

Change Management and Sustainable Competitive Advantage of Islamic Financial Institutions in Kenya

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Abstract

This study investigated the effect of change management on sustainable competitive advantage of Islamic financial institutions in Kenya. Guided by the Strategic Intent Model and the Path-Goal Leadership Theory and employing a positivist mixed-methods research design, data were collected from 110 managers drawn from all nine licensed Islamic financial institutions operating in Kenya. Quantitative data obtained from managers in operations, business development, portfolio management, human resources, and finance were analyzed using SPSS version 26, while qualitative insights were gathered through interviews with senior executives, including directors and chief executive officers. The findings indicate that change management reflected in institutional adaptability, leadership communication, employee engagement, innovation orientation, and risk mitigation—significantly predicts sustainable competitive advantage, explaining 40.4% of the variance ($R^2 = 0.404$, $\beta = 0.635$, $p < 0.001$). Qualitative evidence further revealed that structured, consultative, and value-driven change processes enhance organizational resilience, customer trust, and competitive positioning while ensuring compliance with regulatory and Shariah principles. The study concludes that change management is a critical strategic capability that enables Islamic financial institutions to align internal processes with environmental dynamics and sustain long-term competitiveness. Strengthening inclusive, transparent, and strategically aligned change management practices is therefore essential for enhancing sustainable competitive advantage in the Islamic finance sector.

Keywords: Change Management, Sustainable Competitive Advantage, Islamic Financial Institutions, Kenya.

Introduction

Organizations operating within the global financial sector increasingly face environments characterized by rapid technological advancement, frequent regulatory reforms, evolving customer expectations, and intensifying competitive pressures (Ewing et al., 2019; Abdul Rahim et al., 2021). These dynamics have fundamentally altered how institutions achieve and sustain competitive advantage, shifting emphasis away from static resources toward organizational capabilities that support continuous adaptation and transformation (Hudders et al., 2021). As a result, sustainable competitive advantage is increasingly associated with an institution's ability to manage change systematically and strategically rather than relying solely on traditional competitive positioning (Nordin & Yusof, 2023). Within the financial services sector, change is often driven by digital transformation, regulatory compliance requirements,

market volatility, and heightened demands for transparency and efficiency. When change is poorly managed, financial institutions frequently experience employee resistance, operational disruption, and reputational damage, all of which negatively affect long-term competitiveness (Ewing et al., 2019). Conversely, institutions that implement structured and inclusive change management practices are better positioned to enhance institutional agility, align internal processes with strategic objectives, and sustain competitive performance over time (Hudders et al., 2021).

Islamic financial institutions (IFIs) operate in a particularly complex change environment due to their obligation to remain competitive while strictly adhering to Shariah principles. In addition to conventional financial pressures, IFIs must ensure that organizational changes align with Islamic ethical values, regulatory frameworks, and stakeholder expectations (Sugianto et al., 2022). Change management in such institutions therefore extends beyond technological or structural adjustments to include employee engagement, ethical governance, strategic alignment, and risk mitigation processes that preserve institutional legitimacy (Soud, 2020). Effective change management enables IFIs to balance innovation with compliance, thereby strengthening their distinct value proposition within competitive financial markets (Nordin & Yusof, 2023).

Globally, the Islamic finance sector has experienced sustained growth, driven by increased demand for ethical and interest-free financial products. Despite this growth, empirical evidence suggests that IFIs continue to face challenges related to operational efficiency, innovation capacity, employee readiness, and execution of strategic change initiatives (Zainab & Noor, 2022). Institutions that embed innovation and continuous improvement within their organizational culture tend to outperform competitors and maintain stronger customer trust (Rahman & Suleiman, 2024). In contrast, reactive and poorly communicated change initiatives often lead to resistance, reduced morale, and weakened strategic execution, particularly during periods of organizational transformation (Munyua & Gitau, 2020).

