

# COMPETITIVE AGILITY AND SUSTAINABLE COMPETITIVE ADVANTAGE OF COMMERCIAL BANKS IN NIGERIA

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## ABSTRACT

Competitive agility and sustainable competitive advantage of commercial banks in Nigeria was examined in this study. Quantitative and correlational design was used. The population for the study consisted of sixteen (16) commercial banks with national spread including Akwa Ibom and Rivers States of the south-south region of Nigeria from which 262 respondents were obtained and a sample of 223 deduced using Taro Yamene's formula. The findings showed that both core capabilities and proactivity have significant influences on product differentiation as proxies of competitive agility and sustainable competitive advantage respectively. The theoretic implications informed that the concerned banks should always learn and adapt new ways of doing things to cope with the spate of competition in the industry. It was concluded that competitive agility positively and significantly influenced sustainable competitive advantage of commercial banks in the south-south region of Nigeria. It was recommended that the management of the commercial banks should be intentional in building the core capabilities of their workforce and ensure they are proactive in the discharge their assigned responsibilities so as to enable the banks remain sustainably competitive vis-à-vis their competitors in the industry and brace up with general competitions in the operating business environment.

**Keywords:** Competitive Agility, Sustainable Competitive Advantage, Organisational Learning Theory, Core Capabilities, Proactivity, Product Differentiation.

## INTRODUCTION

The notion of competitive advantage and sustainable competitive advantage are quite related. The organisation must attain competitive advantage first before it can contemplate of how to sustain the advantage gained. The quest for competitive advantage remains the major outcome of strategic management process of many corporate organisations (David, 2013). To achieve competitive advantage is a challenge and the ability to sustain it when achieved in any context is even more challenging. Sustainable competitive advantage means that an organisation achieves higher-than average organisational performance because its source of advantage is difficult to imitate or duplicate by competitors (Harrison & St. John, 2000). Sustaining advantage in the banking industry has not been an easy feat to achieve due to hyper-competition in the industry. The intensity of competition in the Nigerian banking industry has long been recognised and espoused in extant literature (Awoyemi & Ihesiaba, 2020). The collapse of some banks before the consolidation exercise in 2005 was due partly to inability of the affected banks to cope with the spate and height of competition in the industry such that the numerical strength of commercial banks in the banking industry was reduced from about 89 to just twenty banks upon consolidation (Central Bank of Nigeria, 2005; Ana, 2007;

Etim, 2024). Many bank staff lost their jobs in the process as the affected banks could no longer sustain them on the payroll. Many customers of the affected banks lost part if not the whole of their deposits in those banks. The affected banks were unable to meet their contractual obligations to their stakeholders just as they were unable to recover their outstanding loans leading to unbearably high non-performing loans or toxic assets in their books. At a point, these toxic assets were taken over by Asset Management Corporation of Nigeria (AMCON) established in 2010 (International Monetary Fund, 2019). Recently, the license of Heritage bank has been revoked by the Central Bank of Nigeria due to under-performance for several reasons salient amongst which is the violation of prudential guidelines as contained in section 12 (1) of Banks and Other Financial Institutions Act (BOFIA), 2020 and chronic inability to improve on its financial standing and performance (Ali, 2024). The bottom line was that the affected banks were nothing to write home about even in the face of some banks engaging in unethical practice of cooking up their books to look impressive to the banking public.

These incidents have made the commercial banks as they are now called even more vulnerable to withstand competition resulting in mergers and acquisition at a time involving Access Bank and Diamond Bank which immediately became AccessDiamond Bank and later acquired fully by Access bank (Okonji et al., 2023), Ecobank acquired Oceanic bank (Ecobank, 2011) even as Polaris has been having serious issues leading to the sack of its board by Central Bank of Nigeria (Anudu, 2023). A number of previous researches have been carried out in the Nigerian banking industry with foci on deposit money or commercial banks (Soyibbo et al., 1992; Onwuzulike, 2017; Dabwor, 2018; Temitope et al., 2020). Yet, the problems of the banks still persist because these studies somehow could not address the challenge of sustainable competitive advantage. In a proactive bid to solve the problem and avert possible systemic failure in the banking system in the nearest future, the Central Bank of Nigeria recently directed all commercial banks to beef or shore up their capital base via recapitalisation to the tune of between Fifty Billion Naira (N50B) and Five Hundred Billion Naira (N500B) depending on the operational and authorisation licences of the individual banks namely: regional, national or international between now and end of March, 2026 (Etim, 2024; Dambatta, 2024). These informed the deliberate attempt in this study to investigate the problem from the point of view of competitive agility in connection with sustainable competitive advantage measured using product differentiation. Product differentiation is a competitive business strategy which aims at bringing new and innovative products and/or services to the market at a premium faster than rivals in the same industry (Porter, 1985; Thompson & Strickland, 2003; Grant, 2008; David, 2013). Competitive agility refers to the ability of an organisation to nimbly and flexibly navigate the competitive landscape and remains ever ready to contain the competitive attacks, offensives and pressures from rival organizations' in the industry and beyond. Competitive agility also entails time-to-market of new and innovative products and/or services. Competitive agility relies heavily on timely and relevant information-gathering technically referred to as competitive intelligence as it enables strategists and strategic managers to veer strategic direction of organisation promptly to ward off competitions (Atkinson et al., 2020). Competitive agility would be measured using core capabilities and proactivity (Abu-Radi, 2013; Sampath & Krishnamoorthy, 2017) while sustainable competitive advantage would be assessed using product

differentiation (Porter, 1985; Al-Zoubi; 2012) as reflected in the conceptual framework in the subsequent section of this work.

