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Strategic Alignment, Sustainable Competitive Advantage, Strategic Leadership and Firm Performance among Commercial Banks in Kenya

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Abstract

This study examined the serial mediating effect of sustainable competitive advantage and strategic alignment on the relationship between strategic leadership and firm performance among commercial banks in Kenya. An explanatory cross-sectional survey design was adopted, and primary data were collected through structured questionnaires from 304 managers. Descriptive statistics, Pearson correlation, multiple linear regression and Hayes' PROCESS Macro Model 6 with 5,000 bootstrap samples were used. All six direct null hypotheses were rejected. Strategic leadership positively affected firm performance ($B = .626$, $\beta = .322$, $t = 6.430$, $p < .001$, $R^2 = .298$), strategic alignment ($B = .387$, $\beta = .275$, $t = 5.484$, $p < .001$, $R^2 = .293$), and sustainable competitive advantage ($B = .481$, $\beta = .249$, $t = 5.523$, $p < .001$, $R^2 = .431$). Strategic alignment positively affected firm performance ($B = .800$, $\beta = .577$, $t = 11.999$, $p < .001$, $R^2 = .460$) and sustainable competitive advantage ($B = .880$, $\beta = .638$, $t = 17.523$, $p < .001$, $R^2 = .690$). Sustainable competitive advantage had the strongest direct effect on firm performance ($B = .693$, $\beta = .690$, $t = 13.360$, $p < .001$, $R^2 = .499$). In the serial mediation model, the direct effect of strategic leadership on firm performance remained significant ($B = .2801$, $p = .0009$); the total indirect effect was .3458, Boot 95% CI [.2167, .5081]. The indirect effect through sustainable competitive advantage alone was significant (.2121, Boot 95% CI [.1198, .3471]); the indirect effect through strategic alignment alone was not (.0418, Boot 95% CI [-.0048, .0999]); and the serial indirect effect through sustainable competitive advantage and strategic alignment was significant (.0918, Boot 95% CI [.0394, .1617]). The study concludes that strategic leadership improves bank performance both directly and by building durable competitive capabilities that become more valuable when aligned with organizational structures, systems, technology and processes.

Keywords*: strategic leadership, strategic alignment, sustainable competitive advantage, firm performance, commercial banks, Kenya, serial mediation*

1. Introduction

The performance of commercial banks is increasingly shaped by more than traditional financial ratios. Banks must balance profitability, operational efficiency, customer trust, market relevance, risk resilience, innovation capability and responsible banking outcomes. This broader view is

consistent with multidimensional approaches to organizational performance, which caution against reducing performance to a single accounting indicator and encourage alignment between financial and non-financial outcomes (Dess & Robinson, 1984; Kaplan & Norton, 1992; Richard et al., 2009; Venkatraman & Ramanujam, 1986). In Kenya, these demands occur in a regulated and technology-intensive banking sector in which digital channels, risk governance, sustainability expectations and competition continuously alter the basis of performance (Central Bank of Kenya, 2024; Central Bank of Kenya, 2025; Kenya Bankers Association, 2024).

Strategic leadership may help explain why banks facing broadly similar regulatory and market conditions may nevertheless produce different outcomes. Strategic leaders shape direction, allocate attention, mobilize resources, develop human capital, support innovation, establish ethical boundaries and determine how organizations respond to environmental change. Upper echelons research argues that organizational outcomes partly reflect the experiences, values and cognitive frames of senior executives, while strategic leadership scholarship emphasizes the role of leadership in sustaining competitiveness under uncertainty (Hambrick & Mason, 1984; Hambrick, 2007; Ireland & Hitt, 2005; Singh et al., 2023; Çakmak, 2026). Empirical reviews also show that leadership-performance effects depend on the organizational mechanisms through which leaders translate strategic intent into action (Ambilichu et al., 2023; Khuong et al., 2022; Kurzhals et al., 2020).

Leadership alone, however, does not, by itself, ensure superior performance. A bank can articulate a compelling vision yet fail when structures, technology, employee capabilities, business processes and performance measures pull in different directions. Strategic alignment addresses this problem by emphasizing fit and coordination between strategy and the organizational architecture used to execute it. The alignment tradition developed from contingency and information-systems research, which treats fit as a central determinant of organizational effectiveness (Drazin & Van de Ven, 1985; Henderson & Venkatraman, 1993; Reich & Benbasat, 2000; Venkatraman & Camillus, 1984; Venkatraman, 1989). Later work extends alignment to governance, digital capability, cross-functional coordination and performance management (Gerow et al., 2014; Luftman, 2000; Pesce et al., 2023; Smith & Thomas, 2024; Wu et al., 2015).

Sustainable competitive advantage represents another mechanism that may explain how leadership translates into performance. Resource-based theory argues that superior performance depends on resources and capabilities that are valuable and difficult for rivals to neutralize, while dynamic-capability theory emphasizes the ongoing ability to sense change, seize opportunities and reconfigure the resource base (Barney, 1991; Peteraf & Barney, 2003; Peteraf, 1993; Teece et al., 1997; Teece, 2007; Wernerfelt, 1984). Capability research further shows that competitive advantage depends not only on possessing resources but also on integrating, redeploying and renewing them as environments change (Adner & Helfat, 2003; Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003; Schilke et al., 2020; Sirmon et al., 2007; Winter, 2003).