In Sub-Saharan Africa, financial institutions operate under conditions of regulatory reform, economic volatility, and technological disruption, which heighten the importance of adaptive organizational capabilities. Studies indicate that institutions with strong change management frameworks demonstrate higher levels of resilience, adaptability, and sustainable performance outcomes (Ali et al., 2021). Within Islamic financial institutions, effective change management is closely linked to risk mitigation, as it enables institutions to anticipate operational disruptions, maintain regulatory compliance, and protect reputational capital during periods of transition (Soud, 2020). Robust risk management during change has further been associated with improved stability and continuity in highly regulated financial environments (Ewing et al., 2019).

In Kenya, Islamic financial institutions have expanded their market presence and contributed to financial inclusion. However, they continue to experience challenges related to competitive positioning, profitability fluctuations, and execution of strategic change initiatives. Evidence from the Kenyan context indicates that performance inconsistencies in some IFIs are associated with gaps in employee engagement, communication effectiveness, and structured change processes (Ali, 2021; Kulshrestha & Ali, 2019). Although prior studies have examined strategic communication, organizational leadership, and employee training, limited empirical attention has been given to isolating the independent contribution of change management to sustainable competitive advantage within Kenyan Islamic financial institutions (Alketbi et al., 2022; Argwins, 2023).

Given these contextual challenges and empirical gaps, this study focuses specifically on examining the influence of change management on the attainment of sustainable competitive advantage of Islamic financial institutions in Kenya. By positioning change management as a core strategic capability rather than a peripheral operational function, the study contributes context-specific empirical evidence on how structured, participatory, and value-driven change processes enhance institutional adaptability, resilience, and long-term competitiveness within a Shariah-compliant financial environment.

Statement of the Problem

Change management is increasingly recognized as a critical organizational capability for sustaining performance and competitiveness in environments characterized by rapid technological advancement, regulatory reforms, and market volatility (Ewing et al., 2019). In the financial services sector, effective change management supports strategic realignment, operational continuity, employee engagement, and risk mitigation during periods of transformation (Hudders et al., 2021). However, in highly regulated and dynamic markets, organizational performance is influenced not only by the adoption of strategic initiatives but also by the effectiveness with which change processes are planned, communicated, and implemented (Abdul Rahim et al., 2021).

Islamic financial institutions operate within particularly complex environments that require continuous organizational change while maintaining strict adherence to Shariah principles and regulatory requirements (Soud, 2020). In addition to conventional financial sector pressures, IFIs must balance ethical governance, stakeholder expectations, and compliance obligations, which intensify the challenges associated with managing organizational change (Nordin & Yusof, 2023). Despite the growing importance of change management in this context, many Islamic financial institutions continue to experience difficulties related to resistance to change, inadequate communication, limited employee involvement, and weak alignment between change initiatives and strategic objectives, all of which undermine sustainable competitive advantage (Munyua & Gitau, 2020; Mwangi & Kibet, 2020).

Empirical studies indicate that poorly managed change initiatives often result in operational disruption, reduced employee morale, reputational risks, and diminished customer trust, particularly within financial institutions undergoing digital transformation and regulatory restructuring (Ewing et al., 2019). Conversely, institutions that adopt structured, inclusive, and participatory change management practices demonstrate greater adaptability, resilience, and long-term competitive performance (Hudders et al., 2021). However, much of the existing literature on Islamic financial institutions emphasizes leadership, governance, innovation, or compliance outcomes, with limited focus on change management as an independent strategic driver of sustainable competitive advantage (Zainab & Noor, 2022; Rahman & Suleiman, 2024).

In the Kenyan context, Islamic financial institutions have expanded their operations and contributed to financial inclusion, yet they continue to face performance challenges linked to competitive pressure, profitability fluctuations, and execution of strategic change initiatives (Ali, 2021). Evidence suggests that some of these challenges stem from gaps in structured change processes, employee readiness, and communication effectiveness during periods of transformation (Kulshrestha & Ali, 2019). Although prior studies have examined strategic communication, organizational leadership, and employee training within financial institutions, limited empirical attention has been given to isolating the specific effect of change management

on sustainable competitive advantage of Islamic financial institutions in Kenya (Alketbi et al., 2022; Argwins, 2023).

