextually, focusing on commercial banks in Pakistan provides specific insights, but further integration of theoretical frameworks such as complexity theory could enhance the theoretical underpinnings of the study. Strengthening these aspects would not only refine the study but also offer practical implications for enhancing financial outcomes through agility in the Pakistani banking sector.

Despite growing interest in organizational agility within the banking sector, several critical research gaps persist. A major shortcoming in many studies is the lack of clarity in how organizational agility is defined and operationalized, with insufficient detail on variable measurement and statistical techniques, limiting methodological transparency and replicability. Additionally, most existing research is context-specific to regions like Pakistan, Jordan, and Lebanon, with little focus on African banking environments such as Kenya, where unique market conditions, regulatory frameworks, and technological advancements warrant localized investigation. Theoretical grounding is another concern, as many studies lack integration of robust frameworks like the dynamic capabilities theory, contingency theory, and organizational learning theory, which could strengthen the interpretation of agility-performance relationships.

Furthermore, while most studies focus on financial metrics such as profitability, they tend to overlook non-financial indicators like customer satisfaction and employee productivity. There's also limited exploration of how external environmental factors—such as technological disruptions, regulatory shifts, and changing consumer behavior—influence the effectiveness of agility. In addition, cross-sectional designs dominate current research, leaving a gap in understanding how organizational agility impacts performance over time. Lastly, industry-specific dimensions of agility, including strategic, operational, and technological agility, are often discussed broadly rather than analyzed in detail within different banking models. Addressing these gaps would enhance theoretical depth and practical relevance, informing more adaptive and resilient banking strategies in rapidly evolving financial landscapes.

Conceptual Framework

Independent variables **Dependent Variable**

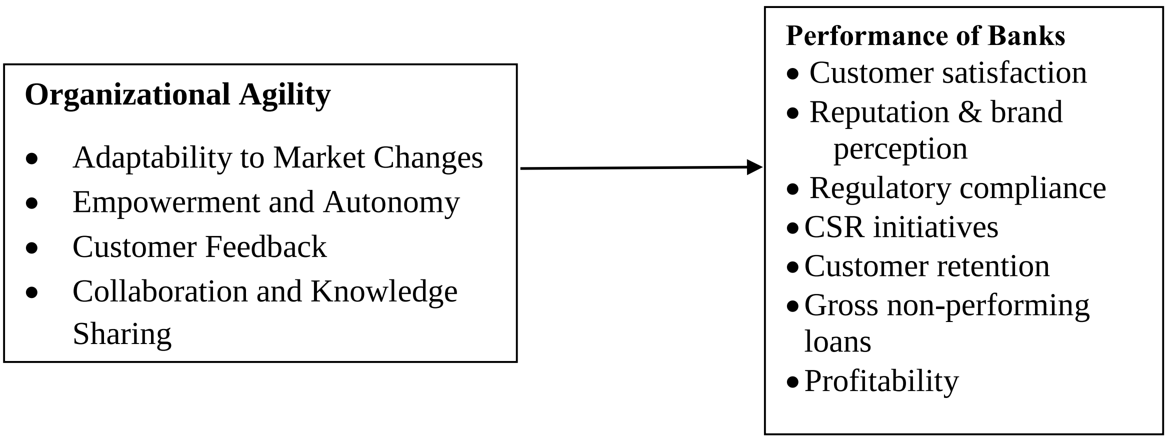

Figure 1: Conceptual Framework showing Interaction of Variables

Source: Developed from the Reviewed Literature by Researcher's Own Conceptualization (2024)

METHODOLOGY

The research employed a pragmatic philosophy, leveraging a mixed-methods approach that combined both quantitative and qualitative methodologies to investigate the relationship between strategic flexibility, market dynamism, and bank performance in commercial banks in Nairobi City County, Kenya. The study utilized a cross-sectional survey design, gathering quantitative data via structured questionnaires from 108 operational and branch managers, while semi-structured interviews provided qualitative insights from 38 Chief Executive Officers. Stratified random sampling was applied for the quantitative component, ensuring diverse representation, while a pilot study validated the research instruments. The sample size was calculated using Nassiuma's formula:

$$S = \{N (Cv^2)\}/\{(Cv^2 + (N-1) e^2)\}$$

where S is the sample size, N is the population size (480), Cv is the Coefficient of Variation (21%), and e is the standard error (2%). This resulted in a final sample size of 216 individuals. Ethical considerations were upheld throughout the data collection process, ensuring research integrity and participant confidentiality.