The banking sector makes these capability arguments especially relevant. Service reliability, data analytics, digital platforms, cybersecurity, customer relationships, risk systems, human capital and brand trust can become competitive strengths only when they are organized into coherent routines. Digital strategy research has therefore moved beyond treating information technology as a back-office resource and instead views digital capability as part of the firm's strategic architecture (Bharadwaj et al., 2013; Chan et al., 1997; Li et al., 2016; Tallon et al., 2000; van de Wetering et al., 2021). Banking-oriented work similarly suggests that agility, green innovation and other

adaptive capabilities can strengthen competitive advantage and performance (Gupta, 2026; Jebet et al., 2025; Probojakti et al., 2024).

The sustainable dimension of competitive advantage has broadened discussions of performance. Firms are increasingly expected to create enduring economic value while responding to environmental, social and governance pressures. Research indicates that sustainability-related capabilities can improve competitiveness when they are material, embedded in operating processes and supported by credible governance, although the performance effects are not uniformly positive across contexts (Agarwal & Rastogi, 2025; Albertini, 2013; Eccles et al., 2014; Friede et al., 2015; Hermundsdottir & Aspelund, 2021; Khan et al., 2016). For banking institutions, the implication is that responsible banking, customer protection and green finance may create value when they strengthen substantive capabilities rather than operate as symbolic reporting exercises (Bhandari et al., 2022; Gupta, 2026).

Existing empirical evidence supports individual links among leadership, alignment, capability and performance, but existing evidence remains fragmented. Strategic leadership has been associated with performance and competitive advantage across settings (Hunitie, 2018; Mahdi & Almsafir, 2014; Mahdi & Nassar, 2021; Mui et al., 2018; Takawira & Mutambara, 2023; Özer & Tınaztepe, 2014). Kenyan evidence also links strategic leadership practices to performance and implementation in banking and financial-service organizations (Kasuni & Juma, 2022; Naburuki, 2024; Olaka et al., 2018; Tupana & Kariuki, 2024; Wachira & Wainaina, 2025; Wambua & Karihe, 2023). Meanwhile, alignment research reports performance benefits when strategy, IT and organizational systems are mutually reinforcing (Al Haraisa, 2022; Baker et al., 2020; Dairo et al., 2021; Hartani et al., 2021; Muthaura, 2021).

An unresolved question is whether the leadership-performance relationship is best understood as a direct association or as a sequence of organizational mechanisms. Mediation analysis is useful precisely because it tests how an antecedent transmits its influence through intervening constructs rather than stopping at a direct coefficient (Baron & Kenny, 1986; Hayes, 2022; Igartua & Hayes, 2021; Preacher & Hayes, 2008). Competitive advantage has been shown to mediate strategic and innovation effects on performance (Crook et al., 2008; Newbert, 2008; Novitasari & Agustia, 2023; Ray et al., 2004), while alignment research indicates that fit can convert resources and digital investments into performance-relevant capabilities (Kaplan & Norton, 2006; Pesce et al., 2023; Wu et al., 2015).

Accordingly, this study examines an integrated mechanism among commercial banks in Kenya. The completed empirical model tests whether strategic leadership predicts firm performance, strategic alignment and sustainable competitive advantage; whether strategic alignment predicts both firm performance and sustainable competitive advantage; whether sustainable competitive advantage predicts firm performance; and whether strategic leadership affects firm performance sequentially through sustainable competitive advantage and strategic alignment. The tested serial sequence is Strategic Leadership → Sustainable Competitive Advantage → Strategic Alignment → Firm Performance. Business strategy and information technology are retained as controls so that the focal relationships are interpreted net of two important sources of performance variation. This integrated model responds to calls for strategic-leadership research that identifies intervening organizational processes rather than treating leadership as a stand-alone explanation (Ambilichu et al., 2023; Singh et al., 2023; Çakmak, 2026).

2. Literature review and hypotheses development

The study is primarily grounded in Dynamic Capabilities Theory and is complemented by Upper Echelons Theory, Strategic Alignment Theory and Contingency Theory. Together, the theories explain four distinct but connected questions: how firms renew capabilities in turbulent environments; how senior leaders influence organizational choices; how internal fit converts strategic intent into coordinated action; and why the effectiveness of organizational arrangements depends on contextual consistency. The theoretical integration is appropriate for banking because banks must continually renew capabilities while operating under strong regulatory, technological and market constraints (Burns & Stalker, 1961; Hambrick & Mason, 1984; Helfat et al., 2007; Henderson & Venkatraman, 1993; Lawrence & Lorsch, 1967; Teece et al., 1997; Teece, 2007).

Dynamic Capabilities Theory extends resource-based reasoning by directing attention from static resource possession to the processes through which firms renew the resource base. Teece et al. conceptualize dynamic capabilities as the ability to integrate, build and reconfigure internal and external competences in changing environments, while later work differentiates dynamic from ordinary capabilities and explains capability evolution over time (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003; Schilke et al., 2020; Teece et al., 1997; Teece, 2007; Winter, 2003). This perspective is especially relevant to commercial banking because competitive conditions change rapidly through regulation, fintech competition, cybersecurity risk, customer expectations and sustainability pressures.