This gap creates a conceptual, contextual, and empirical problem in understanding how change management contributes to the attainment of sustainable competitive advantage within Shariah-compliant financial institutions operating in a dynamic and regulated environment. Without empirical evidence isolating the role of change management, Islamic financial institutions risk implementing fragmented or reactive change initiatives that fail to translate into long-term competitive benefits. Therefore, a focused empirical investigation was necessary to examine the influence of change management on sustainable competitive advantage of Islamic financial institutions in Kenya. Addressing this gap contributes to strategic management literature and provides practitioners with evidence-based insights on how effective change management can enhance adaptability, resilience, and sustained competitiveness in the Islamic finance sector. The purpose of this study was therefore to determine the effect of change management on sustainable competitive advantage of Islamic financial institutions in Kenya.

Literature Review

Dzwigol et al. (2019) essentially studied how commercial banks in Portugal formed strategic change management systems to achieve sustained competitive advantage. Correlation-regression analysis was used to examine the components of change potentials and the aspects of leadership potential. The findings demonstrated that the strongest interdependencies were found in the domains of leadership potential, human resources, management, and the innovation subsystems for managers and the personnel and operational subsystems for experts. The results of the conducted research demonstrate that each enterprise's capacity for leadership has a unique influence that can have a major impact on maintaining a competitive edge. The characteristics of possible change and personnel peculiarities had a significant impact.

Errida and Lotfi (2021) carried out a survey on the determinants of organizational change management success and sustainable advantage in the Moroccan constructive company. To be more precise, a thorough analysis of 37 organizational change management models was done in order to determine the variables influencing change management effectiveness. A research action approach also confirmed the factors. A number of variables that influence the effectiveness of organizational change management were found and divided into twelve categories that were pertinent to the example company's successful execution of organizational change projects. It was established by the study that change management enables the company to adapt quickly to changes in the market, including shifts in customer preferences, emerging technologies, and competitive landscapes. By implementing effective change management practices, organizations can respond proactively to market dynamics, identify new opportunities, and adjust their strategies to maintain a competitive edge.

Mazaikana (2019) assessed the role of change management in marketing in driving a competitive advantage of Zimbabwean banking sector. This study utilized a cross-sectional survey with mixed research strategy allowing data collection from respondents at a certain point in time and showed substantial relationships among variables. Fifty workers from commercial banks were the target group. By use of a convenience sample technique, thirty employees of commercial banks in Chegutu were given questionnaires. The study findings highlighted that change management fosters a culture of innovation and continuous improvement within organizations. It encourages employees to embrace change, experiment with new ideas, and challenge the status quo.

Quaye and Mensah (2019) monitored the role of Marketing innovation in change management and sustainable competitive advantage of manufacturing SMEs in Ghana. With a positivist methodological research paradigm, the current paper used a quantitative survey design. Data from 591 manufacturing SMEs in Ghana were gathered for the study using a multi-stage stratified and simple random selection technique. For the study, SMEs in the water, beverage, soap, detergent, metal fabrication, wood, and furniture manufacturing sectors were sampled. The study hypotheses were tested using a structural equation model, which produced the results. According to the report, SMEs in the water, beverage, detergent, and metal fabrication industries can gain a durable competitive edge by using innovative strategies in product design and packaging, retail, promotion, and pricing. The study also discovered that inventive store locations and fresh product designs and packaging are the main sources of long-term competitive advantage.

Mutuku et al. (2019) determined the role of change management on competitive advantage on the relationship between e-commerce capability and performance of commercial banks in Kenya. The relationship between the performance of Kenyan commercial banks and their ability to do e-commerce was examined through an empirical analysis of the mediating role of competitive advantage. The Resource Based View Theory served as the study's foundation. An explanatory research design was adopted in the study. Forty-three commercial banks were surveyed, and performance information for the 2016–2017 fiscal year was retrieved. Descriptive and inferential statistics were used in the data analysis process. The study findings revealed that effective change management enhances bank's flexibility and agility, allowing companies to respond rapidly to changing customer needs and market conditions. By streamlining decision-making processes, reducing bureaucracy, and empowering employees to make decisions, organizations can adapt more quickly to unexpected challenges and capitalize on emerging opportunities, thereby maintaining a competitive advantage.

