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STRATEGIC MANAGEMENT

KNOWLEDGE SHARING AND COMPETITIVE ADVANTAGE OF COMMERCIAL BANKS IN KENYA

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ABSTRACT

Purpose: The study aimed to investigate the impact of knowledge sharing on the competitive advantage of commercial banks in Kenya.

Methodology: A quantitative approach was utilized, targeting 10 tier-1 banks registered under the Central Bank of Kenya. A purposive sampling design was employed to select these banks. Data were collected from three middle-level management representatives from each bank using structured questionnaires, and secondary data were obtained from annual reports. Descriptive statistics were used for data analysis.

Results: The findings revealed a significant positive correlation between knowledge sharing and competitive advantage, with a coefficient of 0.62 for ROA. This indicates that effective knowledge-sharing practices are strongly associated with improved financial performance in the banks. The results suggest that banks that prioritize knowledge sharing enhance their operational efficiencies and responsiveness to market demands.

Conclusion: The study concludes that knowledge sharing has a significant impact on the competitive advantage of commercial banks in Kenya

Recommendation: The study recommends that banks should prioritize the cultivation of a knowledge-sharing culture, invest in systems and training to facilitate collaboration, and regularly assess the effectiveness of their knowledge management strategies.

Keywords: *Knowledge sharing, competitive advantage, commercial banks, Kenya, Return on Assets (ROA)*

INTRODUCTION

In the increasingly competitive environment of the 21st century, knowledge sharing has become a vital asset for organizations seeking a competitive edge. Within the global banking sector, and particularly in Kenya, strategic alliances play a key role in fostering knowledge sharing, allowing banks to pool resources, capabilities, and expertise for mutual benefit (Ulrich, 2021). This exchange of knowledge is critical in enabling organizations to respond effectively to the forces of globalization and industry dynamism, both of which have significantly reshaped today's business landscape (Felizardo, 2017). By leveraging knowledge-sharing processes, commercial banks create synergies that enable them to offer superior products and services, setting themselves apart from competitors (Randeree & Al Youha, 2020).

Knowledge sharing directly contributes to a firm's competitiveness by enhancing its ability to innovate and implement effective strategies. In Kenya's banking sector, this practice allows organizations to adopt better business approaches and utilize shared information to optimize their operations. By exchanging critical insights and technical expertise, banks can streamline their processes and introduce innovative services that more effectively meet customer demands (Nyakango, 2023). In a rapidly evolving marketplace, a bank's ability to remain competitive often depends on the depth and quality of knowledge shared among institutions.

Strategic alliances within Kenya's commercial banking sector have been instrumental in promoting knowledge sharing. These alliances, often involving partnerships with both local and international entities, provide banks with access to a wider pool of expertise and resources (Das et al., 2021). Through such collaborations, banks can exchange knowledge in areas such as market development, financial technologies, and customer service innovations. For example, Kenyan banks have increasingly adopted digital banking solutions and mobile platforms, largely as a result of knowledge sharing facilitated by strategic partnerships (Amita, Richard & Robinson, 2021). This collective knowledge not only enhances their operational capabilities but also strengthens their competitive position within the banking industry.

The regulatory framework in Kenya has also encouraged knowledge sharing among banks, particularly through industry associations such as the Kenya Bankers Association (KBA). These platforms enable commercial banks to engage in cooperative dialogues, share regulatory insights, and discuss emerging trends within the financial sector (CBK, 2016). As a result, knowledge sharing becomes institutionalized, allowing banks to remain compliant while adapting to new challenges and opportunities in the market. This collaborative approach to knowledge sharing has been instrumental in strengthening the competitive positions of Kenya's commercial banks in both domestic and international markets.

Knowledge sharing remains a cornerstone of competitive advantage in Kenya's commercial banking sector. Through strategic alliances, regulatory frameworks, and industry collaborations, banks can continuously exchange critical information, driving innovation and enhancing operational efficiencies. This, in turn, helps commercial banks remain agile and competitive in a rapidly changing financial environment. As Kenya's banking industry continues to evolve, the importance of knowledge sharing as a means to achieving sustainable competitive advantage will only grow.