The resource-based view explains the underlying logic of resource heterogeneity. Resources contribute to sustained advantage when they generate value and are sufficiently rare, difficult to imitate or substitute, and organizationally exploitable (Barney, 1991; Peteraf & Barney, 2003; Peteraf, 1993; Wernerfelt, 1984). Empirical work has linked strategic resources and capabilities to performance while warning that resource possession without effective deployment can be insufficient (Crook et al., 2008; Newbert, 2008; Ray et al., 2004; Sirmon et al., 2007). The present study therefore treats sustainable competitive advantage as an organizational outcome of leadership and alignment rather than a simple inventory of assets.

The central theoretical expectation is that strategic leaders help banks sense market and regulatory change, mobilize resources and create adaptive routines; sustainable competitive advantage then reflects the bank's ability to convert these activities into durable customer value, efficiency, innovation, trust and agility. Because capabilities must be coordinated with structures and operating systems, alignment should determine whether those advantages become embedded in organizational action. This logic makes dynamic capabilities a suitable main theory for the serial pathway from leadership, through sustainable competitive advantage and alignment, to firm performance (Bamel & Bamel, 2021; Lin & Wu, 2014; Mahdi & Nassar, 2021; Probojakti et al., 2024; van de Wetering et al., 2021).

Upper Echelons Theory suggests that organizational outcomes partly reflect the characteristics and interpretations of top managers because executives confront complex environments through bounded cognitive frames (Hambrick & Mason, 1984; Hambrick, 2007). Strategic leadership research develops this premise by emphasizing the responsibility of senior leaders for direction, strategic choice, resource orchestration, innovation, ethical conduct and long-term viability (Ireland & Hitt, 2005; Kurzhals et al., 2020; Singh et al., 2023; Çakmak, 2026). In banking, where strategic decisions involve risk appetite, technology, regulatory compliance and capital allocation, leadership choices can materially affect both immediate performance and capability development.

Empirical research generally reports a positive leadership-performance relationship, although effect sizes and mechanisms vary across settings. Studies have linked strategic leadership with organizational performance, strategic thinking, innovation and ambidexterity (Ambilichu et al., 2023; Hunitie, 2018; Mui et al., 2018; Özer & Tınaztepe, 2014). Evidence from Kenya similarly associates strategic leadership and implementation with commercial-bank performance (Kasuni & Juma, 2022; Njuguna & Sije, 2025; Olaka et al., 2018; Tupana & Kariuki, 2024; Wachira & Wainaina, 2025; Wambua & Karihe, 2023). The literature therefore supports a direct relationship while also suggesting that leadership may work through internal processes rather than solely through direct managerial influence.

Strategic leadership may also influence alignment because leaders define priorities, arbitrate cross-functional trade-offs, specify governance relationships and ensure that technology and human capital support the chosen direction. Digital-era research finds that leadership and strategic coordination are closely connected when organizations integrate business and technology choices (Baker et al., 2020; Bharadwaj et al., 2013; Li et al., 2016). The expectation is particularly important in banking, where risk, IT, operations, customer experience and regulatory compliance must be synchronized. Accordingly, the first two null hypotheses are stated as follows:

H01: Strategic leadership has no statistically significant effect on firm performance among commercial banks in Kenya.

H02: Strategic leadership has no statistically significant effect on strategic alignment among commercial banks in Kenya.

Strategic leadership is also expected to influence sustainable competitive advantage by influencing how the organization develops and combines capabilities. Prior studies connect leadership to knowledge processes, strategic flexibility, ambidexterity and durable advantage (Kartika, 2024; Mahdi & Almsafir, 2014; Mahdi & Nassar, 2021; Sibghatullah et al., 2020; Takawira & Mutambara, 2023). Dynamic managerial capability research similarly argues that managers differ in their ability to build, integrate and reconfigure organizational resources (Adner & Helfat, 2003; Helfat et al., 2007).

H03: Strategic leadership has no statistically significant effect on sustainable competitive advantage among commercial banks in Kenya.

Strategic Alignment Theory suggests that performance can improve when organizational domains reinforce rather than contradict one another. Early work on fit in strategy and contingency research emphasizes consistency between strategy, structure and environment (Burns & Stalker, 1961; Drazin & Van de Ven, 1985; Lawrence & Lorsch, 1967; Venkatraman & Camillus, 1984; Venkatraman, 1989). The strategic alignment model later formalized the interdependence of business strategy, IT strategy, organizational infrastructure and technology infrastructure (Henderson & Venkatraman, 1993). Alignment is therefore not a single planning event; it is a continuing process of matching priorities, governance, processes, technology, skills and performance measures.