Methodology

The study adopted a positivist philosophical paradigm and employed a mixed-methods research design. The quantitative phase was used to examine the effect of change management on sustainable competitive advantage of Islamic financial institutions in Kenya, while the qualitative phase provided explanatory insights into how change initiatives are planned, communicated, and implemented within Shariah-compliant financial institutions. The mixed-methods approach enhanced the robustness of the study by enabling triangulation of numerical findings with qualitative evidence, thereby offering a comprehensive understanding of change management as a strategic capability.

The target population comprised all nine (9) licensed Islamic financial institutions operating in Kenya, as reported by the Central Bank of Kenya. These included fully-fledged Islamic banks, Islamic banking windows within conventional banks, an Islamic Sacco, an Islamic investment bank, and an Islamic microfinance institution. The institutions formed the unit of analysis for the study.

The unit of observation for the quantitative phase consisted of 150 managers drawn from key functional departments, including operations, business development, portfolio management, human resources, and finance. These managers were selected due to their direct involvement in strategy execution, organizational change initiatives, and performance oversight. A sample of 110 managers was determined using Slovin's formula at a 95% confidence level and a 5%

margin of error. Stratified sampling was applied to ensure proportional representation across the five managerial categories.

For the qualitative phase, purposive sampling was used to select 30 key informants comprising directors and chief executive officers of Islamic financial institutions, as well as senior representatives from the Kenya Bankers Association and the Central Bank of Kenya. These participants were chosen based on their strategic roles and involvement in decision-making and organizational transformation.

Change management, the independent variable, was operationalized as a multidimensional construct encompassing adaptability and Market dynamics, employee engagement, risk mitigation and strategic alignment. Measurement was conducted using a structured questionnaire with four Likert-scale items rated on a five-point scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Sustainable competitive advantage, the dependent variable, was measured using indicators related to customer loyalty and retention, innovation and product differentiation and brand reputation and trust. All measurement items were rated on a five-point Likert scale. Reliability analysis yielded Cronbach's alpha coefficients exceeding 0.90 for both change management and sustainable competitive advantage, confirming strong internal consistency. Validity was established through expert review, Content Validity Index assessment, and exploratory factor analysis, which confirmed adequate construct validity.

Quantitative data were coded and analyzed using SPSS Version 26. Descriptive statistics, including means and standard deviations, were used to assess the extent of change management practices within Islamic financial institutions. Inferential analysis was conducted using regression analysis to determine the effect of change management on sustainable competitive advantage.

Prior to hypothesis testing, diagnostic tests were performed to confirm compliance with regression assumptions. Linearity was assessed using scatter plots and correlation analysis, normality was examined through graphical methods and the Shapiro–Wilk test, heteroscedasticity was tested using the Breusch–Pagan–Godfrey test, multicollinearity was assessed using Variance Inflation Factors, and autocorrelation was examined using the Durbin–Watson statistic. The regression coefficients, model summary statistics, and significance levels were interpreted to establish the magnitude and direction of the relationship between change management and sustainable competitive advantage.

Qualitative data obtained through interviews were transcribed and analyzed thematically using NVivo software. Content analysis was employed to generate themes related to communication effectiveness, employee involvement, leadership support, and resistance management during organizational change. The qualitative findings were triangulated with quantitative results to enrich interpretation and enhance validity.

Results

Descriptive Statistics

Descriptive results indicate that change management is strongly associated with sustainable competitive advantage among Islamic financial institutions in Kenya. The aggregate mean score ($M = 4.01$, $SD = 0.85$) reflects high consensus that structured change processes enhance adaptability, innovation, and long-term competitiveness. High ratings for market adaptability

and responsiveness confirm that institutions perceive themselves as agile, while strong agreement on the strategic importance of change management underscores its central role in sustaining competitive advantage. Slightly lower scores on employee participation and contingency planning suggest areas where change practices can be further strengthened to enhance preparedness and inclusivity.