Statement of the Problem

The establishment of strategic alliances has become an essential framework for addressing shared challenges and enhancing competitive advantage among organizations. In Kenya’s commercial banking sector, banks face increasing external pressures from a dynamic market environment, evolving client demands, and heightened competition. These pressures compel corporate managers to adopt creative strategies, such as strategic alliances, to effectively respond to these challenges. However, while strategic alliances have been widely adopted to minimize operational costs and expand competitiveness, the specific role of knowledge sharing in these alliances remains underexplored, particularly in relation to its impact on competitive advantage (Ulijn, 2020).

Existing studies have predominantly focused on the performance outcomes of strategic alliances across various sectors. For example, Hoxtell et al. (2020) explored partnerships in manufacturing, emphasizing operational improvements such as reduced lead times and enhanced liquidity through collaborative supply chains. Similarly, Kavele (2017) examined alliances in mobile banking, concentrating on partnerships between mobile service providers and financial institutions. However, Kavele’s study did not delve into how these partnerships impacted the competitiveness of the firms involved. Despite the value of these insights, the studies largely overlook the knowledge-sharing mechanisms that form the foundation of these alliances and their direct influence on competitive positioning.

In today's rapidly evolving business environment, traditional performance metrics alone no longer suffice. There is an increasing need to shift the focus from simple performance evaluations to a broader examination of competitive advantage. In Kenya's banking sector, competitive advantage is determined not only by current performance but also by how sustainable and adaptable that advantage is in response to industry challenges. As a result, this study seeks to address this gap by specifically investigating how knowledge sharing within strategic alliances influences the competitive advantage of commercial banks in Kenya. The research will assess the role of knowledge-sharing practices, resource complementarity, and technological collaborations in shaping the competitive edge of selected commercial banks in Kenya.

Objective of the study

i. To determine the influence of knowledge sharing on competitive advantage of commercial banks in Kenya.

Research Questions

i. What is the influence of knowledge sharing on competitive advantage of commercial banks in Kenya?

Theoretical Literature

The Knowledge-Based Theory offers a valuable framework for understanding the role of knowledge sharing in strategic alliances, particularly in the context of competitive advantage among commercial banks. Steensma and Lyles (2000) emphasize that this perspective is especially relevant when analyzing strategic partnerships. Nelson and Winter's (1982) evolutionary theory of economic change supports this view, conceptualizing firms as social entities that evolve by adapting the collective knowledge of their members. A firm's competitive advantage is thus largely determined by its ability to leverage and expand its productive knowledge base.

In the context of strategic alliances, the Knowledge-Based Theory highlights the importance of knowledge as a critical resource that drives collaboration between firms. When commercial banks form alliances, they consolidate their knowledge bases, enabling the exchange of critical information that may otherwise be difficult to transfer, particularly tacit knowledge embedded in organizational processes (Eisenhardt & Santos, 2002). This knowledge transfer becomes a powerful catalyst for forming alliances, as banks seek to tap into the expertise and capabilities of their partners, thereby enhancing their operational efficiency and strategic positioning.

Critics of the Knowledge-Based Theory, such as Foss (1996), question whether it sufficiently explains the existence of firms without considering opportunism or moral hazard. However, in the context of strategic alliances, the theory remains relevant by emphasizing that knowledge-sharing mechanisms are central to maintaining competitiveness. Commercial banks, through these alliances, access new knowledge, technologies, and best practices, which not only boost innovation but also improve their ability to meet the dynamic needs of their clients.

In this study, the Knowledge-Based Theory is employed to explore how knowledge sharing within strategic alliances contributes to the competitive advantage of commercial banks in Kenya. As banks pool resources and exchange critical insights, they build dynamic capabilities that allow them to innovate, learn, and adapt in an increasingly competitive environment. By examining the strategic role of knowledge sharing, this research aims to demonstrate how these alliances enhance the competitive positioning of banks, leading to improved performance and sustained profitability in the Kenyan banking sector.

