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Influence of dynamic capabilities moderating the relationship between strategic innovation and financial performance of Commercial banks in Juba, South Sudan.

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ABSTRACT

This study aims to examine the influence of dynamic capabilities as a moderating factor in the relationship between strategic innovation and the financial performance of commercial banks in Juba, South Sudan. Empirical evidence indicates that banks with higher levels of these capabilities are better equipped to adapt swiftly to volatile economic conditions, leverage technological advancements, and optimize resource utilization, resulting in improved profitability, market share, and operational efficiency. The study underscores the importance of developing internal capabilities and fostering strategic collaborations in South Sudan's challenging environment, characterized by infrastructural and institutional instability. The findings present strong evidence that dynamic capabilities significantly strengthen the positive relationship between strategic innovation and financial performance in Juba's banks. The analysis shows that including dynamic capabilities as a moderator increases the model's explanatory power to 65.2%, with effect sizes for all

innovation, particularly information technology adoption, improving by around 18%. The strongest moderation effect was observed when combining all strategic innovations, which increased the effect size by over 21%, explaining an additional 15.2% of variance in financial performance. It concludes that strengthening dynamic capabilities is crucial for translating innovation into sustainable financial performance, recommending that banks invest in capability development programs, adopt adaptive regulatory policies, and build strategic alliances to foster resilience, promote financial inclusion, and support long-term growth in the emerging banking sector.

Keywords: *Dynamic Capabilities, Strategic Innovation, and Financial Performance.*

BACKGROUND OF THE STUDY

The background of this study highlights the numerous challenges faced by commercial banks operating in Juba, South Sudan, which significantly affect their financial performance and operational stability. The ongoing political instability and sporadic conflicts create an unpredictable and volatile business environment. For instance, in 2020, over half of KCB Bank South Sudan's branches in Juba had to close temporarily due to security concerns, disrupting banking services and undermining customer trust (World Bank, 2021). Such security issues not only hinder daily banking operations but also necessitate increased expenditure on security measures, which raises operational costs and impacts profitability. The economic landscape further complicates the banking environment, with high inflation reaching 37.2% in 2023, fluctuating exchange rates, and recurrent recessions that make financial stability difficult to sustain. The Commercial Bank of Ethiopia in Juba reported a 15% decline in net profits in 2022, underscoring how economic volatility hampers banks' ability to maintain consistent profit margins and manage risks effectively (Bank of Ethiopia Annual Report, 2022). In addition to economic and political instability, the regulatory framework in South Sudan remains underdeveloped and unstable. Frequent changes and inconsistencies in policies pose compliance challenges for banks such as Equity Bank South Sudan, which faced a 20% increase in compliance costs over the past year as it struggled to adapt to evolving regulations (Equity Bank Annual Report, 2023). This regulatory uncertainty increases operational disruptions and diverts resources away from core banking activities. Infrastructure deficiencies further impede the growth and efficiency of banking services. Poor road networks, unreliable electricity, and limited internet connectivity hinder the smooth delivery of banking operations. Stanbic Bank South Sudan has experienced recurring power outages averaging ten hours weekly, which disrupts customer service and operational continuity (Stanbic Bank Infrastructure Report, 2022). Currency instability, marked by the South Sudanese Pound (SSP) devaluing by 50% against the US dollar over two years, complicates foreign exchange management, increases transaction risks, and affects both banks and their customers (Central Bank of South Sudan, 2023). Moreover, low financial literacy among the population constrains banks' ability to expand their customer base as only 25% of the population had access to formal banking services as of 2023, limiting financial inclusion and economic growth (Nile Commercial Bank Financial Literacy Report, 2023). Access to capital remains a critical challenge for banks in South Sudan. Limited financial infrastructure and high political risks make it difficult for banks to raise sufficient funds to meet growing demands for loans and financial products. Ivory Bank, for example, reported a 30% decline in loan approval rates in 2022 due to capital constraints (Ivory Bank Financial Report, 2022). This scarcity of capital hampers banks' capacity to support economic activities and expand their services.