Research on business-IT alignment demonstrates that social communication, governance maturity and shared understanding are important for maintaining strategic fit (Chan et al., 1997; Luftman, 2000; Reich & Benbasat, 2000; Tallon et al., 2000). Meta-analytic and empirical studies show that alignment can improve organizational performance and the value derived from information technology (Dairo et al., 2021; Gerow et al., 2014; Pesce et al., 2023; Wu et al., 2015). In the

Kenyan banking context, alignment is also strategically important because technology underpins payments, risk monitoring, service delivery and customer engagement. These arguments support the expectation that better alignment improves firm performance.

Alignment may also strengthen competitive advantage. Resource-based theory emphasizes that valuable resources must be organized effectively, and capability research treats integration and coordination as central to resource deployment (Barney, 1991; Ray et al., 2004; Sirmon et al., 2007). When strategy, technology, human capital, operating processes and performance systems reinforce one another, the resulting configuration can become harder to imitate than any isolated resource. Empirical work linking alignment to IT-enabled capabilities and sustainable advantage supports this view (Baker et al., 2020; Hartani et al., 2021; van de Wetering et al., 2021).

The corresponding null hypotheses are as follows:

H04: Strategic alignment has no statistically significant effect on firm performance among commercial banks in Kenya.

H05: Strategic alignment has no statistically significant effect on sustainable competitive advantage among commercial banks in Kenya.

Sustainable competitive advantage denotes a lasting capacity to create superior value relative to competitors. Classical strategy emphasizes differentiated value or cost positions, while resource-based scholarship locates the basis of enduring advantage in heterogeneous resources and capabilities (Barney, 1991; Peteraf, 1993; Porter, 1985; Wernerfelt, 1984). Dynamic-capability research adds that sustained advantage is unlikely to remain static because environmental change can erode existing positions; firms must therefore refresh the underlying capabilities (Eisenhardt & Martin, 2000; Teece, 2007; Winter, 2003).

In banking, advantage may be reflected in trusted customer relationships, service quality, reliable digital infrastructure, cost efficiency, innovative products, brand credibility, risk resilience and organizational agility. Research on strategic leadership, green innovation and banking agility indicates that these capabilities can strengthen competitive position (Jebet et al., 2025; Kartika, 2024; Mahdi & Nassar, 2021; Probojakti et al., 2024). More general evidence also links valuable capabilities with performance (Crook et al., 2008; Lin & Wu, 2014; Newbert, 2008).

H06: Sustainable competitive advantage has no statistically significant effect on firm performance among commercial banks in Kenya.

Sustainability can supplement rather than displace the strategic logic of advantage. Empirical syntheses show that environmental and ESG practices can be associated with financial performance, but effects depend on materiality, competitive conditions and implementation quality (Agarwal & Rastogi, 2025; Albertini, 2013; Eccles et al., 2014; Friede et al., 2015; Khan et al., 2016). Recent banking evidence similarly warns that sustainability reporting can impose costs or fail to improve performance when disclosures are not matched by substantive capabilities (Gupta, 2026). The construct used in this study therefore emphasizes durable strategic capabilities rather than disclosure volume alone.

The serial mediation hypothesis integrates the preceding relationships. Leadership is expected to build competitive capabilities; those capabilities should increase the organization's ability and incentive to align structures, systems and processes around a coherent basis of advantage; and alignment should then improve performance by converting strategic strengths into consistent execution. This mechanism is compatible with dynamic-capability and resource-orchestration

reasoning, which emphasizes sequences of sensing, capability development, integration and deployment (Adner & Helfat, 2003; Helfat & Peteraf, 2003; Sirmon et al., 2007; Teece et al., 1997). It also accords with evidence that competitive advantage can mediate the effects of strategic actions on performance (Hermundsdottir & Aspelund, 2022; Novitasari & Agustia, 2023).

Modern mediation analysis focuses on the size and bootstrap confidence interval of indirect effects rather than requiring the older causal-steps conditions (Baron & Kenny, 1986; Hayes, 2022; Igartua & Hayes, 2021; Preacher & Hayes, 2008). The study evaluates the empirically estimated sequence Strategic Leadership → Sustainable Competitive Advantage → Strategic Alignment → Firm Performance.

H07: The relationship between strategic leadership and firm performance is not significantly sequentially mediated by sustainable competitive advantage and strategic alignment among commercial banks in Kenya.

3. Research methodology

The study followed a positivist and deductive approach and an explanatory cross-sectional survey design. The design was appropriate because theoretically specified relationships among strategic leadership, sustainable competitive advantage, strategic alignment and firm performance were estimated using standardized measures at one period in time, without experimental manipulation (Bougie & Sekaran, 2020; Creswell & Creswell, 2023; Saunders et al., 2023). The commercial bank was the unit of analysis and the manager was the unit of observation. Managers were selected because the focal constructs require informed knowledge of strategic direction, resource allocation, operations, technology, risk management and performance.

The institutional population comprised 38 commercial banks licensed and regulated in Kenya. The planning respondent population consisted of 12,407 management employees, and the sample was calculated using Yamane's finite-population formula at a 5% margin of error. The calculation produced 387.51 respondents, rounded to 388. Stratified sampling was used to enhance representation across banking institutions and managerial functions, with purposive eligibility criteria ensuring that respondents had sufficient knowledge of the study constructs (Memon et al., 2020; Saunders et al., 2023; Yamane, 1967).