Reliability analysis demonstrated strong internal consistency across the study variables, with Cronbach's Alpha values ranging from 0.842 to 0.902, indicating that the research instruments were reliable. Validity was established through expert reviews, content validity assessments, and factor analysis, which confirmed that the instruments accurately measured the intended constructs. The rigorous validation process also included criterion validity checks showing significant correlations between strategic flexibility variables and bank performance. This comprehensive methodology facilitated a nuanced understanding of the intricate impacts of strategic partnerships on bank performance in an evolving financial landscape, thus offering valuable insights for banking practitioners and policymakers.

FINDINGS

Response Rate

The study targeted a stratified sample of 216 respondents across branch managers and operational managers from commercial banks in Nairobi City County, Kenya.

Table 1: Response Rate

Management Level	Distributed	Returned	Response Rate
Branch Managers	108	85	78.7%
Operations Managers	108	81	75.0%
Total	**216**	**186**	**86.1%**

Source: Field Data (2025)

The sample 108 branch managers, and 108 operations managers. Out of the 216 questionnaires distributed, 186 were completed and returned, representing an overall response rate of 86.1%. Table 1 presents the detailed breakdown of response rates by management level. Twenty (20) out of 38 Chief Executive Officers participated in the interviews.

The overall response rate of 86.1% is considered adequate for statistical analysis and aligns with similar studies in the banking sector. The rates for branch and operations managers (78.7% and 75.0% respectively) indicate good engagement at these levels. Mugenda and Mugenda (2013) highlight the significance of response rates in research, emphasizing that a response rate

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of 70% or higher is generally acceptable for ensuring the reliability of survey results in social research.

Descriptive Analysis

Table 2: Descriptive Statistics for Organizational Agility

Statement	SD	D	U	A	SA	Mean	Std. Dev.
Our bank demonstrates a high degree of adaptability and embraces changes in the market.	2 (1.1%)	5 (2.7%)	17 (9.1%)	109 (58.6%)	53 (28.5%)	4.11	0.75
Employees in our bank are empowered to make autonomous decisions and take initiative.	1 (0.5%)	7 (3.8%)	21 (11.3%)	104 (55.9%)	53 (28.5%)	4.08	0.76
Our bank actively seeks and values customer feedback to enhance its products and services.	2 (1.1%)	4 (2.2%)	14 (7.5%)	103 (55.4%)	63 (33.8%)	4.19	0.76
Collaboration and knowledge sharing are encouraged and valued within our bank.	2 (1.1%)	6 (3.2%)	24 (12.9%)	107 (57.5%)	47 (25.3%)	4.03	0.77
Our bank efficiently allocates resources and adjusts strategies to capitalize on new opportunities.	1 (0.5%)	5 (2.7%)	19 (10.2%)	112 (60.2%)	49 (26.4%)	4.09	0.72
Innovation adoption is fostered within our bank, and there is a willingness to learn from failures and experiment with new ideas.	2 (1.1%)	5 (2.7%)	21 (11.3%)	109 (58.6%)	49 (26.3%)	4.06	0.76
The organizational structure of our bank allows for quick decision-making and implementation.	2 (1.1%)	7 (3.8%)	23 (12.4%)	105 (56.4%)	49 (26.3%)	4.03	0.79
Our bank consistently achieves or exceeds its performance targets and objectives.	1 (0.5%)	6 (3.2%)	19 (10.2%)	111 (59.7%)	49 (26.4%)	4.08	0.73

Source: Field Data (2025); *Note: SD = Strongly Disagree, D = Disagree, U = Undecided, A = Agree, SA = Strongly Agree*

Respondents were asked to indicate their level of agreement with statements related to their bank's adaptability, employee empowerment, customer focus, collaboration, resource allocation, Innovation adoption, organizational structure, and performance. The responses were measured on a five-point Likert scale, where 1 represented "Strongly Disagree," and 5 represented "Strongly Agree." Table 2 presents the descriptive statistics for organizational agility.