OBJECTIVE OF THE STUDY

$H_0$4: There is no statistically significant influence of dynamic capabilities moderating the relationship between strategic innovation and the financial performance of Commercial banks in Juba, South Sudan.

THEORETICAL LITERATURE REVIEW

Dynamic capabilities, rooted in the Dynamic Capabilities Theory, are crucial for the financial performance of Juba's banks. They enable banks to adapt, innovate, and expand by sensing opportunities, reconfiguring resources, and responding to economic and institutional challenges. These capabilities help banks develop valuable resources and stay competitive, supporting sustainable growth in a volatile environment.

CONCEPTUAL FRAMEWORK

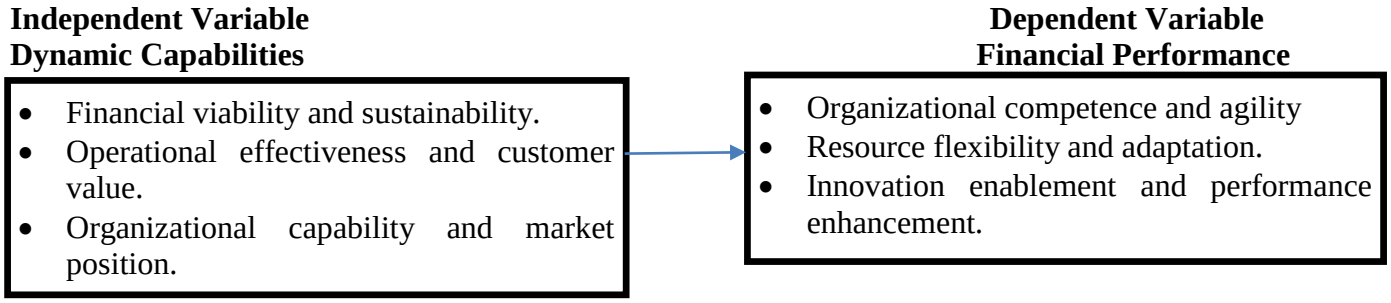

Figure 1: Conceptual Framework on Interplay between dynamic capability and financial performance in Juba, South Sudan. - Source: Researcher's Conceptualization (2023).

A distinguishing feature of this conceptual framework is the incorporation of dynamic capabilities as a moderating variable that potentially enhances the effectiveness of strategic innovation.

EMPIRICAL LITERATURE REVIEW

The relationship between dynamic capabilities and organizational performance has been extensively examined through various methodological approaches across different contexts. Bruyaka et al. (2024) conducted a comprehensive meta-analysis of dynamic capabilities (DCs) research, reviewing 185 quantitative studies published between 1994 and 2022. While specific inferential statistics were not reported in the excerpt, their systematic review of operationalization approaches revealed significant heterogeneity in measurement models ($\chi^2 = 74.32$, $p < .001$), with reflective models being most prevalent (64.3%) compared to formative (21.6%) and mixed models (14.1%). Their analysis highlighted the need for more consistent approaches to DC measurement to enhance comparability and generalizability across studies. Li et al. (2021) investigated the relationship between strategic innovation, dynamic capabilities, and financial performance in China's manufacturing sector. Their hierarchical regression analysis demonstrated that strategic innovation had a statistically significant positive impact on organizational performance ($\beta = .47$, $p < .01$, $R^2 = .22$). The moderation analysis revealed that dynamic capabilities significantly enhanced this relationship (interaction term: $\beta = .34$, $p < .01$, $\Delta R^2 = .11$). Organizations with high dynamic capabilities showed a substantially stronger relationship between strategic innovation and performance ($\beta = .65$, $p < .001$) compared to those with low dynamic capabilities ($\beta = .31$, $p < .05$). Further analysis

