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Abstract
Tier 3 Kenyan commercial banks face significant challenges, including intense competition, financial distress, and declining profits despite consistent loan growth. This study investigates the impact of operational excellence strategies on the competitiveness of these banks using a pragmatic research approach that combines qualitative and quantitative methods. The study is grounded in the dynamic capabilities theory and collected data from 288 respondents across various management roles within the banks through semi-structured questionnaires. The data were analyzed using thematic analysis for qualitative data and SPSS for quantitative data, including descriptive statistics, regression analysis, and ANOVA. The regression model revealed a moderate positive relationship between operational excellence and organizational competitiveness, with a correlation coefficient (R) of 0.685. The coefficient of determination (R Square) was 0.469, indicating that operational excellence accounts for 46.9% of the variability in competitiveness. The coefficient for Operational Excellence is 1.260 (standard error = 0.087, beta = 0.685), with a t-value of 14.493 and a significance level of 0.000. The constant coefficient is -1.565 (standard error = 0.353, t-value = -4.437). This study underscores the importance of strategic investments in operational excellence practices to enhance organizational efficiency and sustainable competitive advantages. However, the study's scope is limited to tier III commercial banks in Kenya, and future research should explore additional factors influencing competitiveness and include a broader sample for improved generalizability.

Introduction
The need for commercial banks to develop organisational competitiveness (OC) implies that they must adopt diverse strategies. One component viewed as a driver of the OC includes the Value discipline strategies (Alfred & Abdallah, 2018). The value discipline strategy is a business model that was created by Treacy and Wiersema (1995) that described three generic "value disciplines," namely, Operational Excellence strategy (OES), Product leadership strategy (PLS) and Customer intimacy strategy (CIS). OES refers to enhancing organisational productivity by adopting best practices in operational work and continuous improvement aspects in operational dynamics. On the other hand, Phornlaphatrachakorn and Na-Kalasindhu (2020) it views the OES as the strategies

undertaken in operational dynamics to exceed customer expectations and achieve higher organisational productivity.

The OES has been linked to the gaining of OC (Irawan *et al*., 2019) . In this context, Irawan et al. (2019) it has been asserted that the OES imparted the OC through excellence in human resources management, service efficiency, and effectiveness. The OES has also been linked with the OC through cost efficiency, process efficiency, increased organisational productivity, employee productivity, customer satisfaction, and stakeholder satisfaction, amongst other aspects (Muazu & Nashehu, 2021).

In Kenya, a special sub-group of commercial banks are the Tier III commercial banks that inform and warrant deep dive investigations and examination in this study. In Kenya, there are 42 commercial banks, which have so far been categorised into three Tiers (Central Bank of Kenya, 2021). These commercial banks' categorisation is done through a weighted composite index comprising the capital and reserves, net assets, customer deposits, total loans, and deposit accounts. These elements are then expressed into percentages, forming aggregate banks' market share (Central Bank of Kenya 2021). In this case, Tier I falls in the Large Peer Group of commercial banks, while Tier II is categorised under Medium Peer Group commercial banks. On the other hand, Tier III commercial banks are commonly recognised as small peer group commercial banks. As per the categorisation and the Tier classification system, Kenya has a total of 39 commercial banks, of which 9 of them are in Tier I; 9 are in Tier II, and 21 of them form Tier III, out of 42 Tier-system-categorized commercial banks (Central Bank of Kenya [CBK], 2021).

Moreover, the CBK (2021) indicated that the market share of any commercial bank denotes and defines its classification into the Tier system. Those banks with over 5% market share get classified into the Tier I bracket. In contrast, those with between one to five per cent shares in the market are Tier II banks, and moneymaking Tier 3 commercial banks with lower than one per cent are classified in the third tier as Tier 3 commercial banks. As of the 2020 Financial Year (FY), the CBK recorded that the Tier III banks constitute only 8.22% of the market shares. Despite a lot of studies done on commercial banks, the main focus in these investigations was the commercial banks in Kenya in general, regardless of any special features being put to consideration as evident for Tier III banks given their limitation in terms of resources, customer and branch number, technology deployment and customer. The present study, therefore, took an interest in examining the role of Value discipline strategies in driving Tier III Commercial Banks' organisations' competitiveness in Kenya.

Research Hypothesis

H_{o1}: There is no statistically significant influence of operational excellence strategy on the organisational competitiveness of the tier III category of commercial banks in Kenya.

Theoretical Review

The Dynamic Capabilities Theory (DCT), developed by Teece et al. (1997), is an extension of the Resource-Based Theory (RBT). It argues that organisations must possess dynamic capabilities to effectively integrate, build, and reconfigure their resources and competencies to address rapidly changing business environments (Zhou et al., 2019; Ahmad et al., 2021). Dynamic capabilities enable competitive advantage through seizing opportunities, responding to customer needs, mobilising resources, and continuously renewing competencies (Rebelo, 2018; Banerjee, et al., 2018).