The aim of the study was to verify how competitive agility influence sustainable competitive advantage in respect of commercial banks in Nigeria. The specific objectives included to: investigate the influence of core capabilities and product differentiation of commercial banks in Nigeria. Examine the effect of proactivity on product differentiation of commercial banks in Nigeria. The following research questions were posed to guide the study: how has core capabilities influenced product differentiation of commercial banks in Nigeria? What is the influence of proactivity on product differentiation of commercial banks in Nigeria? Tentative answers to the research questions led to the following null hypotheses formulated for the study: Ho1: there is no significant influence of core capabilities on product differentiation of commercial banks in Nigeria. Ho2: there is no significant influence of proactivity on product differentiation of commercial banks in Nigeria.

Given the spate and intensity of competition in the Nigerian banking industry, the outcome of the study would help the management of commercial banks and interested bank practitioners to fine-tune their strategies to enable them to better cope with the threats of competition in the industry. It would also help to hone the employees' skills to adopt competitively proactive and creative approach to issues as they focus on and carry out their daily operations tailored to achieve defined objectives calculated and designed to deliver sustainable competitive advantage of their respective banks. It would add value to the existing stock of knowledge in the competitive agility and sustainable competitive advantage literature for the benefit of academia, and future researchers. The scope of the study covered content, geographical and unit of analysis. The content scope dealt with the concepts of competitive agility and its dimensions identified as core capabilities and proactivity. It also included the concept of sustainable competitive advantage with product differentiation as its measure. The geographical scope targeted commercial banks in the south-south region of Nigeria with national spread with particular focus on Akwa Ibom and Rivers State. The unit of analysis scope included senior management staff of commercial banks and above.

## **LITERATURE REVIEW**

The review of literature centred on three important themes viz: conceptual framework, theoretical framework and empirical review in that order as follows:

### **Conceptual Framework**

The features of the conceptual schema comprised the latent constructs and their proxies given respectively as: competitive agility with core capabilities and proactivity as dimensions and sustainable competitive advantage measured in terms of product differentiation. These are explained as follows:  
Conceptual Framework

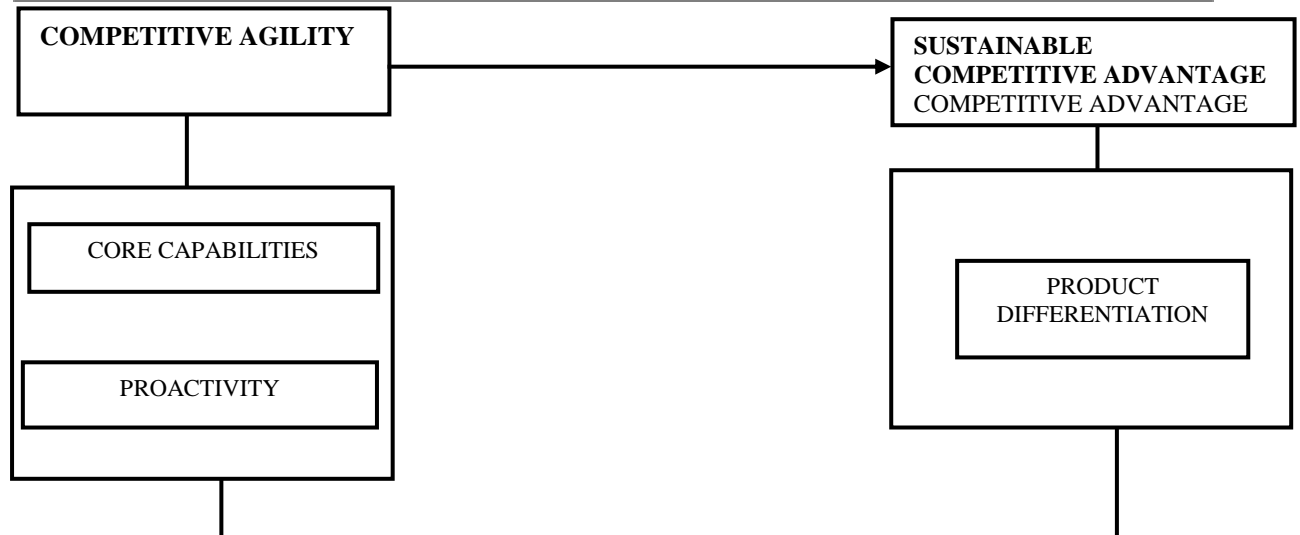


Figure. 2.1: Conceptual framework of competitive agility and sustainable competitive advantage.