The results in Table 2 show that the majority of respondents agreed or strongly agreed with the statements related to organizational agility. The highest mean score of 4.19 (SD = 0.76) was observed for the statement, "Our bank actively seeks and values customer feedback to enhance its products and services," indicating a strong focus on customer-centricity.

The lowest mean score of 4.03 (SD = 0.79) was observed for the statement, "The organizational structure of our bank allows for quick decision-making and implementation," suggesting that there may be some room for improvement in terms of organizational structure and decision-making processes. The mean scores for all statements were above 4.00, indicating a high level of agreement among respondents regarding their bank's organizational agility. The standard deviations ranged from 0.72 to 0.79, suggesting a relatively low dispersion of responses around the mean.

Overall, the descriptive statistics suggest that the commercial banks in Nairobi City County demonstrate a high level of organizational agility, characterized by adaptability, employee

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empowerment, customer focus, collaboration, efficient resource allocation, Innovation adoption, and the ability to achieve performance targets. These findings highlight the importance of organizational agility as a crucial component of strategic flexibility in the dynamic and competitive banking industry.

Descriptive Statistics for Performance of Commercial Banks

The performance of commercial banks, the dependent variable in this study, was assessed using eight questionnaire items. Respondents were asked to indicate their level of agreement with statements related to their satisfaction with the quality of products and services, motivation and commitment to work, efficiency of processes and systems, effective risk management, adoption of innovative solutions and technology, commitment to social responsibility and sustainability, positive reputation and alignment with expectations, and compliance with relevant laws and regulations. The responses were measured on a five-point Likert scale, where 1 represented "Strongly Disagree," and 5 represented "Strongly Agree." Table 3 presents the descriptive statistics for the performance of commercial banks.

The results in Table 3 show that the majority of respondents agreed or strongly agreed with the statements related to the performance of commercial banks. The highest mean score of 4.15 (SD = 0.68) was observed for the statement, "The bank effectively manages and mitigates risks," indicating a high level of confidence in the risk management practices of commercial banks.

Table 3: Descriptive Statistics for Performance of Commercial Banks

Statement	SD	D	U	A	SA	Mean	Std. Dev.
We strive to provide high-quality services and products.	2 (1.1%)	4 (2.1%)	14 (7.5%)	112 (60.2%)	54 (29.1%)	4.14	0.72
I feel motivated and committed to my work at this bank.	1 (0.5%)	5 (2.7%)	15 (8.1%)	114 (61.3%)	51 (27.4%)	4.12	0.70
The bank's processes and systems are efficient and minimize delays or errors.	2 (1.1%)	6 (3.2%)	19 (10.2%)	109 (58.6%)	50 (26.9%)	4.07	0.76
The bank effectively manages and mitigates risks.	1 (0.5%)	3 (1.6%)	15 (8.1%)	115 (61.8%)	52 (28.0%)	4.15	0.68
The bank embraces innovative solutions and leverages technology to enhance its services.	1 (0.5%)	5 (2.7%)	17 (9.2%)	112 (60.2%)	51 (27.4%)	4.11	0.71
The bank demonstrates a strong commitment to social responsibility and sustainability.	3 (1.6%)	5 (2.7%)	16 (8.6%)	109 (58.6%)	53 (28.5%)	4.10	0.78
The bank has a positive reputation and aligns with my expectations.	1 (0.5%)	4 (2.1%)	18 (9.7%)	112 (60.2%)	51 (27.5%)	4.12	0.70
I am confident that the bank complies with all relevant laws and regulations.	1 (0.5%)	4 (2.2%)	16 (8.6%)	113 (60.8%)	52 (27.9%)	4.13	0.69

Source: Field Data (2025)

The lowest mean score of 4.07 (SD = 0.76) was observed for the statement, "The bank's processes and systems are efficient and minimize delays or errors," suggesting that there may be some room for improvement in streamlining processes and reducing operational inefficiencies.