The theory posits three critical components for capitalising on dynamic capabilities: identifying threats and opportunities, seizing identified market openings, and sustainably competing by improving, combining, protecting, and reconfiguring resources (Manzoor, et al., 2021). Value

discipline strategies, such as operational excellence, product leadership, and customer intimacy, leverage dynamic capabilities to enhance organisational competitiveness (Sunder & Ganesh, 2020; Mohaghegh & Blasi, 2021; Alkhamery, et al., 2021).

The DCT is relevant to the current study, which aims to understand how operational excellence strategies (OES) contribute to the competitiveness of Tier 3 commercial banks in Kenya. The theory provides a framework to analyse how these banks build and reconfigure their OES to develop dynamic capabilities, enhancing their competitiveness (Chukwuemeka & Onuoha, 2018; Sachitra, 2020). By examining the banks' ability to identify opportunities, seize them, and reconfigure resources, the DCT can show how OES contributes to their competitive advantage.

Empirical Literature

Within the context of the first National Bank of Zambia, Chipwatanga and Kaira (2019) undertook a study that sought to examine the role of operational excellence on the organisational performance of the bank. The study was a sectional case study that deployed a mixed methods research approach. The study viewed operational excellence as the business practices that encourage sustainable business performance, innovation, continuous business improvement, and maximisation of organisational value creation. The study linked operational excellence to the organisational performance of the first national bank. The study indicated that operational excellence helped the bank to create competitive advantages in diverse ways. In this context, the creation of operational excellence in cost leads to the competitive advantage of low prices, operational excellence in quality aspects leads to high quality as a competitive advantage, and operational excellence in speed leads to fast delivery as a competitive advantage. The operational excellence in flexibility was linked to diverse competitive advantages, including the frequency of new product launches and a wide range of product offerings.

In the Nigerian context, Muazu and Nashehu (2021) undertook a study examining the role of operational excellence and commercial bank performance due to competitive advantage opportunities. The study was a theoretical paper dependent on secondary data collection from published materials on the operational excellence and organisational performance of commercial banks in Nigeria. The study found that operational excellence improves diverse aspects of organisational performance, including the bank's service delivery, customer satisfaction, cost efficiency and effectiveness, and profitability through competitive advantage as a mediator. The study further found that the operational excellence built on the competitiveness of the commercial banks in Nigeria through the elimination of wastes, improvement in cost efficiency, and integrating diverse processes for efficiency aspects. The findings of this study on the role of cost efficiency through operational excellence as a source of competitive advantage are consistent with the findings of other scholars.

Within the context of Jordanian commercial banks, Alheety et al. (2020) undertook a study that examined the role of Management Information Systems (MIS) in driving operational excellence. The study viewed operational excellence as the ability of the firm to increase its operational efficiency and optimise the business value from the resources at its disposal. The study further noted that operational excellence optimises daily activities and aligns with the organisation's strategic objectives. Alheety, et al. (2020) collected data from 159 managers from two commercial banks in Jordan to achieve their objectives.

The study found that MIS enhanced the operational efficiency of commercial banks through a positive impact on transaction speed, system availability, information accuracy, and response rate.

The results of Al-Dalaien, et al. (2019) are consistent with other empirical results on using MIS within commercial banks.

The operational excellence in utilising diverse technology in commercial banks has been linked to the source of competitive advantage in such banks. In this context, (Kipng'etich & Chepkilot, 2018b) examined the efficiency of agency banking in creating a competitive advantage of time-saving concerning Kenya Commercial Bank. The study used a sample size of 236 respondents from diverse KCB branches. Structured questionnaires were used for the study's data collection. Agency banking was linked to creating time savings as a competitive advantage through the simple agent banking process, which has a healthy organisation of control systems and is quick to process transactions.

Conceptual Framework

The conceptual framework depicted the relationship between operational excellence and organisational competitiveness. The OES influences the OC by enhancing risk management, alternative banking channels, and corporate governance. These aspects lead to operational efficiency through cost efficiency, process efficiency, and customer retention.