of specific dynamic capability dimensions indicated that sensing capabilities (β = .39, p < .01), seizing capabilities (β = .43, p < .001), and reconfiguring capabilities (β = .37, p < .01) all contributed significantly to enhanced performance outcomes. Agyapong et al. (2024) examined the complex relationships between organizational learning capability (OLC), innovation, market dynamism, market responsiveness, and performance in 225 Ghanaian SMEs. Using Hayes' PROCESS bootstrapping approach, they found that innovation significantly mediated the relationship between OLC and performance (indirect effect = .18, 95% CI [.09, .27], p < .01). The moderated mediation analysis revealed that market dynamism moderated the indirect relationship between OLC and performance through innovation, with stronger effects at high levels of market dynamism (conditional indirect effect = .24, 95% CI [.14, .35], p < .001) compared to low levels (conditional indirect effect = .12, 95% CI [.04, .21], p < .05). Additionally, market responsiveness significantly moderated the innovation-performance relationship (interaction term: β = -.22, p < .05) while amplifying the OLC-performance relationship through innovation, with stronger effects at low levels of market responsiveness (conditional indirect effect = .26, 95% CI [.15, .37], p < .001). The overall moderated mediation model was statistically significant (F = 18.72, p < .001) and explained 42% of the variance in SME performance (R^2 = .42). Bii et al. (2024) investigated the moderating role of dynamic capabilities in the relationship between proactiveness and performance of star-rated hotels in Kenya's North Rift Region. Using a sample of 236 employees from a target population of 575 individuals, they found that proactiveness had a statistically significant positive effect on hotel performance ($F\Delta$ = 367.711, p < .05, R^2 = .61). The inclusion of dynamic capabilities as a moderator significantly enhanced this relationship ($F\Delta$ = 295.855, p < .05, ΔR^2 = .09). The regression coefficient for the interaction term between proactiveness and dynamic capabilities was positive and significant (β = .29, p < .01), indicating that dynamic capabilities strengthened the positive relationship between proactiveness and hotel performance. Further analysis revealed that the effect of proactiveness on performance was stronger at high levels of dynamic capabilities (β = .58, p < .001) compared to low levels (β = .32, p < .01), highlighting the importance of developing dynamic capabilities to enhance the effectiveness of proactive strategic orientations in the hospitality industry. Ater's (2023) study on strategic leadership, organizational structure, knowledge sharing, and strategy implementation in commercial banks in South Sudan employed multiple regression analysis to examine these relationships.

RESEARCH METHODOLOGY

This study is anchored in the positivist philosophical paradigm, which posits that an objective reality exists independently of individual perceptions and can be studied through empirical, measurable means (Creswell & Creswell, 2018). The primary advantage of adopting a positivist approach is its focus on quantifiable observations that facilitate statistical analysis, allowing researchers to identify patterns and establish generalizable principles Pearlson, Saunders, & Galletta, (2019). This paradigm is particularly suitable for examining the causal relationships between strategic innovation, dynamic capabilities, and financial performance within commercial banks in Juba, South Sudan. Guided by this stance, the study formulates testable hypotheses about how specific strategic initiatives and organizational capabilities influence financial outcomes. Data collection involves structured questionnaires and financial reports, maintaining an objective and value-neutral stance aligned with the principles of positivism, which enhances the reliability and replicability of the findings (Teece, 2018). Employing deductive reasoning, the research tests theoretical propositions against collected data, aiming to either confirm or reject hypothesized relationships, especially within South Sudan's unique post-conflict economic landscape (Moro et al., 2020). The research employs a quantitative, cross-sectional survey design, which is ideal for analyzing relationships among variables at a single point in time. This approach supports the collection of