Source: Researcher's conceptualisation (2024) with dimensions and measures adapted with modification respectively from (Abu-Radi, 2013; Sampath and Krishnamoorthy, 2017) and (Porter, 1985; Al-Zoubi; 2012).

### Competitive Agility

Many business organisations operate on the basis of assumptions. Competition, like a virus, pervades industries and spans global economy. It takes competitions and change in economic realities to easily obliterate the assumptions on which organisations build their business models. The assumptions cut across markets, behaviours of customers and competitors, technology and its attendant dynamics, the strengths and weaknesses of the organisations. When these assumptions fail to hold true due to impacts of ultra-violet competitions and change in economic realities, the modus operandi of organisations become correspondingly constrained and their theories of business (business models) cease to work (Drucker, 1994). At this point of strategic inflection, strategic leaders in organisation need to leverage their competitive agility to forge ahead in terms of accessing relevant competitive intelligence and aggressively utilising it to maintain the requisite competitive speed (Wheelen & Hunger, 2010; Hitt et al., 2013). By competitive agility is meant the ability of an organisation to act in a variety of competitively relevant ways (Hitt et al., 2013). In the face of volatile, uncertain, complex and ambiguous (VUCA) context in which business organisations operate, competitive agility becomes ever pivotal to survival of many organisations as they seek to ensure sustainable competitive advantage. It may bear to state that the more agile a business organisation is, the better the chance it has or stand to compete sustainably.

### Core Capabilities

Core capabilities of an organisation can be acquired from factor markets or built up over time from the organisational resources made up of both tangible and intangible via experience and learning by doing (heuristics) (Barney, 1986; Reed & Defillippi, 1990; Oliver, 1997; Kazmi, 2002; Grant, 2008). The resources represent the repertoire of productive assets owned by an organisation. The deployment of a set of resources to carry out a particular task constitutes what is termed capability (Kazmi, 2002; Thompson & Strickland, 2003; Grant, 2008; Doz & Kosonen, 2010;

Abu-Radi, 2013; Sampath & Krishnamoorthy, 2017). The term capability and matter of semantics (Prahalad & Hamel, 1992; Grant, 2008). The resource plus core competencies yield core capability which an organisation can deploy to carry out tasks that could lead to gaining competitive advantage on the long-term (Oliver, 1997; Kazmi, 2002; Bolo, 2011). From the resource-based view, core capabilities or core competencies also described as strategic assets because of their value and fundamental relevance to strategy and performance are considered to be sources of competitive advantage (Prahalad & Hamel, 1992; Oliver, 1997; Grant, 2008).

A few examples of these valuable resources comprise technical know-how, research and development expertise, corporate reputation, tacit knowledge and buyer-supplier relationships within the value-chain as well as brand identity (Oliver, 1997; Grant, 2008; Wheelen & Hunger, 2010). This explains why George et al. (1992) cited in Bolo (2011) hold that core capabilities are distinctive and valuable assets of a company which are naturally inimitable compared to strategic targets in a value chain consisting of the company's important stakeholders. Hidayat et al. (2021) corroborate that to achieve competitive advantage on the long-term which explains what sustainable competitive advantage is about, organisation needs core capabilities. It is one thing for an organisation to notice a change in its operating environment and another thing for it to have what it takes to quickly respond to the change which may have either positive or negative outcome or even both. It is on this score that core capabilities are of paramount importance to organisation to be able to exercise competitive agility in relation to sustainable competitive advantage.

#### Proactivity

Proactivity resonates with the tendency to take quick action. Business organisations like commercial banks need proactivity because the environment in which they operate is dynamic and ever changing. Proactivity is intimately associated with the ability of the organisation to not only react but also initiate and pursue goals even in the face of relative stability of the environment (Parka et al., 2010; Lieder & Iwama, 2021). Therefore, proactivity can be defined as alignment of goal-directed behaviour with exertion of cognitive control (Lieder & Iwama, 2021). Strategic actions as a function of strategic intent reflected in goals, vision, business definition, mission and objectives otherwise referred to as big, hairy, audacious goal (BHAG) of the organisation would be meaningless if devoid of proactivity. (Kazmi, 2002; Thompson & Strickland, 2003; Sampath & Krishnamoorthy, 2017). Similarly, competitive agility may be hindered and organisation's pursuit of sustainable competitive advantage undermined and turned into competitive disadvantage without a keen sense of proactivity. Extant literature attests that business organisations that adopt proactive strategic approach do better than those that merely rely on reactive approach (Taiwo & Idunnu, 2010). This empirical thesis lends credence to the benefits of proactivity which include predictive power relative to career success, job performance, task execution and career satisfaction which with reflect self-efficacy, consciousness and accountability for change.