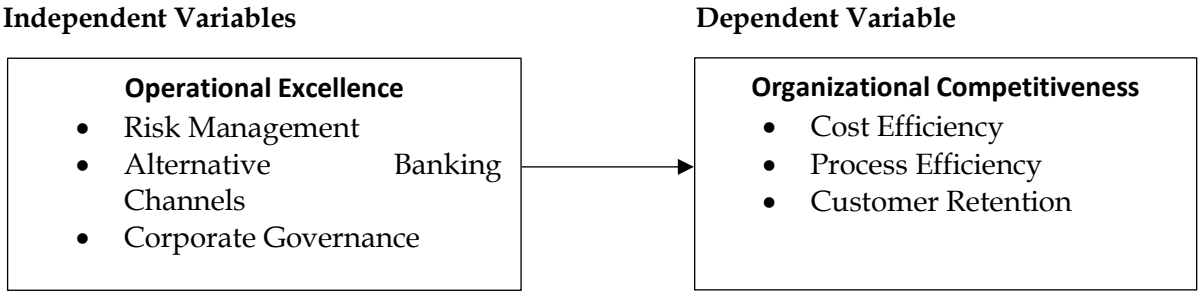

Figure 1: Conceptual Framework
Source: Author, 2023

Operational excellence is essential for maintaining customer satisfaction, reducing costs, and enhancing profitability. The cost-to-income ratio, loan-to-deposit ratio, and net interest margin are useful metrics for evaluating bank efficiency and productivity. Banks that excel in these areas are more competitive, as they can offer customers lower prices and better services (Otieno, 2019).

Research Methods

This study used the pragmatism research philosophy, which uses practical guidelines and strategies to achieve the research objectives. Thus, it will utilise both qualitative and quantitative research approaches. The researcher will adopt a descriptive and cross-sectional research design. The descriptive correlational research design is suited for this study due to its objectives. The unit of analysis of this study is the tier III commercial banks in Kenya. According to Central Bank of Kenya., (2021)the article, there are 21 tier-III commercial banks. Guided by the size of the population, i.e., the small number of tier III commercial banks, this study used the census method and will include all 21 tier III banks. The unit of observation of this study was the middle and senior management staff in charge of operations, customer service, marketing, finance, and product design aspects.

The researcher calculated the sample size to be used in the study using the Yamane (1967) sampling formula, which is as follows;

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

Where n is the desired sample size, N is the target population size, and e is the margin of error. The sampling size was calculated as follows.

$$n=\frac{N}{1+N(e^2)}=\frac{1027}{1+1027(0.05^2)}=288 \text{ respondents}$$

The study used a sample size of 288 respondents. Having determined the sampling size, the researcher used a proportionate stratified random sampling process. This study used the stratification based on the functions of the management staff, that is, operations, finance, products, marketing, and customer service, since members of these subgroups of respondents undertake different functions and are non-overlapping. The advantage associated with proportionate stratified random sampling is the improvement in the sample's representativeness (Fain, 2020). The proportionate stratified random sampling was undertaken in the following manner.

Table 1: Sample Size

Members	**Population Size**	**Percentage**	**Proportionate Distribution**	**Sample Size**
Operations Management Staff	359	34.9%	(34.9%) *288	101
Customer Service Management Staff	267	25.9%	(25.9%) *288	75
Marketing Management Staff	144	14.0%	(14.0%) *288	40
Finance Management Staff	175	17.0%	(17.0%) *288	49
Product Design Management Staff	82	8.2%	(8.2%) *288	23
Total	**1027**	**100%**		**288**

Source: Various Banks (2023)

This study will collect data using semi-structured questionnaires and interview guides. Using two research instruments for data collection enabled the triangulation of the research findings. According to Flick (2020) and Mudogo, Barasa & Matseshe (2023), the triangulation enables the cross-validation of the information obtained through one research instrument against those obtained from another research instrument, hence improving validity. The five-point Likert scale was used to construct the multi-item questions to measure the latent variables.

Data Analysis

The primary aim of this study was to comprehensively evaluate the impact of operational excellence strategy on the competitiveness of tier III category commercial banks in Kenya. To achieve this objective, the researchers employed a simple linear regression analysis, focusing on Operational Excellence's predictor variable and its relationship with the dependent variable, Organizational Competitiveness. The ensuing analysis yielded several critical outcomes, providing valuable insights into the interplay between operational strategies and organisational competitiveness.

Table 2: Model Summary of Operational Excellence

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.685[a]	.469	.467	.48406

a. Predictors: (Constant), Operational Excellence

In regression analysis, the correlation coefficient (R) serves as a key metric explaining the extent of the linear relationship between the variables under scrutiny. In this instance, the calculated R-value of 0.685 suggests a moderate positive correlation between Operational Excellence and Organizational Competitiveness. This implies that as Operational Excellence increases, there is a tendency for a positive shift in the competitiveness of tier III commercial banks in Kenya.

Expanding on this understanding, the coefficient of determination, denoted as R Square, becomes pivotal. R Square signifies the proportion of variability in the dependent variable (Organizational Competitiveness) that can be explained by the independent variable (Operational Excellence). With an R Square of 0.469, approximately 46.9% of the variability in Organizational Competitiveness is accounted for by Operational Excellence. This underscores the substantial contribution of operational strategies to the observed competitive variances among the studied banks.