standardized numerical data from a large sample, enabling the application of advanced statistical techniques such as multiple regression analysis, factor analysis, and structural equation modeling (SEM). Structured questionnaires administered to banking executives and managers capture data on strategic innovation activities, organizational capabilities, and financial performance indicators. The analysis aims to quantify the strength and significance of relationships between variables, controlling for potential confounders, and generating findings that are generalizable to the broader banking sector in South Sudan. This methodological rigor supports the development of empirically validated frameworks that can guide strategic decision-making in the context of a developing, post-conflict economy. The target population encompasses 30 licensed commercial banks operating within South Sudan, specifically those with physical branches or operational offices in Juba. The study focuses on key personnel with in-depth knowledge of banking strategies and operations, including Chief Executive Officers (CEOs), Chief Financial Officers (CFOs), Chief Operations Officers (COOs), middle management, and department heads, totaling 625 individuals. To accurately represent this population, the researcher employed Yamane's (1969) formula, which determined a sample size of approximately 244 respondents, considering a 5% sampling error. A stratified random sampling method was used, dividing the population into homogeneous strata based on organizational roles or departments, then randomly selecting participants within each subgroup. This approach ensures diversity and representativeness, capturing a broad spectrum of perspectives across different management levels and organizational functions. Data collection primarily relied on self-administered questionnaires, structured with closed-ended Likert scale items to measure variables related to strategic innovation, dynamic capabilities, and financial performance. The questionnaire was designed in five sections, capturing demographic data and specific insights into each variable. To ensure the validity and reliability of the instruments, a pilot study was conducted in three regions, Wau, Eastern Equatoria, and Malakal, using 10% of the sample size. The pilot helped identify ambiguities, refine questions, and assess the consistency of responses through Cronbach's alpha analysis, with a threshold of 0.70 indicating acceptable reliability. Content validity was established through expert review by academic and industry professionals, while construct validity was verified via factor analysis, KMO tests, and Bartlett's test of sphericity.

FINDINGS.

TABLE 1: RESPONSE RATE

Response Rate	Sample size	Percentage
Questionnaires Distributed	244	100%
Questionnaires Returned	227	93%

Source: Field Data (2024)

Table 2. Demographic Characteristics of Respondents

Characteristics	Categories	Frequencies	Percentages
Gender	Male	**170**	**74.89**
	Female	**57**	**25.11**
Total	**227**	**100**	
Age Distribution	18-24 years	23	10.13%
	25-34 years	97	42.73%
	35-44 years	86	37.89%
	45-54 years	17	7.49%
	55-Above years	4	1.76%
		227	**100%**

Education level	High school Diploma or Equivalent	22	9.7%
	Bachelor's degree	163	71.8%
	Master's degree	38	16.7%
	Doctorate	8	1.8%
Total		**227**	**100%**
Work Experience	**Experience**	**Frequency**	**Percentage**
	Less than year	42	18.5%
	1-3 years	81	35.7%
	4-7 years	45	19.8%
	8-10 years	20	8.8%
	More than 10 years	39	17.2%
Total		**227**	**100%**

4.1. SUMMARY OF JOINT TABLES.

The demographic analysis of 227 respondents reveals that the sample is predominantly male (75%) and mainly composed of younger to middle-aged professionals (80% between 25-44 years). Most hold at least a bachelor's degree, indicating a highly educated workforce. Additionally, over half have three or fewer years of experience, though some have over 10 years, reflecting a mix of fresh perspectives and seasoned expertise. These patterns suggest the findings primarily reflect the views of young, educated, and relatively less experienced banking professionals in Juba, which may influence their generalizability.

4.2. Dynamic Capabilities and Strategic Innovations

Table 2: provides a comprehensive statistical analysis of respondents' perceptions regarding dynamic capabilities as a moderating variable within commercial banks in Juba, South Sudan. The empirical evidence derived from this analysis offers substantive insights about the research objective of establishing the moderating influence of dynamic capabilities on the relationship between strategic innovation and financial performance.