The researchers collected primary data using a structured questionnaire with a seven-point Likert response format from 1 (strongly disagree) to 7 (strongly agree). Strategic leadership captured direction, vision, innovation support, ethical practices and human-capital mobilization. Strategic alignment captured the fit of strategy with structure, departmental goals, technology, skills, performance measures and business processes. Sustainable competitive advantage captured resource organization, environmental scanning, flexibility, opportunity exploration, capability combination and cost efficiency. Firm performance covered financial, operational, customer, market, innovation, risk-resilience and sustainability outcomes. Business strategy and information technology were included as controls. Multi-item measurement is consistent with strategy research that treats organizational performance and capability constructs as multidimensional (Hair et al., 2019; Kaplan & Norton, 1992; Richard et al., 2009; Venkatraman & Ramanujam, 1986).

Table 1. Measurement of variables

Variable	Role	Operationalization	Illustrative sources
Firm performance (FP)	Dependent	Financial and operational performance; customer and market outcomes; innovation; risk resilience; sustainability	Richard et al. (2009); Venkatraman & Ramanujam (1986)
Strategic leadership (SL)	Independent	Strategic direction; vision; decision quality; innovation support; ethics/control; human capital	Ireland & Hitt (2005); Hambrick (2007)
Sustainable competitive advantage (SCA)	Mediator 1	Durable capabilities; agility; customer value; cost efficiency; resource configuration; differentiation	Barney (1991); Teece et al. (1997)
Strategic alignment (SA)	Mediator 2	Fit among strategy, structure, technology, skills, processes and performance measures	Henderson & Venkatraman (1993); Kaplan & Norton (2006)
Business strategy (BS)	Control	Competitive direction, customer value, market positioning and efficiency priorities	Porter (1985)
Information technology (IT)	Control	Digital systems, platforms, data capability and technology support for strategy	Bharadwaj et al. (2013); Wu et al. (2015)

Source: Adapted from the study instrument and cited literature.

Instrument quality was evaluated using construct validity and internal consistency. Exploratory factor analysis used the Kaiser-Meyer-Olkin measure and Bartlett's test of sphericity to establish whether the correlation matrices were appropriate for factor extraction (Hair et al., 2022; Kline, 2023; Shrestha, 2021). Reliability was assessed using Cronbach's alpha, interpreted alongside contemporary cautions that internal-consistency coefficients should be considered in relation to scale structure and purpose (Kalkbrenner, 2024; Nunnally & Bernstein, 1994). Procedural safeguards for common-method bias included clear wording, structured construct sections and confidentiality assurances (Podsakoff et al., 2003).

The analysis involved descriptive statistics, Pearson correlations, multiple linear regression and Hayes' PROCESS Macro Model 6. Regression diagnostics assessed linearity, normality, homoscedasticity, independence of errors and multicollinearity (Field, 2018; George & Mallery, 2024; Salmerón-Gómez et al., 2025; Wooldridge, 2020). The six direct hypotheses were tested using regression models that retained business strategy and information technology as controls. Serial mediation was tested using 5,000 bootstrap samples; an indirect effect was regarded as statistically significant when its 95% bootstrap confidence interval did not include zero (Hayes, 2022; Igartua & Hayes, 2021; Preacher & Hayes, 2008). Ethical safeguards included voluntary participation, informed consent, confidentiality and restriction of data collection to non-sensitive managerial perceptions (Israel & Hay, 2006; Taherdoost, 2021).

4. Data analysis and presentation

4.1 Response rate

Of the 388 questionnaires administered, 360 were returned, 304 were usable for analysis, 56 were unusable and 28 were not returned. The usable response rate was therefore 78.4%, yielding a final analytical sample of 304 managers.

Table 2. Response rate

Response category	Number	Percent
Administered questionnaires	388	100.0
Returned questionnaires	360	92.8
Usable questionnaires	304	78.4
Unusable questionnaires	56	14.4
Unreturned questionnaires	28	7.2

Source: Field Data, 2024.

4.2 Descriptive statistics and reliability

All focal constructs had mean scores above the midpoint of the seven-point scale. Strategic leadership had the highest mean (6.34) and lowest average dispersion (SD = .78), indicating strong and relatively consistent perceptions of leadership practices. Strategic alignment averaged 5.74, information technology 5.45, sustainable competitive advantage 5.23 and firm performance 5.16. The comparatively larger dispersion for sustainable competitive advantage and firm performance suggests greater variation across banks and performance domains.

Table 3. Descriptive statistics and reliability

Construct	N	Mean	Average SD	Cronbach α	Interpretation
Strategic leadership	304	6.34	.78	.798	Very high agreement; acceptable reliability
Firm performance	304	5.16	1.44	.928	Moderate-high agreement; excellent reliability
Sustainable competitive advantage	304	5.23	1.47	.943	Positive agreement; excellent reliability
Strategic alignment	304	5.74	1.13	.927	High agreement; excellent reliability
Information technology	304	5.45	1.32	.924	High agreement; excellent reliability

Source: Field Data, 2024.