Successful management of a business enterprise involves a mix of anticipation, initiative, action, strategic thinking cum planning, honest assessment of the internal capabilities and constant monitoring of changes in the external environment of the business (Thompson & Strickland, 2003; Haycock et al., 2012; Lieder & Iwama, 2021). Proactivity is not accidental or a product of good luck of sort. Rather, it entails certain mind-set defined by building blocks such as conversance with what to do at all times, alertness to developments within and/or around the



organisation which should cascade throughout the organisation, a culture of altering the business models to ensure profitable outcomes and encouraging managers' sensitivity to approve competitive budgets that will impact on the organisation's bottom line vis-a-vis the rivals (Thompson & Strickland, 2003). Leveraging proactivity ignites creativity, maximises energy flow and optimises corporate productivity (Cheyunski, 1983). In essence, proactivity demands anticipation and initiative which involve setting intentions anticipatory of future situations, retaining them in the memory and only to unleash them when the anticipated situations take place (Cheyunski, 1983; Lieder & Iwama, 2021).

The competitive weapons at the disposal of business organisations are broadly: defence of the acquired competitive position from being over-taken by competitors, initiation of a strategic move and taking the lead or reacting to a strategic move by rivals. A prudent strategic choice however, ought to be to constantly out-innovate and out-compete rivals by being competitively agile and relentless in maintaining sustainable competitive advantage. Though proactivity is commonly associated with leadership, it is advocated in the literature that proactivity should straddle the hierarchy of the organisation (Cheyunski, 1983).

### **Sustainable Competitive Advantage**

Sustainable competitive advantage presupposes that an organisation has already achieved competitive advantage in its industry. The challenge then becomes the sustenance of the advantage. Sustainable competitive advantage can therefore be described as the ability of an organisation to extend and maintain the competitive advantage it has achieved in the short-run for a long period of time. To Wang (2021), sustainable competitive advantage is an advantage that accrues from multi-sources and contributes to the growth of the organisation on a consistent basis. This is not an easy task for any organisation to execute and accomplish given the hyper-competition in the marketplace such as the Nigerian banking industry. It demands the organisation to build causal ambiguity around its heterogeneous resources (Barney, 2002; Reed & Defillippi, 1990; Peteraf & Bergen, 2003) and more importantly, to sustain the loyalty of its customers as one of the strategic stakeholders who exist and wield enormous powers in its task or micro-external environment of the industry structure (Porter, 1998). As Wang (2021) affirms that the quest for sustainable competitive advantage necessitates strategic alignment of the external and internal environments' imperatives with passage of time. The emphasis here is the point that the success of almost all businesses across the globe is dependent and tangential on the ability of such businesses to sustain both customers' loyalty and patronage through sustainable value creation and addition using corporate resources and competencies that are rare, valuable, inimitable and non-substitutable (Sater et al., 2023).

### **Product Differentiation**

The idea of product differentiation was first canvassed by Edward Chamberlin in 1933 in his theory of monopolistic competition relating to competitive advantage and later made popular in the generic competitive business strategy of Michael E. Porter (1980, 1985, 1998; Widuri & Sutanto, 2018; Chege, 2019). Product differentiation is a widely discussed concept in the literature of strategic management. Kazmi (2002) associates product differentiation with distinctive competence of the firm to provide unique and high quality product with superior value reflecting special features or after-sale services to buyers. Schermerhorn

(2010) states that differentiation strategy has to do with the offer of products that are uniquely distinct from the competition. Hence, the firm's ability to create uniqueness in its choice industry along certain dimensions valuable to its target markets underscores differentiation (Porter, 1985; 1998). Diugwu (2011) corroborates that differentiation entails offering superior services to customers at the same price offered by competitors. These dimensions vary from technology, design or brand image, customer service, distinctive features to dealer network including being the first mover (Porter, 1998). These definitions of product differentiation have common thread that cuts across them which border on creating unique, innovative and high quality products that do not only distinguish the firms from rivals but also can be sold at a premium to discerning and value-driven customers. Product differentiation as a business-level strategy helps organisations, investors and corporate managers to answer the question: how do we compete to make above-average returns on investment? (Grant, 2008).

This explains why differentiation strategy, like cost leadership, enables a business organisation not only to be sustainable and profitable but also achieves a defensive position which serves as a major entry barrier to prospective entrants in a service industry like banking and public accounting (Porter, 1998). It creates customer loyalty which enables customers, delighted with unique product quality and lack of comparable alternatives, to be less sensitive to price differentials thereby countering threats of suppliers and buyers' bargaining powers as well as substitutes (Porter, 1985, 1998). The adoption and pursuit of differentiation should be mindful of the cost in order to benefit from and avoid its premium price being nullified (Porter, 1985). The hallmark of success in differentiation strategy depends on providing uniquely different goods and/or services which appeal to loyal customers who, driven by the perception of this uniqueness, are not easily persuaded by competitors' offerings (Schermerhorn, 2010). Zara fashion retail in Spain, Polo fashion in U.S., and Apple in the personal computer in U.S., achieve huge successes in their respective industries by adopting differentiation strategy (Schermerhorn, 2010; He, 2012). The level of customer service and quality of products such as "cash back withdrawal" by Access Bank Plc and "loan without collaterals" by Sterling Bank Plc offered by commercial banks defines and differentiates the respective banks. Over all, product differentiation contributes to the bottom line organisations as it enhances corporate reputation and brand identity which together, supports competitive advantage on a sustainable basis (Widuri & Sutanto; 2018; Forida & Setiawan, 2022).