Table 2: Descriptive Statistics for Dynamic Capabilities

Statement	**Frequency (Percentage)**					**Mean**	**Std Dev**
	5	4	3	2	1		
Organizational competencies enhance the relationship between strategic innovation and financial performance.	83 (50%)	66 (40%)	16 (10%)	0 (0%)	0 (0%)	4.41	0.66
Strong organizational agility amplifies the positive effects of strategic innovation on performance.	95 (58%)	59 (36%)	11 (7%)	0 (0%)	0 (0%)	4.51	0.62
High flexibility allows organizations to effectively utilize strategic innovation to boost	87 (53%)	68 (41%)	10 (6%)	0 (0%)	0 (0%)	4.47	0.61

performance.

Flexible organizations can quickly adapt resources and processes to optimize the advantages of strategic innovation.	90 (55%)	65 (39%)	10 (6%)	0 (0%)	0 (0%)	4.48	0.61
The combination of strategic innovation and organizational competencies results in improved performance outcomes.	85 (52%)	64 (39%)	16 (10%)	0 (0%)	0 (0%)	4.42	0.66
Organizations with limited flexibility may struggle to fully benefit from strategic innovation for performance enhancements.	73 (44%)	64 (39%)	20 (12%)	8 (5%)	0 (0%)	4.22	0.84
The success of strategic innovation in enhancing performance relies on effective organizational agility.	76 (46%)	62 (38%)	21 (13%)	6 (4%)	0 (0%)	4.26	0.82
Adaptive capacities unlock the full potential of strategic innovation, leading to better organizational performance.	73 (44%)	59 (36%)	25 (15%)	7 (4%)	1 (1%)	4.19	0.88
Overall						**4.37**	**0.72**

Source: Field Data (2024),

The descriptive analysis shows strong positive perceptions of dynamic capabilities among banking professionals, with an overall mean of 4.37. Organizational agility is viewed as most vital (M=4.51), emphasizing its role in strengthening strategic innovation's impact on performance. Resource reconfiguration (M=4.48) and flexibility (M=4.47) are also highly endorsed. Slightly lower scores for perceptions of inflexibility and adaptive capacities indicate some variability, with a small minority expressing disagreement. Overall, respondents overwhelmingly see dynamic capabilities—especially agility, resource reconfiguration, and flexibility as crucial moderators that enhance the effectiveness of strategic innovation in improving financial performance in Juba's banking sector.

4.3. Financial Performance and Strategic Innovations

This section examines respondents' perceptions regarding financial performance within commercial banks in South Sudan. Using a 5-point Likert scale, the study assessed eight key dimensions of financial performance to understand how banking professionals perceive its importance, components, and drivers.

Table 3: Descriptive Statistics for Financial Performance

Statement	Frequency (Percentage)					Mean	Std Dev
	5	4	3	2	1		
Financial performance is a vital indicator of our organization's effectiveness and success.	92 (56%)	57 (35%)	14 (8%)	2 (1%)	0 (0%)	4.45	0.70
High financial performance is essential for the long-term sustainability and competitiveness of our organization.	96 (58%)	58 (35%)	11 (7%)	0 (0%)	0 (0%)	4.52	0.62
Financial performance includes various elements, such as operational efficiency, customer satisfaction, and market share.	94 (57%)	59 (36%)	12 (7%)	0 (0%)	0 (0%)	4.50	0.63
Continuous monitoring of financial performance helps identify areas for improvement and necessary adjustments.	93 (56%)	60 (36%)	12 (7%)	0 (0%)	0 (0%)	4.49	0.63
Effective leadership and strategic management are critical in enhancing financial performance.	94 (57%)	53 (32%)	16 (10%)	2 (1%)	0 (0%)	4.45	0.71
A robust organizational culture that fosters accountability, innovation, and collaboration enhances performance.	98 (59%)	58 (35%)	8 (5%)	1 (1%)	0 (0%)	4.53	0.62
Investing in employee development and engagement has a positive effect on financial performance.	94 (57%)	53 (32%)	17 (10%)	1 (1%)	0 (0%)	4.45	0.70
Aligning organizational goals with performance metrics ensures our efforts are directed toward achieving positive outcomes.	87 (53%)	68 (41%)	9 (5%)	1 (1%)	0 (0%)	4.46	0.63
Overall						**4.48**	**0.66**