4.3 Validity and diagnostic tests

The KMO values ranged from .797 to .894 and Bartlett's tests were significant at $p < .001$ for every construct, supporting factorability. The reported regression diagnostics were within acceptable ranges: the Durbin-Watson statistic was 1.898; tolerance ranged from .304 to .855; and VIF ranged from 1.169 to 3.286. Visual inspection of linearity, normal P-P and residual plots indicated acceptable linearity, approximate residual normality and homoscedasticity. These results supported proceeding with the planned regression and mediation analyses.

Table 4. Validity and regression diagnostic summary

Test/construct	Statistic	Result
Strategic leadership	KMO = .827; Bartlett $\chi^2 = 661.076$, df = 10, $p < .001$	Factorable
Firm performance	KMO = .880; Bartlett $\chi^2 = 1663.960$, df = 21, $p < .001$	Factorable
Sustainable competitive advantage	KMO = .894; Bartlett $\chi^2 = 4354.487$, df = 190, $p < .001$	Factorable

Test/construct	Statistic	Result
Strategic alignment	KMO = .850; Bartlett χ^2 = 3463.195, df = 120, p < .001	Factorable
Information technology	KMO = .797; Bartlett χ^2 = 1005.019, df = 6, p < .001	Factorable
Autocorrelation	Durbin-Watson = 1.898	No serious autocorrelation
Multicollinearity	Tolerance = .304–.855; VIF = 1.169–3.286	Acceptable

Source: Field Data, 2024.

4.4 Correlation analysis

Pearson correlation analysis indicated that firm performance was positively associated with information technology (r = .448, p < .01), strategic alignment (r = .559, p < .01), strategic leadership (r = .408, p < .01), and sustainable competitive advantage (r = .598, p < .01). Strategic alignment and sustainable competitive advantage were strongly related (r = .668, p < .01). Business strategy was not significantly correlated with firm performance (r = -.094, p = .102), although it had significant negative associations with information technology, strategic leadership and sustainable competitive advantage.

Table 5. Pearson correlation matrix

Variable	FP	BS	IT	SA	SL	SCA
FP	1					
BS	-.094	1				
IT	.448**	-.245**	1			
SA	.559**	-.056	.467**	1		
SL	.408**	-.130*	.241**	.366**	1	
SCA	.598**	-.271**	.597**	.668**	.386**	1

Note. N = 304. **p < .01. *p < .05. Source: Field Data, 2024.

4.5 Direct-effect hypothesis tests

The six direct-effect models were statistically significant. Strategic leadership was positively associated with firm performance, strategic alignment and sustainable competitive advantage after

controlling for business strategy and information technology. Strategic alignment positively predicted both firm performance and sustainable competitive advantage, while sustainable competitive advantage produced the largest standardized direct coefficient on firm performance (β = .690). All six direct null hypotheses were therefore rejected.

Table 6. Direct regression results and hypothesis decisions

Hypothesis/path	B	β	t	p	R^2	Decision
H01: SL → FP	.626	.322	6.430	< .001	.298	Reject H01
H02: SL → SA	.387	.275	5.484	< .001	.293	Reject H02
H03: SL → SCA	.481	.249	5.523	< .001	.431	Reject H03
H04: SA → FP	.800	.577	11.999	< .001	.460	Reject H04
H05: SCA → FP	.693	.690	13.360	< .001	.499	Reject H05
H06: SA → SCA	.880	.638	17.523	< .001	.690	Reject H06

Source: Field Data, 2024.

The control models add substantive context. Before strategic leadership entered the firm-performance model, business strategy and information technology jointly explained 20.1% of variance, $F(2, 301) = 37.808$, $p < .001$. Information technology was significant ($B = .454$, $\beta = .452$, $p < .001$), whereas business strategy was not ($B = .026$, $\beta = .017$, $p = .755$). In the H01 model, information technology remained significant ($B = .382$, $\beta = .380$, $p < .001$). Across later models, information technology was positively associated with strategic alignment and sustainable competitive advantage, while the coefficient for business strategy varied in sign and significance. These patterns support retaining the controls rather than attributing all observed variation to the focal constructs.

4.6 Sequential mediation analysis

PROCESS Model 6 estimated the proposed sequence Strategic Leadership → Sustainable Competitive Advantage → Strategic Alignment → Firm Performance with 5,000 bootstrap samples. The direct effect of strategic leadership on firm performance remained statistically significant after the mediators were included ($B = .2801$, $p = .0009$), indicating partial rather than complete mediation. The total indirect effect was .3458 with a 95% bootstrap confidence interval [.2167, .5081].

Table 7. PROCESS Model 6 direct paths

Path	B	SE	t	p	95% CI
SL → SCA	.4814	.0872	5.5231	< .001	[.3099, .6529]

Path	B	SE	t	p	95% CI
SL → SA	.1210	.0542	2.2328	.0263	[.0144, .2276]
SCA → SA	.5516	.0342	16.1274	< .001	[.4842, .6189]
SL → FP (direct)	.2801	.0831	3.3697	.0009	[.1165, .4436]
SCA → FP	.4406	.0711	6.1939	< .001	[.3006, .5806]
SA → FP	.3459	.0880	3.9319	.0001	[.1728, .5190]

Source: Field Data, 2024.