### **Competitive Agility and Sustainable Competitive Advantage Interface**

The pursuit of sustainable competitive advantage is a long-run quest that puts many organisations on the edge in light of ever-changing operating business environment made worse by global competitions D'Aveni (1994; Hoskisson et al., 1999). Hence, both corporate resources in tangible and intangible forms and organisational competitive arsenals need to be top-notch to achieve competitive advantage in the first instance and then, proceed to preserve and sustain it over time (Limoubpratum et al., 2015). Corporate strategists should remain alert to the intricacies associated with competitions in the industry to be able to tailor their competitive weapons to out-manoeuvre and out-compete their rivals. Pertinently, competitive agility has a crucial and pivotal role to play in driving the competitive strategy of the organisation in terms of product differentiation among other measures (Porter, 1998). Building competitive agility into the corporate culture of the

organisation can also serve as a source of competitive advantage as well as sustainable competitive advantage.

## **THEORETICAL FRAMEWORK**

The cognate baseline theory used to anchor this study was organisational learning theory (OLT). Castaneda and Rios (2007) link the notion of organisational learning to the work of Cyert and March (1963) entitled "A behavioural theory of the firm." But the first usage of the expression 'organisational learning' as a title of a publication was traced to Cangelosi and Dill (1965) in their work titled "organisational learning: Observations towards a theory" cited in (Castaneda and Rios, 2007). Organisational learning as both multidisciplinary and multilevel concept lacks a uniform definition because there are many perspectives from which it is viewed by scholars in the field of organisational learning (Castaneda & Rios, 2007; Aponte & Zapata, 2013). The disciplines from which organisational learning draws its inspiration include: , management science, psychology and organisational development, strategy, sociology and organisation theory, cultural anthropology and production management (Easterby-Smith, 1997). While the different levels of organisational learning include individual, group and organisation which are linked through social and psychological processes leading to creating, retaining and transferring of knowledge (Argote, 2011; Aponte & Zapata, 2013).

Organisational learning can therefore be defined as a change in the organisation's stock of knowledge that occurs as a product of experience (Argote, 2011). Cyert and March (1963) cited in (Castaneda and Rios, 2007) view organisational learning in terms of the ability of companies to learn from experience with the intention to adjust to the environmental conditions. Schermerhorn (2010) describes learning organisation as that which continuously changes and improves using the lessons of experience. Organisational learning can trigger adaptation to environment, transformation, knowledge acquisition and transfer, exploration and exploitation (Aponte & Zapata, 2013). Learning in organisation can assume the forms of explicit or tacit which is comparatively difficult to articulate (Argote, 2011).

Organisational learning is not only multidisciplinary and multilevel but also multi-processed. The processes involve intuiting, interpreting, integrating and institutionalising (Rios & Castaneda, 2007; Aponte and Zapata, 2013). To be useful, the knowledge gained from learning should be embedded in the organisational repositories from which organisational members within and across functions can draw for the benefit of the entire organisation (Rios & Castaneda, 2007; Argote, 2011; Aponte and Zapata, 2013). Organisational learning stresses the need for information sharing, team work, empowerment, active participation and continuous learning by organisational members to hone their skills to better cope with change triggered by competition cum forces of globalisation, boost their capacity to solve problems and response to opportunity and/or threats (Schermerhorn, 2010). Competitive agility in relation to sustainable competitive advantage may be difficult to maintain if organisational learning together with a right structure, culture and innovativeness are not given a pride of place in organisation (Kumkale, 2016).

## **EMPIRICAL REVIEW**

Jerab et al., (2011) studied "the impact of core competencies on competitive advantages in Istanbul tourist companies." The sample was 150 successful firms drawn from undisclosed population of famous tourist companies in Istanbul. The companies covered 40 travel agents, 20 transportation companies and the rest were



restaurants and the likes. Structured questionnaire graduated on 5-point Likert's scale was used to obtain primary data. Five referees scrutinised the questionnaire to ascertain its validity and Cronbach's alpha reliability was  $\alpha = 0.818$  adjudged as good. The data analytical tools consisted of frequencies, means, percentages, standard deviation and coefficient of variance including Spearman correlation, univariate and multivariate regressions. The results showed existence of a significant relationship between core competencies, competitive advantage (measured in terms of cost leadership advantage, differentiation/quality advantage, time advantage) and company success. In real terms the relationships showed differentiation advantage (0.627;  $p < 0.01$ ), cost leadership advantage (0.216;  $p < 0.01$ ), time advantage (0.447;  $p < 0.01$ ), and profitability (0.438;  $p < 0.01$ ).