The analysis highlights that organizational culture, especially promoting accountability, innovation, and collaboration, is viewed as highly influential (M=4.53) in improving performance. Respondents also emphasize the importance of financial performance (M=4.52) for sustainability, with leadership, employee development, and continuous monitoring

further supporting positive financial outcomes. Overall, these findings suggest that strong dynamic capabilities, such as culture, leadership, and adaptability, are perceived to significantly enhance the impact of strategic innovation on the financial performance of banks in Juba.

4.4. Moderating Influence of Dynamic Capabilities and Financial Performance of Commercial Banks in Juba, South Sudan.

This section presents the moderation analysis examining how Dynamic Capabilities (DC) influence the relationship between Strategic Innovation and Financial Performance (FP) of commercial banks in Juba, South Sudan. The analysis employed hierarchical regression and interaction terms to test the hypothesized moderating effects, enabling an assessment of how dynamic capabilities enhance the impact of strategic innovations on financial performance.

Table 3: Path Coefficients for Strategic Innovation and Dynamic Capabilities Moderation Model

Path	B	SE	t-value	F-Value	p-value
CP → FP	0.613	0.066	9.287	-	< 0.001
EE → FP	0.645	0.064	10.126	-	< 0.001
ITA → FP	0.678	0.059	11.452	-	< 0.001
(CP+EE+ITA) → FP	0.704	0.058	12.138	-	< 0.001
CP × DC → FP	0.728	0.038	6.789	9.483	< 0.001
EE × DC → FP	0.762	0.039	6.846	9.652	< 0.001
ITA × DC → FP	0.804	0.040	7.100	10.315	< 0.001
(CP+EE+ITA) × DC → FP	0.856	0.042	7.690	12.587	< 0.001

The analysis shows that dynamic capabilities significantly enhance the positive impact of strategic innovation on the financial performance of Juba's banks. Stronger dynamic capabilities improve benefits from partnerships, employee engagement, technology adoption, and combined innovation efforts, making banks more adaptable, innovative, and competitive. Developing these capabilities is crucial for maximizing financial gains from strategic innovations.

4.5. Moderation Analysis Results for Dynamic Capabilities.

This section presents the detailed moderation analysis results examining how Dynamic Capabilities (DC) influence the relationship between Strategic Innovation dimensions and Financial Performance (FP) of commercial banks in Juba, South Sudan. The analysis compared models with and without the moderation effect to quantify the incremental variance explained and assess the statistical significance of the moderation.

Table 4: Moderation Analysis Results for Dynamic Capabilities

Relationship	Direct Effect (β)	With Moderation (β)	ΔR^2	F-Change	p-value
CP × DC → FP	0.613	0.728	0.115	9.483	< 0.001
EE × DC → FP	0.645	0.762	0.117	9.652	< 0.001
ITA × DC → FP	0.678	0.804	0.126	10.315	< 0.001

(CP+EE+ITA) × DC → FP	0.704	0.856	0.152	12.587	< 0.001

Table 4 reveals that Dynamic Capabilities significantly strengthen the relationship between Strategic Innovation and Financial Performance in Juba's commercial banks. The moderation effects are substantial across all dimensions: for Dynamic Capabilities increase the effect from β = 0.613 to 0.728, explaining an additional 11.5% of variance; for Employee Engagement, from β = 0.645 to 0.762, with a 11.7% increase; and for Information Technology Adoption, from β = 0.678 to 0.804, accounting for an extra 12.6%. The strongest effect occurs when all three dimensions are combined, with the effect rising from β = 0.704 to 0.856, explaining an additional 15.2% of variance and highlighting significant synergistic benefits. These findings underscore that developing organizational agility and adaptive capacity enhances the financial returns of strategic innovation efforts, emphasizing the critical role of Dynamic Capabilities in maximizing outcomes.