Table 1

Descriptive Statistics for change management and SCA

Change Management Dimension	Mean	Std. Dev
Adaptability to market and industry changes	4.13	.966
Leadership communication and preparation for change	3.96	.791
Innovation and continuous improvement	3.97	.806
Change management as a driver of sustainable competitive advantage	4.16	.883
Flexibility and staff involvement during change	3.95	.918
Employee participation in change processes	3.89	.923
Employee engagement and operational efficiency	4.09	.765
Risk-return balance and Shariah compliance	4.01	.842
Responsiveness to shifting market dynamics	4.14	.806
Risk management strategies during change	3.91	.826
Contingency planning and resource provision	3.89	.835
Aggregate	4.01	0.85

Statistical Tests

Multicollinearity

Multicollinearity diagnostics indicate no concern for the regression model as presented in Table 2. The tolerance value and Variance Inflation Factor (VIF) for change management were both 1.000, confirming that change management operates as an independent predictor without linear dependence on other variables. This absence of multicollinearity supports the stability and reliability of the estimated regression coefficients.

Table 2

Multicollinearity Test for Change Management

Model	Collinearity Statistics	
	Tolerance	VIF
1 Change Management	1.000	1.000

a. Dependent Variable: Sustainable_Competitive_Advantage

Normality

Tests of Normality were conducted to evaluate whether the change management variable met the assumption of normal distribution. Both the Kolmogorov-Smirnov (D = 0.122, p = 0.001) and Shapiro-Wilk (W = 0.901, p < 0.001) tests returned significant results, indicating a deviation from normality. This suggests that the data is not normally distributed and that caution should be exercised when applying parametric tests involving this variable. The non-normality may stem from the use of Likert-scale items, potential ceiling effects due to consistently high ratings, or slight skewness in responses. These findings highlight the

importance of considering distributional assumptions in subsequent analyses as shown in Table 3 below.

Table 3

Test of Normality for Change Management

Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Change_Management_X ₃	.122	104	.001	.901	104	.000

a. Lilliefors Significance Correction

The Q-Q plot for the variable Change Management shows that most data points align closely with the diagonal reference line, particularly in the central range. This suggests that the distribution approximates normality. While slight deviations are observed at the tails, they are minimal and do not indicate a serious violation of the normality assumption. Overall, the variable can be considered reasonably normally distributed and suitable for parametric analyses such as linear regression.

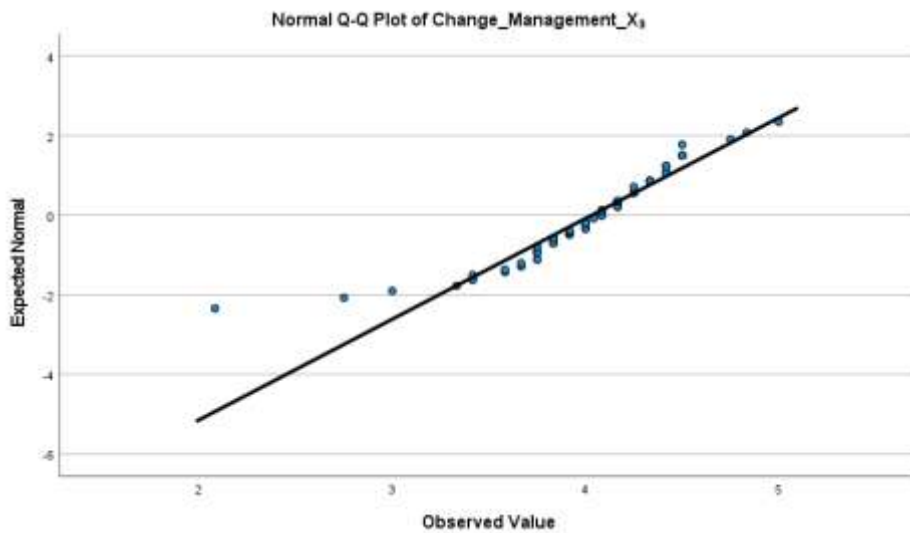


Figure 1

Normal Q-Q plot for Change Management

Regression Analysis

Regression Model Summary

Regression analysis revealed a strong positive relationship between change management and sustainable competitive advantage ($R = 0.635$). The coefficient of determination ($R^2 = 0.404$) indicates that change management explains 40.4% of the variance in sustainable competitive advantage, demonstrating substantial explanatory power. The adjusted R^2 value (0.398) shows minimal shrinkage, confirming the stability of the model. The standard error of 0.476 suggests that predicted values deviate from actual values by less than half a unit on average.