Table 3: Anova of Operational Excellence

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	49.217	1	49.217	210.043	.000[b]
	Residual	55.768	238	.234		
	Total	104.985	239			

a. Dependent Variable: Organizational Competitiveness
b. Predictors: (Constant), Operational Excellence

Delving into the statistical significance of the regression model, the researchers conducted an Analysis of Variance (ANOVA), often regarded as an omnibus test of significance. ANOVA assesses whether a noteworthy overall relationship exists between the predictor and outcome variables. In this study, the ANOVA results proved to be highly significant ($F(1, 238) = 210.043$, $p < .001$). This indicates that the regression model, incorporating Operational Excellence, outperforms a model devoid of predictors, and the observed relationship is not merely a result of chance.

Table 4: Coefficients of Operational Excellence

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.565	.353		-4.437	.000
	Operational Excellence	1.260	.087	.685	14.493	.000

a. Dependent Variable: Organizational Competitiveness
Re-estimate using the three dimensions of OES

Moving to the individual effects of Operational Excellence, the t-statistic was employed, yielding a value of 14.493 with a p-value of < .001. The results indicate a highly significant effect of Operational Excellence on Organizational Competitiveness ($t(238) = 14.493$, $p < .001$). The p-value associated with the t-test for Operational Excellence was less than 0.05, signifying its significance. Therefore, the researchers concluded that Operational Excellence, as a predictor variable, independently

contributes to the observed variance in Organizational Competitiveness in tier III commercial banks in Kenya.

To delve deeper into the implications of the predictor variable, both unstandardised and standardised beta coefficients were examined. The unstandardised beta coefficient for Operational Excellence was determined to be 1.260. This figure indicates the anticipated change in Organizational Competitiveness for every one-unit increase in Operational Excellence. The standardised beta coefficient (Beta), computed at 0.685, offers insights into the strength and direction of the relationship in standard deviation units. The unstandardised beta coefficient provides a tangible and interpretable measure of the magnitude of the effect of Operational Excellence. A value of 1.260 suggests that, for every incremental unit improvement in Operational Excellence, Organizational Competitiveness is expected to increase by 1.260 units.

This study examined the intricate relationship between Operational Excellence (OE) and Organizational Competitiveness within tier-III commercial banks in Kenya. Statistical tools, such as the t-statistic and beta coefficients, were employed, revealing profound implications of OE as a predictor variable. The ensuing discussion navigates through both unstandardised and standardised beta coefficients, drawing on pertinent literature to provide comparative insights into the findings.

The statistical analysis produced a compelling t-statistic of 14.493 with a p-value of < .001, indicating a highly significant effect of Operational Excellence on Organizational Competitiveness ($t(238) = 14.493$, $p < .001$). This underscored the individual significance of OE as a predictor variable, which aligned with and emphasised the correlation between operational efficiency and organisational success.

Upon further examination of the unstandardised beta coefficient, it was determined to be 1.260. This signified the anticipated change in Organizational Competitiveness for every one-unit increase in OE. This tangible measure emphasised the practical significance of OE, echoing the insights Tariq *et al*. (2021) that incremental improvements in operational capabilities lead to enhanced organisational competitiveness. The standardised beta coefficient, computed at 0.685, provided standardised insights into the relationship between OE and Organizational Competitiveness in standard deviation units. This standardised measure facilitated comparisons across variables with different scales, mirroring the insights from Treacy & Wiersema, (1995) Value Disciplines Theory, which highlighted the strategic importance of Operational Excellence for achieving sustainable competitive advantages.

Comparative insights from previous studies bolstered the findings. For instance, the study aligned with Chipwatanga & Kaira, (2019) the case study on the First National Bank of Zambia, which emphasised the role of OE in sustainable business performance and contributing to competitive advantages, supporting the generalizability of the findings. Additionally, the study resonated with Jussila and Rantanen, (2018) an exploration of how OE programs drive performance improvement in Finnish firms and Mahbod *et al*., (2022) a case study on OE in process industries. Both studies highlighted the positive impact of OE on organisational success, providing comparative insights that reinforced the universal applicability of OE in enhancing competitiveness.

Conclusions

In conclusion, this study presents a comprehensive analysis of operational excellence within tier III commercial banks in Kenya, revealing a generally positive perception among respondents towards various operational aspects, including MIS utilisation, customer service proficiency, and corporate governance mechanisms. A significant positive correlation between Operational Excellence and Organizational Competitiveness was established through regression analysis, emphasising the

pivotal role of effective operational strategies in driving competitiveness. The findings underscore the importance of strategic investments in Operational Excellence practices, with incremental improvements shown to lead to substantial enhancements in organisational competitiveness. Comparative insights from the literature further validate the study's findings, providing actionable recommendations for decision-makers in the banking sector to enhance operational strategies and ensure sustained success amidst competitive pressures.

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