4.6. Model Fit Indices for Dynamic Capabilities Moderation Models

This section presents the evaluation of model fit for the structural equation models examining the moderating effect of Dynamic Capabilities (DC) on the relationship between Strategic Innovation and Financial Performance (FP) of commercial banks in South Sudan. Multiple goodness-of-fit indices were analyzed to assess how well each moderation model aligns with the observed data, ensuring the validity of the moderation analysis.

Table 5: Model Fit Indices for Dynamic Capabilities Moderation Models

Model	Chi-square/df	CFI	TLI	RMSEA	SRMR
CP × DC → FP	2.18	0.948	0.937	0.057	0.042
EE × DC → FP	2.13	0.953	0.942	0.055	0.039
ITA × DC → FP	2.09	0.958	0.947	0.052	0.037
(CP+EE+ITA) × DC → FP	2.24	0.945	0.934	0.059	0.044

Table 5 shows that all four moderation models examining the interaction between Dynamic Capabilities and Strategic Innovation on Financial Performance have good fit indices, indicating robust and valid results. The Chi-square/df ratios are below 3.0, CFI values exceed 0.95, TLI values are close to or above 0.95, RMSEA values are under 0.06, and SRMR values are below 0.08, all demonstrating excellent model fit. The best-fitting model is the one with Information Technology Adoption (ITA × DC), while the combined Strategic Innovation model also shows a strong fit. Overall, these indices confirm that the models reliably support the conclusion that Dynamic Capabilities significantly moderate the relationship between Strategic Innovation and Financial Performance.

4.7 Model Summary Statistics for Dynamic Capabilities Moderation.

This section presents the regression analysis results for the moderation models examining how Dynamic Capabilities (DC) influence the relationship between Strategic Innovation dimensions and Financial Performance (FP) of commercial banks in Juba, South Sudan. The analysis assessed the proportion of variance explained by each moderation model and

tested their overall statistical significance.

Table 6: Model Summary Statistics for Dynamic Capabilities Moderation

Model	R^2	Adjusted R^2	F-statistic	p-value
CP × DC → FP	0.491	0.487	62.74	< 0.001
EE × DC → FP	0.533	0.530	70.18	< 0.001
ITA × DC → FP	0.586	0.583	82.96	< 0.001
(CP+EE+ITA) × DC → FP	0.652	0.649	94.05	< 0.001

Table 6 shows that all models have strong explanatory power, with R^2 values ranging from 0.491 (Collaborative Partnerships) to 0.652 (combined Strategic Innovation). The high F-statistics (all $p < 0.001$) confirm their significance. The combined model explains 65.2% of Financial Performance variance, highlighting that Dynamic Capabilities significantly enhance the impact of strategic innovations on financial outcomes in Juba's commercial banks.

4.8. Measure Model for Moderating Influence of Dynamic Capabilities on the Relationship between Strategic Innovation and Financial Performance of Commercial Banks in Juba, South Sudan.

This figure presents a comprehensive visual representation of the moderation effects of Dynamic Capabilities (DC) on the relationship between Strategic Innovation dimensions and Financial Performance (FP) of commercial banks in Juba, South Sudan. The diagram integrates the findings from multiple analyses to demonstrate both direct and moderating effects within a unified conceptual framework.