The mean scores for all statements were above 4.00, indicating a high level of agreement among respondents regarding the performance of commercial banks across various

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dimensions, including quality, employee motivation, risk management, innovation, social responsibility, reputation, and regulatory compliance. The standard deviations ranged from 0.68 to 0.78, suggesting a relatively low dispersion of responses around the mean.

Overall, the descriptive statistics suggest that commercial banks in Nairobi City County demonstrate strong performance across various indicators. Respondents express satisfaction with the quality of products and services, feel motivated and committed to their work, and perceive their banks as effectively managing risks, embracing innovation, demonstrating social responsibility, maintaining a positive reputation, and complying with relevant laws and regulations. These findings provide a positive outlook on the performance of commercial banks in Nairobi City County and underscore the importance of maintaining high standards across multiple performance dimensions.

Correlation Analysis

Table 4: Correlation Matrix

Variables	1	2
1. Organizational Agility	1	0.681**
2. Performance of Commercial Banks	0.681**	1

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

Table 4 shows a strong positive correlation between "Organizational Agility" and "Performance of Commercial Banks". The correlation coefficient of 0.681, and the significance level of 0.01 (2-tailed), indicates a statistically significant and strong relationship. This means that as organizational agility increases, the performance of the commercial banks tends to improve as well.

Regression Analysis

A simple linear regression analysis was conducted to examine the relationship between strategic partnerships and the performance of commercial banks in Nairobi City County. The analysis aimed to determine the extent to which strategic partnerships predict the performance of commercial banks. Table 6 presents the model summary, ANOVA, and coefficients for the regression analysis.

Inferential Statistics

A simple linear regression analysis was conducted to examine the relationship between organizational agility and the performance of commercial banks in Nairobi City County. The analysis aimed to determine the extent to which organizational agility predicts the performance of commercial banks. Table 6 presents the model summary, ANOVA, and coefficients for the regression analysis.

The model summary in Table 5 shows that the R-value, which represents the correlation between organizational agility and the performance of commercial banks, is 0.681. The R-square value of 0.464 indicates that organizational agility explains 46.4% of the variance in the performance of commercial banks.

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Table 5: Simple Linear Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.681	0.464	0.461	0.36842

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.925	1	21.925	161.640
	Residual	25.025	184	0.136	
	Total	**46.950**	**185**		

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	1.581	0.174		9.086
	Organizational Agility	0.625	0.049	0.681	12.715

a. Dependent Variable: Performance of Commercial Banks b. Predictors: (Constant), Organizational Agility; Source: Field Data (2025)

The adjusted R-square value of 0.461 suggests that the model has a good fit and is not over-fitted to the sample data. The ANOVA results in Table 6 reveal that the regression model is statistically significant ($F(1, 184) = 161.640$, $p < 0.001$). This indicates that organizational agility significantly predicts the performance of commercial banks in Nairobi City County.

The coefficients table in Table 6 provides information about the impact of organizational agility on the performance of commercial banks. The unstandardized coefficient (B) for organizational agility is 0.625, with a standard error of 0.049. This means that for every one-unit increase in organizational agility, the performance of commercial banks increases by 0.625 units, holding other variables constant. The standardized coefficient (Beta) of 0.681 indicates that organizational agility has a strong positive impact on the performance of commercial banks. The t-value of 12.715 and the corresponding p-value (Sig.) of 0.000 confirm that the relationship between organizational agility and the performance of commercial banks is statistically significant at the 0.001 level.

The regression equation can be represented as follows:

Performance of Commercial Banks = 1.581 + 0.625 * Organizational Agility

This equation suggests that when organizational agility is zero, the performance of commercial banks is predicted to be 1.581 units. For every one-unit increase in organizational agility, the performance of commercial banks is expected to increase by 0.625 units.