Table 8. Bootstrap indirect effects

Indirect effect	Effect	Boot SE	Boot 95% CI	Inference
Total indirect effect	.3458	.0744	[.2167, .5081]	Significant
SL → SCA → FP	.2121	.0582	[.1198, .3471]	Significant
SL → SA → FP	.0418	.0265	[-.0048, .0999]	Not significant
SL → SCA → SA → FP	.0918	.0310	[.0394, .1617]	Significant

Source: Field Data, 2024.

The serial indirect effect was significant because its bootstrap confidence interval excluded zero. By contrast, the separate indirect effect through strategic alignment included zero. Thus, alignment was an important direct predictor of performance but did not, on its own, significantly transmit the effect of strategic leadership. The serial result indicates that leadership influence became more consequential when strategic leadership first strengthened competitive capabilities and those capabilities were then aligned with organizational systems. H07 was therefore rejected.

4.7 Discussion

The positive effect of strategic leadership on firm performance is consistent with the upper-echelons proposition that strategic outcomes partly reflect executive interpretation and choice (Hambrick & Mason, 1984; Hambrick, 2007). It is also consistent with strategic-leadership scholarship emphasizing direction, resource orchestration and organizational adaptation (Ireland & Hitt, 2005; Singh et al., 2023; Çakmak, 2026). The Kenyan result accords with prior banking evidence that strategic leadership and implementation practices are associated with performance (Kasuni & Juma, 2022; Olaka et al., 2018; Tupana & Kariuki, 2024; Wachira & Wainaina, 2025; Wambua & Karihe, 2023). Importantly, the coefficient remained significant after information technology and business strategy were controlled, indicating that leadership contributed explanatory value beyond these contextual factors.

Strategic leadership also predicted strategic alignment. This finding is consistent with the view that alignment requires active governance rather than automatic consistency. Leaders create the forums, priorities and accountability systems through which business units, IT, risk, operations and human resources coordinate. The result is consistent with alignment studies that emphasize shared understanding, governance and integration between business and technology domains (Henderson & Venkatraman, 1993; Luftman, 2000; Reich & Benbasat, 2000; Wu et al., 2015). It also fits digital-era research showing that e-leadership and digital strategy require coordination across formerly separate functional boundaries (Bharadwaj et al., 2013; Li et al., 2016).

The positive effect of strategic leadership on sustainable competitive advantage is consistent with dynamic-capability and resource-orchestration perspectives. Leadership can create enduring value when managerial choices develop capabilities rather than merely generate short-term actions. This interpretation is consistent with research linking strategic leadership to competitive advantage, ambidexterity, knowledge processes and innovation (Ambilichu et al., 2023; Hunitie, 2018; Kartika, 2024; Mahdi & Almsafir, 2014; Mahdi & Nassar, 2021; Sibghatullah et al., 2020; Takawira & Mutambara, 2023). In the Kenyan banking context, the finding implies that leadership value is partly realized through the creation of trusted, efficient, adaptive and digitally capable institutions.

Strategic alignment had a large positive effect on firm performance. The result is consistent with the principle of fit in strategic management and the strategic-alignment model, which posit that coherent organizational configurations improve execution (Drazin & Van de Ven, 1985; Henderson & Venkatraman, 1993; Venkatraman & Camillus, 1984; Venkatraman, 1989). It also aligns with empirical evidence that business-IT alignment and governance mechanisms enhance performance, particularly in information-intensive sectors (Dairo et al., 2021; Gerow et al., 2014; Pesce et al., 2023; Tallon et al., 2000; Wu et al., 2015). For banks, the substantive implication is that technology, risk controls, customer processes and human capital must reinforce rather than compete with strategic priorities.

Sustainable competitive advantage showed the largest reported standardized association on firm performance ($\beta = .690$). This result strongly supports the resource-based premise that superior outcomes arise when firms develop valuable capabilities and organize them effectively (Barney, 1991; Crook et al., 2008; Newbert, 2008; Peteraf, 1993; Ray et al., 2004). The finding is also consistent with dynamic-capability studies showing that capability renewal enhances performance in changing environments (Lin & Wu, 2014; Schilke et al., 2020; Teece, 2007). Banking-specific evidence on organizational agility and green innovation provides additional support for the relevance of adaptive and differentiated capabilities (Jebet et al., 2025; Probojakti et al., 2024).

The strong positive effect of strategic alignment on sustainable competitive advantage ($\beta = .638$) illustrates how the coordination of resources can generate strategic value. Alignment helps combine assets, routines, technology and skills into configurations that rivals cannot readily copy. This mechanism is consistent with research that treats integration and coordination as central to capability development (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003; Sirmon et al., 2007) and with studies connecting alignment to IT-enabled dynamic capabilities and advantage (Baker et al., 2020; Hartani et al., 2021; van de Wetering et al., 2021). The finding suggests that banks should evaluate investments not only by whether resources are acquired but also by whether they are coherently connected to strategy.