Empirical Literature Review

The proliferation of strategic alliances across diverse sectors and industries has become a defining feature of the modern global economy. As companies navigate the complexities of competitive markets, knowledge transfer within these alliances has emerged as a key driver of success. Hamel (1991) underscores the importance of international strategic alliances as significant learning opportunities, where the ability to quickly acquire and apply knowledge can lead to one partner gaining a competitive edge over the other. Likewise, Inkpen (2000) notes that even when firms aim to protect their proprietary knowledge, the inherent nature of alliances often results in some level of knowledge dissemination, ultimately enhancing the capabilities of all parties involved.

Strategic alliances provide a collaborative platform for firms to share skills, technologies, and expertise in ways that promote innovation and competitive advantage (Inkpen & Tsang, 2005). This mutual exchange of knowledge is particularly advantageous for organizations operating in fast-evolving industries, as it enables them to overcome operational challenges and access resources that would otherwise remain out of reach (Lei et al., 2017). In this context, knowledge transfer within alliances not only strengthens the individual firms but also enhances the overall competitiveness of the partnership. This dynamic allows both local and international players to leverage collective resources and achieve a stronger position in the global market.

By facilitating access to complementary expertise and fostering innovation, knowledge sharing in alliances becomes a critical factor in securing and sustaining competitive advantage. This interconnected approach empowers firms to address the rapid changes in their respective industries, ultimately contributing to their long-term success and adaptability in the global economy.

The scope and effectiveness of knowledge transfer can vary significantly between international and local strategic alliances. As Inkpen (2008) argues, possessing a valuable knowledge-based asset is crucial for success in international business, where knowledge transfer across borders is often challenged by differences in culture, language, policies, and procedures (Kogut & Zandar, 1993). On the other hand, local alliances benefit from more homogenous environments, which streamline the transfer of knowledge due to shared national contexts (Duan et al., 2020). This contrast underscores the importance of context in determining the success of knowledge transfer and the competitive advantage gained from it.

Teece's (2017) dynamic capabilities hypothesis further supports the role of knowledge transfer in achieving sustained competitive advantage. Modern firms must continually adapt their policies, processes, and resources to remain competitive, and knowledge is now regarded as one of the most valuable assets in this regard (Simonin, 2019). Easterby-Smith et al. (2018) define knowledge transfer as the process by which a firm absorbs knowledge from the experiences of its partners, which can stimulate organizational learning and lead to the development of new ideas. This learning process not only enhances the firm's ability to innovate but also contributes to its overall success and competitive advantage in the market.

Ultimately, the effectiveness of knowledge transfer within strategic alliances can profoundly influence a firm's performance and ability to remain competitive. As Minbaeva et al. (2013) argue, the process of knowledge transfer can significantly impact the behavior of recipient firms, leading to the generation of novel ideas and improved organizational outcomes. In the context of Kenya's commercial banking sector, understanding how knowledge transfer within strategic alliances enhances competitive advantage is essential for navigating the increasingly complex and competitive landscape.

RESEARCH METHODOLOGY

This study employed a descriptive cross-sectional design to examine the influence of knowledge sharing on the competitive advantage of commercial banks in Kenya. The research focused on the 10 largest tier 1 banks, selected from a target population of 42 commercial banks registered with the Central Bank of Kenya. Data were collected through structured online questionnaires targeting middle-level management, complemented by secondary data from annual reports and credible sources.

Descriptive statistics, including mean and standard deviation, were used to assess knowledge-sharing levels and related factors like resource complementarity and technology collaboration. Multiple regression analysis quantified the relationship between knowledge-sharing practices and competitive advantage, measured through market share, profitability, customer satisfaction, and innovation. The findings, presented through tables and charts, highlighted the role of knowledge sharing in driving innovation and competitiveness in the Kenyan banking sector. Ethical considerations were adhered to, including data collection permits from NACOSTI and the use of authentic financial reports.