Abdullah et al., (2017) investigated "the impact of distinctive competencies on competitive advantage: An empirical study on detergents manufacturing companies in Jordan." The study adopted a survey design. The target population of detergents manufacturing was 99 from which a sample of 47 detergents manufacturing companies was drawn on the basis of their acceptance to participate in the study. The sampling frame consisted of 148 respondents to whom copies of the questionnaire were issued and they comprised general managers, deputy general managers, heads of department and divisional managers. 112 copies of the questionnaire were retrieved and used in the study representing 76% response rate. The primary data were obtained from structured questionnaire graduated on 5-point Likert's scale. The instrument was subjected to face-to-face scrutiny by academics, variance inflation factor (VIF) to checkmate multi-collinearity and exploratory factor analysis (EFA) to establish its validity. The reliability of the instrument was  $\alpha \geq 0.600$ . Descriptive statistics and inferential particularly multiple regression analysis was carried out with the aid of SPSS (Version 22). The results showed that distinctive competencies expressed in terms of capabilities, competencies and core competencies had a strong and positive correlation on competitive advantage reflected in low cost and quality. This implied that distinctive competencies could explain 50.8% of the variation in the dependent variable – competitive advantage represented by low cost and quality.

Djalil (2015) carried out a study on "the effect of core competency on competitive strategy and its implication on the performance of Islamic banking and Islamic microfinance in the province of Aceh, Indonesia." The study adopted a causality approach which combined both descriptive and explanatory methods in a cross-sectional design and a census of Islamic commercial bank (BUS), Islamic Business Unit (UUS), Islamic Rural Banks (BPRS) and Islamic microfinance institutions LKMS) in the Aceh province. The study population was 79 observation units comprising a total of 252 respondents which covered operations management (56.75%), middle management (30.95%) and top management (12.30%). The research instrument was subjected to convergent validity and reliability tests. Analysis of moment of structures (AMOS) and SPSS version 22 was utilised to analyse the data. The results showed that core competency not only had positive and significant relationship with competitive strategy expressed in terms of low cost leadership strategy, the best cost provider strategy and focused differentiation strategy but also performance as the critical ratio values were all above the minimum thresholds ( $CR > 1.96$ ;  $p < 0.05$ ).

Bahir et al., (2015) investigated "the core competence effect of competitive strategy and its impact on the corporate performance of BUMD, Indonesia." The

study adopted a census design involving 31 enterprises with 88 respondents comprising directors and managers. The questionnaire was structured and weighted on 5-point Likert's scale. The validity of the research instrument was ascertained and the reliability was given as  $\alpha \geq 0.70$ . The data were analysed using descriptive statistics and the five hypotheses verified using programme-based SEM (PLS-SEM) warp PLS version 4.0. The results showed that core competencies had influence on competitive strategy measured as low cost provider and product differentiation amongst others with adjusted R-squared value given as 0.314. This implied that the core competencies in the model were able to predict and explain 31.40% of changes in the competitive strategy.

Voola and O'Cass (2010) carried out empirical study on "implementing competitive strategies: the role of responsive and proactive market orientations" in Australia. The study examined the nexus between strategy and capability performance in light of cost leadership and product differentiation in relation to responsive and proactive market orientations which defined the six hypotheses verified in the study. The study population consisted of 1,400 respondents drawn from over 8,000 firms in Australia made up of software, construction, automotive, engineering and mining of which majority (63.6%) were into provision of services and (36.7%) were into manufacturing. The distribution of 189 respondents (43.5%) response rate included managing directors (47%), chief executive officers (24%), owners (13%), and general managers and marketing managers (16%). The research instrument was 7-point Likert's scale with provision for self-report item which indicated high mean score of 5.36 on the scale of 1= not confident and 7 = very confident. Both convergent and discriminant validities were carried out and found satisfactory. The reliability of the instrument ranged between  $\geq 0.85$   $\alpha \leq 0.94$ . Partial least squares (PLS) were used to analyse the data. The results showed that both differentiation and cost leadership strategies positively affect proactive market orientation.

Barba-Sanchez and Junquera (2018) investigated "environmental proactivity and firms' performance: Mediation effect of competitive advantages in Spanish wineries." The study population consisted of 4598 wineries from which a valid sample of 142 respondents was drawn. Structural equation modeling (SEM) together with partial least squares (Smart PLS3 software version 3) was used to analyse the primary data obtained via questionnaire weighted on 5-point Likert's scale. The results showed that environmental proactivity was positively related to competitive advantages measured in terms of cost leadership and product differentiation. However, the predictive and explanatory power of the coefficient of determination ( $R^2 = 0.107$ ) which implied 10.7% was considered a limitation in the study.