Table 4

Regression Model for Change Management on SCA

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.635 ^a	.404	.398	.47558

a. Predictors: (Constant), Change Management

b. Dependent Variable: Sustainable Competitive Advantage

Regression Coefficients

The regression coefficients indicate a strong and statistically significant effect of change management on sustainable competitive advantage. The unstandardized coefficient (B = 0.985) implies that a one-unit increase in change management is associated with a nearly equivalent increase in sustainable competitive advantage. The standardized coefficient ($\beta = 0.635$) reflects a strong effect size. The relationship was highly significant ($t = 8.309$, $p < 0.001$), while the constant term was not statistically significant ($p = 0.802$), indicating good model fit as shown in Table 5 below.

Table 5

Coefficients for the effect of Change Management on SCA

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.121	.480		.252	.802
	Change Management	.985	.119	.635	8.309	.000

a. Dependent Variable: Sustainable Competitive Advantage

ANOVA Results

The ANOVA results presented in Table 6 confirm the overall significance of the regression model ($F = 69.041$, $p < 0.001$). The regression sum of squares (15.616) accounts for a substantial proportion of the total variance (38.686), indicating that change management significantly enhances the model's explanatory power with respect to sustainable competitive advantage.

Table 6

ANOVA Table for Change Management and SCA

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.616	1	15.616	69.041	.000 ^b
	Residual	23.070	102	.226		
	Total	38.686	103			

a. Dependent Variable: Sustainable Competitive Advantage

b. Predictors: (Constant), Change Management

Qualitative Findings

Qualitative findings strongly corroborate the quantitative results, demonstrating that change management is perceived as a deliberate and strategic function within Islamic financial institutions. Interviewed managers emphasized that major organizational changes, including digital banking adoption and restructuring of service delivery models, are implemented through consultative planning, staff training, and phased execution to ensure compliance with Shariah principles and regulatory requirements. Respondents consistently highlighted that transparent communication and employee involvement reduce resistance to change and enhance institutional resilience. Participants noted that when employees are engaged early in change initiatives, they become more innovative and committed, leading to improved service delivery, customer trust, and competitive positioning. These insights reinforce the regression results by illustrating that effective change management is not only statistically significant but also operationally embedded, directly contributing to sustainable competitive advantage within Islamic financial institutions in Kenya.

Discussion

The results demonstrated that change management is a statistically significant predictor of sustainable competitive advantage, with a standardized regression coefficient of $\beta = 0.635$ and an R^2 value of 0.404, indicating that change management alone explains 40.4% of the variance in sustainable competitive advantage. When considered alongside the relatively high aggregate mean score of 4.01 (SD = 0.85), these findings suggest that respondents not only perceive their institutions as effective in managing change but also recognize change management as a substantive driver of long-term competitiveness. In this context, change management emerges not as a peripheral operational activity but as a core strategic capability that enables Islamic financial institutions to adapt to environmental shifts, manage risk, align internal processes, and sustain competitive advantage within a dynamic and highly regulated financial environment.

The study established that effective change management enhances institutional agility, innovation, and resilience, which are critical components of sustainable competitive advantage. This finding aligns with Sung and Kim (2021), who demonstrated that well-managed change processes promote innovative behavior and organizational adaptability. Similarly, Ewing et al., (2019) emphasize that structured change initiatives, supported by transparent communication, strengthen employee alignment and reduce resistance, thereby improving organizational performance outcomes. Within Islamic financial institutions, the ability to manage change

effectively is particularly important due to the dual requirement of maintaining competitiveness while adhering to Shariah principles and regulatory standards (Soud, 2020).