RESEARCH FINDINGS

This section presents the findings of the study and the subsequent discussions.

Knowledge Sharing Index

The study sought to know how effectively commercial banks were engaging in and benefiting from knowledge sharing with their alliance partners. This index is composed of three dimensions: Frequency of Exchanges, Quality of Information, and Impact on Operations. Each dimension is rated on a scale from 1 to 5, with higher values indicating better performance. The results are presented in Table 1.

Table 1: Knowledge Sharing Index

Bank	Frequency of Exchanges	Quality of Information	Impact on Operations	Composite Index
Equity Bank	4.2	4.5	4.3	4.35
Kenya Commercial Bank	4	4.2	4.1	4.11
ABSA Bank of Kenya	3.8	4	3.9	3.9
Diamond Trust Bank	4.1	4.3	4.2	4.2
Cooperative Bank	4.3	4.4	4.2	4.33
Central Bank of Africa	4.2	4.3	4.1	4.2
I&M Holdings	4.3	4.4	4.3	4.33
Stanbic Bank Kenya	4.4	4.5	4.4	4.43
NCBA	4.5	4.6	4.5	4.53
Standard Chartered Bank	4.6	4.7	4.6	4.63

Table 1 show that Standard Chartered Bank leads with the highest Knowledge Sharing Index score of 4.63, reflecting its exceptional performance in knowledge sharing. This score indicates that Standard Chartered Bank benefits significantly from frequent exchanges, high-quality information, and a substantial positive impact on operations, thereby gaining a notable competitive advantage. NCBA closely follows with a score of 4.53, demonstrating robust knowledge-sharing practices that enhance its operational efficiency and overall performance. Stanbic Bank Kenya and I&M Holdings also exhibit strong performance with scores of 4.43 and 4.33, respectively, highlighting their effective knowledge-sharing practices that contribute to their competitive positioning and operational capabilities. Cooperative Bank and Diamond Trust Bank, with Composite Index scores of 4.33 and 4.20, show solid knowledge-sharing practices, though their impact is less pronounced compared to the top performers. ABSA Bank of Kenya, Central Bank of Africa, and Kenya Commercial Bank have lower scores ranging from 3.90 to 4.11, suggesting room for improvement in their knowledge-sharing practices. While these banks engage in knowledge sharing, the frequency, quality, and impact are not as strong as those of the leading banks. Equity Bank, with a score of 4.35, shows strong knowledge-sharing performance but still falls short of the highest scorers like Standard Chartered Bank and NCBA.

Inferential Analysis

The inferential analysis was used to provide empirical evidence on how knowledge transfer influence competitive advantage in the banking sector.

Correlation Analysis

Correlation analysis was conducted to determine the strength and direction of the relationship between knowledge and competitive advantage indicators. The findings are shown below.

Table 2: Correlation Matrix for Strategic Alliances and Market Share

Composite Index	Market Share	ROA
Knowledge Sharing Index	0.65**	0.62**

Table 2 demonstrates that the Knowledge Sharing Index exhibits a highly significant positive correlation with ROA (0.62) **, indicating that effective knowledge-sharing practices are strongly associated with improved financial performance in terms of return on assets (ROA). This suggests that banks that foster robust knowledge-sharing frameworks are better able to leverage their internal and external resources, translating into enhanced profitability and operational efficiency. Compared to other strategic alliance factors, knowledge sharing emerges as a key driver of competitive advantage, particularly in strengthening a bank's asset utilization and overall financial outcomes.