## **METHODOLOGY**

Quantitative and correlational research design was adopted. The population for the study was 276 respondents from 16 commercial banks with national spread across the country including Akwa Ibom and Rivers State of the south-south region of Nigeria out of which 262 respondents obtained using Taro Yamene's formula were issued copies of questionnaire. However, only 223 copies of the questionnaire retrieved were considered useful for the study. A pilot study was conducted to ascertain the relevance of the research instrument and validity of the instrument was also carried out. A pilot survey was carried out to check the integrity of the research instrument in terms of its validity (convergent and discriminant). The employed instrument was piloted on twenty-six (26) respondents representing 10% of the

sample size (262). According to Harry, Sturges and Klingner (2005), small-scale piloting is a cost-effective and convenient approach to a study. The pilot study helped to evaluate the willingness and readiness of the respondents to participate in the study as well as the suitability of the questions in terms of wordings, sequence and clarity. Based on the pilot survey, internal consistency reliability on the dimensions of competitive agility namely: core capability (CC) and proactivity (PS) using Cronbach's (1951) Alpha was carried out. The outcomes were consistent with Likert's measurement scale, with each having a threshold value of  $(\alpha) \geq 0.70$  (Nunnally & Bernstein, 1994). The comments, criticisms and suggestions of participants in the pilot study were used to improve the questions and the format they appeared in the research instrument. For purposes of objectivity, the participants in the pilot study were excluded from the main thesis analysis leaving a working sample of 223 respondents. Ethical considerations in terms of age of participants, voluntary participation in and confidentiality of the information supplied were given due attention including plagiarism test of the entire work.

### Model Specification

Hypothesis I

$$PD = f(CC) \quad 3.1$$

$$PD = X_0 + X_1CC_1 + e \quad 3.2$$

Where;

$PD$  = Product Differentiation

$X_0$  = Intercept

$X_1$  = Coefficient of the independent variable

$CC$  = Core Capabilities

$e$  = Error term

Hypothesis I1

$$PD = f(P) \quad 3.3$$

$$PD = X_0 + X_1P_1 + e \quad 3.4$$

Where;

$PD$  = Product Differentiation

$X_0$  = Intercept

$X_1$  = Coefficient of the independent variable

$P$  = Proactivity

$e$  = Error term

## RESULTS AND DISCUSSIONS

Test of Hypothesis I

H03: There is no significant influence of core capabilities on product differentiation of commercial banks in Nigeria.

Ha3: There is significant influence of core capabilities on product differentiation of commercial banks in Nigeria.

Table 4.1 The Result of Simple Linear Regression of Core Capabilities on Product Differentiation of Deposit Money Bank in Nigeria

Model Summary

Model	R	R Square	Adjusted Square	R	Durbin Watson
1	.931	.868	.867		.286

Predictors: (Constant), Core Capabilities

Dependent Variable: Product Differentiation

Model Fit

Model		Sum of Squares	Df	F	Sig.
1	Regression	78.762	1	1461.240	.000
	Residual	12.020	223		
	Total	90.782	224		

Dependent Variable: Product Differentiation

Predictors: (Constant), Core Capabilities

Coefficients

Model		Unstandardized Coefficient	Standardized Coefficients	T	Sig.
1	(Constant)	.668	.084	7.987	.000
	Core Capabilities	.840	.022	38.226	.000

Dependent Variable: Core Capabilities

Source: Researcher's Computation (2024)

The result of simple linear regression analysis indicates the influence of core capabilities on product differentiation of commercial banks in south- south geo-political zone, of Nigeria, with R<sup>2</sup>-Value (coefficient of determination) of .868, F-Value of 1461.240 and a corresponding P-Value of .000 respectively. This means that core capabilities can account for 86.8% change in product differentiation of commercial banks in south- south geo-political zone of Nigeria. The result further revealed that the F-Value of 1461.240 is greater than the table value of 3.84 at the degree of freedom 1 and 223 and a corresponding P-Value of .000, meaning that the result is statistically significant at  $P < 0.05$ . This is supported by the beta coefficient of .840 which implies that one (1) unit increase in standard deviation of core capabilities led to .840 standard deviation of product differentiation in commercial banks in south- south geo-political zone of Nigeria. It can be affirmed that core capabilities have the explanatory power to predict product differentiation of commercial banks in south- south geo-political zone of Nigeria. However, the null hypothesis which states that there is no significant effect of core capabilities on product differentiation of commercial banks was rejected and the alternative upheld, meaning that  $P < 0.05$  level was significant.

### Test of Hypothesis I1

H04: There is no significant effect of proactivity on product differentiation of commercial banks in Nigeria.

Ha4: There is significant effect of proactivity on product differentiation of commercial banks in Nigeria.