The findings further revealed that adaptability to technological advancements, regulatory reforms, and shifting customer expectations significantly strengthens competitive positioning. This observation is consistent with Hudders et al. (2021), who argue that organizations operating in rapidly changing environments must continuously realign internal capabilities to external demands in order to sustain performance. In the context of Islamic financial institutions, such adaptability supports operational continuity and enhances stakeholder confidence, especially during periods of transformation (Nordin & Yusof, 2023). The study therefore reinforces the view that proactive and well-coordinated change management enables IFIs to remain relevant and resilient in volatile financial markets.

Leadership was also identified as a key enabler of successful change management. The study found that leadership involvement in communicating change objectives and preparing employees for transitions plays a critical role in minimizing resistance and fostering commitment. This finding is supported by Oreg and Berson (2019), who argue that leaders significantly influence employees' cognitive and emotional responses to organizational change. When leaders actively guide change initiatives, employees are more likely to perceive change as legitimate and beneficial, which enhances cooperation and accelerates implementation. Bolden et al. (2023) similarly emphasize that leadership effectiveness during change is central to sustaining organizational coherence and long-term performance.

Innovation and continuous improvement also emerged as integral dimensions of effective change management. The results indicate that institutions encouraging innovation and learning are better positioned to translate change initiatives into competitive outcomes. This finding is consistent with Sung and Kim (2021), who found that organizations that embed innovation within change processes achieve superior adaptability and performance. In Islamic financial institutions, innovation must be carefully aligned with ethical and Shariah considerations; however, when managed strategically, it enhances service delivery, operational efficiency, and customer trust (Soud, 2020).

Despite these positive outcomes, the study observed that employee participation in change processes, while generally acknowledged, remains an area requiring further strengthening. Lower mean scores on employee involvement suggest that some institutions still rely on top-down approaches to change implementation. This finding echoes concerns raised by Ewing et al. (2019), who caution that insufficient employee involvement can weaken ownership and slow transformation efforts. Enhancing participatory mechanisms would allow Islamic financial institutions to leverage employee insights, reduce uncertainty, and foster stronger commitment during periods of transition.

Qualitative findings reinforced the quantitative results by demonstrating that change management in Islamic financial institutions is largely consultative, structured, and value-driven. Respondents emphasized that recent initiatives such as digital transformation and service delivery restructuring were implemented through phased approaches, staff training, and continuous communication, ensuring compliance with Shariah principles and regulatory frameworks. These practices reflect the arguments advanced by Nordin and Yusof (2023), who contend that successful change in Islamic institutions requires balancing strategic agility with ethical governance. Overall, the integration of quantitative and qualitative evidence confirms

that effective change management is a strategic capability that directly enhances sustainable competitive advantage in Islamic financial institutions in Kenya.

Conclusion

The study concluded that effective change management plays a pivotal role in the attainment of sustainable competitive advantage within Islamic financial institutions in Kenya. The study also concluded that structured and inclusive change processes, underpinned by strong leadership, innovation, and employee engagement, contribute significantly to institutional agility and long-term resilience. The emphasis on aligning change initiatives with Islamic values and strategic objectives further reinforces the distinctiveness and ethical integrity of these institutions. While employee participation and risk management during change were identified as areas requiring continued attention, the overall approach to change management in Kenyan Islamic financial institutions reflect a deliberate, value-driven, and progressively adaptive model that positions them favorably in a competitive and evolving financial landscape.

Recommendations

The study recommends that Islamic financial institutions in Kenya need to enhance their change management practices by fostering greater employee participation and strengthening risk management frameworks during periods of transition. Institutions should implement structured change management models that are inclusive, transparent, and aligned with both strategic objectives and Islamic ethical principles. Leadership should play an active role in championing change, ensuring clear communication, and addressing employee concerns to minimize resistance and build trust. Additionally, continuous training and capacity building should be prioritized to equip staff with the skills needed to navigate change effectively. By institutionalizing a proactive and value-driven approach to change, IFIs can further enhance their adaptability, resilience, and sustainable competitive advantage in a dynamic financial environment.

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