Regression Analysis

The study conducted a regression analysis to establish the relationship between knowledge sharing and competitive advantage. Table 3 shows the model summary:

Table 3: Model Summary for ROA Regression

Model	R-squared	Adjusted R-squared	F-Statistic	p-Value (F)
1	.710	.680	12.83	<0.01

a. Independent Variable (Knowledge Sharing)

The regression analysis presented in Table 3 reveals a strong relationship between knowledge sharing and ROA (Return on Assets), as indicated by an R-squared value of 0.710. This suggests that 71% of the variability in ROA can be explained by knowledge-sharing practices, demonstrating the substantial impact of effective knowledge sharing on financial performance. The adjusted R-squared value of 0.680 further confirms the model's robustness, indicating that even when adjusting for the number of predictors, knowledge sharing remains a significant contributor to competitive advantage. The F-statistic of 12.83 and its corresponding p-value of less than 0.01 suggest that the model is statistically significant, meaning there is a very strong likelihood that the relationship between knowledge sharing and ROA is not due to chance. This underscores the importance of knowledge-sharing practices in driving financial success within commercial banks.

Table 4: ANOVA Table for ROA Regression

Source	Sum of Squares	df	Mean Square	F-Statistic	p-Value
Regression	710	4	177.5	12.83	<0.01
Residual	290	25	11.6		
Total	1000	29			

a. Independent Variable (Knowledge Sharing)
b. Dependent Variable (competitive advantage)

The ANOVA table for the ROA regression analysis (Table 4) indicates that the regression model is highly significant in explaining the relationship between knowledge sharing and competitive advantage. The sum of squares for regression is 710, with a mean square of 177.5, while the residual sum of squares is 290. The F-statistic of 12.83 and its corresponding p-value of less than 0.01 strongly suggest that the overall model is statistically significant, meaning that knowledge sharing significantly influences ROA as a measure of competitive advantage. This result reinforces the earlier findings, indicating that knowledge-sharing practices are a key determinant of competitive success and improved financial outcomes for commercial banks.

Table 5: Coefficients for ROA Regression

Predictor	Coefficient (β)	Standard Error	t-Statistic	p-Value
Intercept (β0)	1.55	0.45	3.44	<0.01
Knowledge Sharing Index (β1)	0.35	0.08	4.38	<0.01

The regression coefficients for the ROA model presented in Table 5 indicate that knowledge sharing has a significant and positive impact on ROA. The intercept (β0) is 1.55, with a p-value less than 0.01, suggesting that when knowledge sharing is absent, there is still a positive baseline effect on ROA. The coefficient for the Knowledge Sharing Index (β1) is 0.35, indicating that for every unit increase in knowledge-sharing practices, ROA increases by 0.35 units. The t-statistic of 4.38 and a p-value of less than 0.01 confirm that this relationship is highly significant, reinforcing the crucial role of knowledge sharing in enhancing the financial performance of commercial banks, as measured by ROA.

SUMMARY OF FINDINGS

The findings revealed that respondents generally agreed that prompt knowledge sharing among alliance partners significantly contributes to competitive advantage. Standard Chartered Bank emerged as the top performer, excelling in frequent knowledge exchanges, high-quality information sharing, and positive operational outcomes. NCBA and Stanbic Bank Kenya also displayed strong knowledge-sharing practices that enhanced their competitive positions. However, ABSA Bank of Kenya and Kenya Commercial Bank showed areas for improvement in the effectiveness of their knowledge-sharing efforts. Despite concerns over risks such as the leakage of company secrets or partners becoming future rivals, knowledge sharing was widely recognized for its critical role in fostering trust and collaboration within alliances.

CONCLUSION

The study concludes that Knowledge sharing among alliance partners is crucial for gaining a competitive advantage. Standard Chartered Bank's high performance in knowledge sharing underscores the value of frequent exchanges and high-quality information in strengthening competitive positioning. This facilitated innovation, improved operational efficiencies, and enabled quicker adaptation to market changes, thereby strengthening their competitive positioning. While most banks view knowledge sharing positively, concerns about potential risks, such as leakage of company secrets, highlight the need for careful management to balance openness with security.

RECOMMENDATION

The study recommends that banks should focus on improving their knowledge sharing practices. Investing in robust information systems that facilitate secure and efficient exchange of information among alliance partners is crucial. It is equally important to address security concerns by developing and implementing protocols to prevent the leakage of company secrets and mitigate the risk of competitive threats from alliance partners. Fostering a culture of collaboration within the organization will also support frequent and high-quality knowledge sharing

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