Table 4.2: The Result of Simple Linear Regression Analysis on Effect of Proactivity on Product Differentiation of Deposit Money Bank in Nigeria

Model Summary

Model	R	R Square	Adjusted Square	R	Durbin Watson
1	.922	.851	.850		.359

Predictors: (Constant), Proactivity

Dependent Variable: Product Differentiation

Model Fit

Model	Sum of Squares	Df	F	Sig.
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Squares					
1	Regression	77.214	1	1269.051	.000
	Residual	13.568	223		
Total		90.782	224		
Dependent Variable: Product Differentiation					
Predictors: (Constant), Proactivity					
Coefficients					
Model		Unstandardized Coefficient	Standardized Coefficients	T	Sig.
		B	Std. Error		
1	(Constant)	.874	.084	10.411	.000
	Proactivity	.790	.022	.922	35.624

Dependent Variable: Product Differentiation

Source: Researcher's Computation (2024)

The result showed the effect of proactivity on product differentiation of commercial banks in Nigeria, with R<sup>2</sup>-Value (coefficient of determination) of .851, F-Value of 1269.053 and a corresponding P-Value of .000 respectively. This means that proactivity can account for 85.1% variation in product differentiation of commercial banks in south- south geo-political zone of Nigeria. The result also indicated that proactivity was effective in explaining product differentiation of commercial banks. Besides, the F-Value of 1269.083 and the table value of 3.84 at the degree of freedom 1 and 223 with a corresponding P-Value of .000 indicated that the result was statistically significant. This meant that proactivity has the predictive power to explain product differentiation of commercial banks in south- south geo-political zone of Nigeria. The result was further supported by the unstandardised beta coefficient of .790 which indicated that one (1) unit increase in the standard deviation of proactivity accounted for .790 standard deviation of product differentiation of commercial banks in south- south geo-political zone of Nigeria. Therefore, since P-Value of .000 was less than  $P < 0.05$ , it possible to conclude that the null hypothesis which stated that "there is no significant effect of proactivity on product differentiation of commercial banks in south- south geo-political zone of Nigeria" was rejected and the alternative affirmed, meaning that there was a significant and positive effect of proactivity on product differentiation of commercial banks in south- south geo-political zone of Nigeria.

## DISCUSSION OF FINDINGS

The specific objective was to investigate the influence of core capabilities on product differentiation and was captured by a research question and expressed under the hypothesis three (Ho3). This hypothesis stated that "there is no significant relationship between core capabilities and product differentiation." The outcome of the data analysis did not support the hypothesis. The result rather showed that there was a positive and significant relationship between core capabilities and product differentiation of commercial banks in Nigeria. This implied that an increase in core capabilities was associated with increase in product differentiation. The finding aligned with Djalil (2015) who examined the effect of core competency on competitive strategy and its implication on the performance of Islamic banking and Islamic microfinance in the province of Aceh, Indonesia. The results showed that core competency not only had positive and significant relationship with competitive strategy expressed in terms of low cost leadership strategy, the best cost provider



strategy and focused differentiation strategy but also performance as the critical ratio values were all above the minimum thresholds ( $CR > 1.96$ ;  $p < 0.05$ ).

The fourth specific objective was to determine the influence of proactivity on product differentiation and was captured by a research question and expressed under Ho4. This hypothesis stated that “there is no significant relationship between proactivity and product differentiation.” The outcome of the data analysis failed to support the hypothesis. The result showed instead that there was a strong and significant relationship between proactivity and product differentiation of commercial banks in Nigeria. This implied that an increase in proactivity produced increase in product differentiation especially in terms of time to market. This finding agreed with those of Barba-Sanchez and Junquera (2018) who investigated environmental proactivity and firm’s performance: Mediation effect of competitive advantage in Spanish wineries. The results showed that environmental proactivity was positively related to competitive advantages measured in terms of cost leadership and product differentiation. However, the predictive and explanatory power of the coefficient of determination ( $R^2 = 0.107$ ) which implied 10.7% was considered a limitation in the study.

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

The core capabilities showed a positive and significant influence on product differentiation. Likewise, proactivity demonstrated a positive and significant influence on product differentiation of the commercial banks in Akwa Ibom and Rivers States of the south-south region of Nigeria. It was concluded that competitive agility has relationship with sustainable competitive advantage. Based on the findings and conclusion, it becomes apt to recommend that the management of commercial banks should leverage their core capabilities and proactivity in relation to innovation-driven product differentiation to remain competitively sustainable.

### **LIMITATIONS OF THE STUDY**

The focus of this study was on the commercial banks exclusive of other types of banks in the banking industry. The generalisation of the study was limited to commercial banks only in the south-south geo-political zone of Nigeria. The coverage of only commercial banks in the south-south geo-political zone of Nigeria as against the commercial banks in the entire country also constituted a limitation. The supply of incorrect responses to and partial completion of the research instrument including outright non-response to the questionnaire plus incidence of mortality of test units which warranted the cleaning and fine-tuning of the instrument was a limitation as well. Inadequacy associated with data analysis technique represented yet a limitation. Deficiency of readily available empirical resource materials and data locally in the area of the investigation was a serious constraint.

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