The results from the simple linear regression analysis indicate a robust relationship between organizational agility and the performance of commercial banks in Nairobi City County. The R-value of 0.681 depicts a strong correlation, revealing that 46.4% of the variance in bank performance can be explained by organizational agility, as indicated by the R-squared value. This suggests that banks exhibiting higher levels of agility characterized by adaptability, responsiveness, and flexibility tend to perform better. The statistical significance of the regression model ($F(1, 184) = 161.640$, $p < 0.001$) further validates that organizational agility is a significant predictor of bank performance. The regression coefficient indicates that a one-unit increase in organizational agility corresponds to an increase of 0.625 units in bank performance, thereby affirming the positive impact of agility on operational outcomes.

This study's findings are consistent with existing literature that highlights the importance of organizational agility in enhancing bank performance. Research conducted by various scholars, including Ali et al. (2015) and Obeidat et al. (2016), supports the notion that agility positively affects profitability, customer satisfaction, and adaptability in uncertain environments. However, as seen in multiple studies, including those by Alshurideh and Saif (2017) and El-Jardali and Fawaz (2017), there is a call for greater clarity in defining and operationalizing agility and performance metrics. Such enhancements could strengthen methodological transparency and provide a more profound understanding of the interaction between agility and performance. The regression model's findings present a clear direction for banking institutions in Nairobi and beyond, emphasizing the necessity of fostering organizational agility to improve performance measures and ultimately enhance competitiveness in a challenging financial landscape.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The study concludes that organizational agility serves as a vital factor influencing the performance of commercial banks in Nairobi City County. The robust positive correlation ($r = 0.681$, $p < 0.001$) and the substantial explanatory power ($R^2 = 0.464$) underscore that banks exhibiting higher levels of agility tend to achieve better performance outcomes. The analysis reinforces the notion that organizational agility is not merely an operational characteristic but a strategic asset that significantly contributes to a bank's effectiveness in a competitive marketplace.

Additionally, the findings indicate that among various strategic flexibility variables, organizational agility demonstrates the strongest relative impact ($\beta = 0.365$, $p < 0.001$) on performance. This suggests that banks prioritizing agility in terms of adaptability, responsiveness, and overall strategic flexibility are more likely to excel in performance indicators such as profitability and customer satisfaction. Ultimately, the study provides compelling evidence for banking institutions to invest in enhancing their organizational agility as a means of improving overall performance and maintaining a competitive edge in the industry.

Recommendations

The recommendations specifically aimed at enhancing organizational agility emphasize the need for bank management to focus on the development of flexible organizational structures and decision-making processes. As organizational agility was identified as having the strongest impact on bank performance, executives are urged to prioritize investments in training and development programs that foster adaptability and responsiveness to shifts in the market environment. Additionally, it is recommended that management establish clear metrics for measuring and monitoring organizational agility, which will facilitate continuous improvement and ensure that agility initiatives align with overall performance objectives.

Beyond structural changes, management should adopt a culture that encourages innovation by allocating resources to research and development and implementing systems that reward creativity and experimentation. The recommendations also highlight the significance of monitoring environmental changes, especially in dynamic markets, to adjust strategic flexibility initiatives accordingly. By focusing on enhancing organizational agility, banks can significantly improve their operational performance and maintain a competitive edge in a rapidly evolving financial landscape.

Suggestions for Further Research

i) Conduct a study that examines how organizational agility is perceived and implemented in the context of Kenyan commercial banks. This research could focus on the unique challenges and opportunities related to the Kenyan market, such as regulatory frameworks, market dynamics, and cultural factors that influence banks' ability to be agile.

ii) Investigate how local market dynamics, including economic fluctuations, competition from fintech companies, and customer behavior trends in Nairobi, impact the agility of commercial banks. This study could analyze whether banks that adapt more quickly to these changes perform better compared to those that do not.

iii) Explore the relationship between organizational agility and customer satisfaction in commercial banks within Nairobi City County. Research could focus on how agile practices affect service delivery, customer engagement, and ultimately, customer loyalty and retention in the highly competitive banking sector.

iv) Assess how the adoption of technology and innovation (such as mobile banking, digital payment platforms, and customer relationship management systems) influences the organizational agility of banks in Nairobi. This research could identify specific technological interventions that enhance agility and lead to improved bank performance in the local context.

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