The mediation results constitute the study's principal theoretical contribution. The direct effect of strategic leadership remained significant, the indirect effect through sustainable competitive advantage was significant, the indirect effect through strategic alignment alone was not significant, and the serial SCA→SA pathway was significant. This pattern shows that leadership influences performance through multiple simultaneous routes and that the ordering of mechanisms matters. Modern mediation theory emphasizes that a significant serial indirect effect can coexist with a significant direct effect and with a non-significant specific indirect path (Hayes, 2022; Igartua & Hayes, 2021; Preacher & Hayes, 2008). The results therefore support partial, mechanism-rich mediation rather than a simple all-or-none causal-steps interpretation (Baron & Kenny, 1986).

Substantively, the non-significant alignment-only mediation does not imply that alignment is unimportant. Alignment had strong direct effects on firm performance and sustainable competitive advantage. Instead, the finding indicates that strategic leadership was more effectively translated into performance when leadership first helped create a defensible capability base. Competitive capability appears to give strategic alignment substantive content: aligning weak or non-differentiated resources may improve coordination without producing a distinct performance pathway. This interpretation is compatible with research showing that alignment yields value when it is connected to capabilities and business processes (Pesce et al., 2023; Ray et al., 2004; Wu et al., 2015).

The sustainability literature also adds nuance. Durable bank performance should not be equated with maximizing sustainability disclosure or undertaking isolated ESG initiatives. Meta-analytic evidence generally reports non-negative sustainability-performance associations, but materiality and context matter (Albertini, 2013; Eccles et al., 2014; Friede et al., 2015; Khan et al., 2016). Recent evidence from banking shows that disclosure can be associated with weaker future performance under some country conditions (Gupta, 2026), while competitive conditions can alter the ESG-performance relationship (Agarwal & Rastogi, 2025). The practical implication is to view sustainability as a capability and strategic-alignment issue, not solely as a reporting exercise.

5. Conclusion and recommendations

The study concludes that strategic leadership is a statistically significant predictor of firm performance among commercial banks in Kenya. Strategic leadership also strengthens strategic alignment and sustainable competitive advantage, demonstrating that leadership contributes not only through direct managerial influence but also through the organizational capabilities and coordination mechanisms it creates. Strategic alignment improves both firm performance and sustainable competitive advantage, while sustainable competitive advantage exerts the strongest direct effect on firm performance. The findings therefore support an integrated strategic-management view in which leadership, capability building and alignment operate as mutually reinforcing sources of bank performance.

The serial mediation result offers a useful account of how these constructs work together. Strategic leadership retained a significant direct effect on firm performance, but it also affected performance through a significant serial pathway in which sustainable competitive advantage preceded strategic alignment. The stand-alone alignment indirect effect was not significant. The implication is that leaders create stronger performance effects when they first build valuable, adaptive and difficult-to-copy capabilities and then align structures, systems, technology, people and operating processes around those capabilities. This refines the assumption that alignment by itself necessarily transmits leadership effects.

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Commercial banks should enhance strategic leadership capabilities at executive and managerial levels through leadership development, strategic decision routines, environmental scanning, innovation governance and clearer communication of institutional priorities. Boards and senior management should assess leadership effectiveness not only through short-term financial outcomes but also through evidence that leaders are building future capabilities, coordinating resources and reinforcing ethical and risk-aware execution. Leadership succession and management development should deliberately cultivate the ability to integrate technology, risk, customer and sustainability priorities.

Banks should invest in sustainable competitive advantages grounded in customer trust, service quality, operational efficiency, digital capability, data-driven decision making, innovation, skilled employees, governance, risk resilience and responsible banking. Such investments should be prioritized according to their potential to create durable value rather than temporary differentiation. Management should regularly assess whether capabilities remain relevant as fintech competition, regulation and customer expectations evolve, consistent with a dynamic-capabilities orientation (Helfat et al., 2007; Schilke et al., 2020; Teece, 2023).

Strategic alignment should be treated as an ongoing governance responsibility. Banks should strengthen cross-functional planning, IT-business coordination, integrated performance monitoring, strategic workforce planning, process architecture and communication between strategy, risk, technology and operations. Performance indicators should connect strategic priorities with operational responsibilities so that resource allocation and employee activity reinforce the bank's competitive logic (Kaplan & Norton, 2006; Luftman, 2000; Smith & Thomas, 2024; Wu et al., 2015). Because information technology remained important in several models, digital investments should be evaluated in terms of strategic contribution rather than technical implementation alone (Bharadwaj et al., 2013; Tallon et al., 2000).

Regulators and industry bodies can support these efforts by encouraging governance practices that connect strategic resilience, technology, human-capital capability and responsible banking. For future research, the cross-sectional design and perceptual measures limit strong causal interpretation. Longitudinal research could examine whether changes in leadership capability precede changes in competitive advantage, alignment and objective bank performance. Future studies could also compare bank tiers, ownership structures or countries, use multi-source data, incorporate objective financial and risk indicators, and test alternative serial orders to determine when alignment precedes capability development rather than follows it (Creswell & Creswell, 2023; Hair et al., 2022; Podsakoff et al., 2003).

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