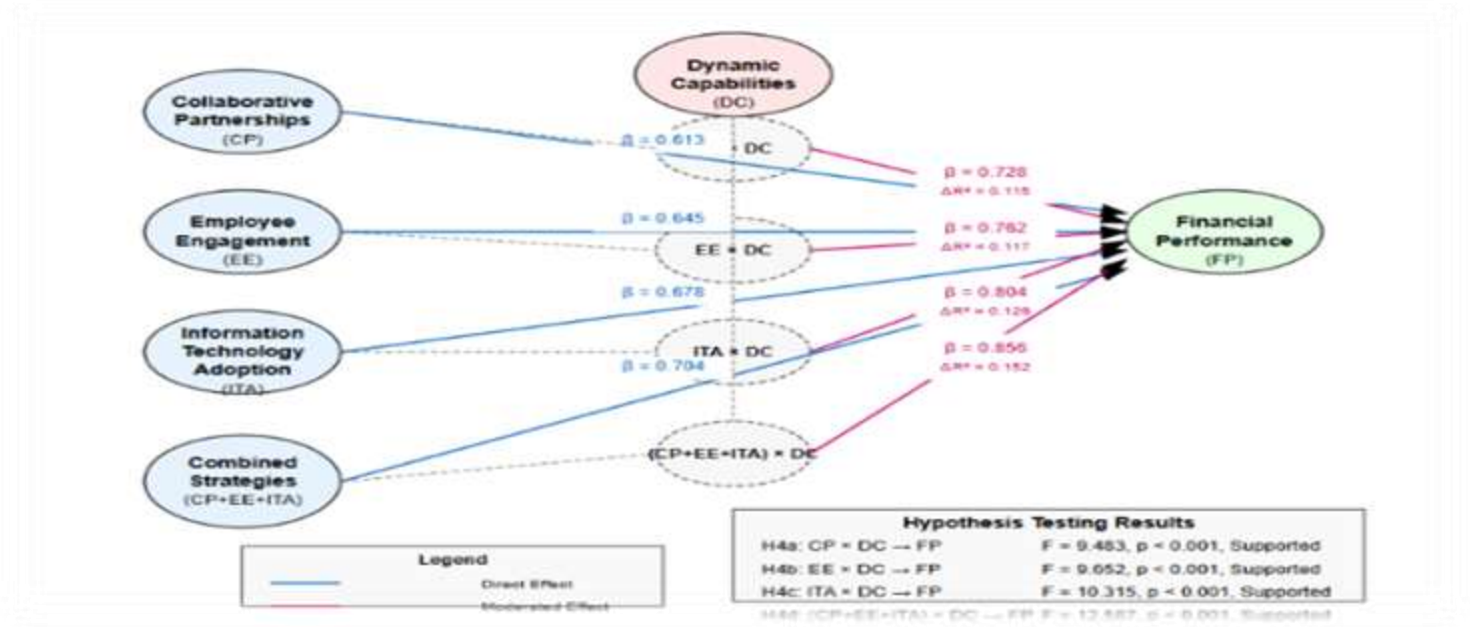

Figure 1: Measure Model for Moderating Influence of Dynamic Capabilities on the relationship between Strategic Innovation and Financial Performance of Commercial Banks in Juba, South Sudan.

Figure 1 shows that strategic innovations positively impact financial performance, with stronger effects when combined with Dynamic Capabilities (DC). The strongest moderation occurs with combined strategies ($\beta = 0.856$), significantly boosting performance. All moderation effects are statistically significant ($p < 0.001$), highlighting that enhancing DC amplifies the benefits of strategic innovation for banks in Juba.

4.9. Discussion of Findings for the Moderating Influence of Dynamic Capabilities

The statistical analysis provides compelling evidence for the significant moderating role of dynamic capabilities in enhancing the relationship between strategic innovation and the financial performance of commercial banks in Juba, South Sudan. As demonstrated in Table 6: , incorporating dynamic capabilities as a moderator substantially improves the model's explanatory power, with the combined strategic innovation dimensions model achieving an R^2 value of 0.652, explaining approximately 65.2% of the variance in financial performance. This high explanatory power, coupled with the significant F-statistic (94.05, $p < 0.001$), substantiates the critical role of dynamic capabilities in the strategic innovation-performance relationship. The path analysis results presented in Table 6 reveal the substantial enhancing effect of Dynamic Capabilities on all strategic innovation. For Collaborative Partnerships, the introduction of Dynamic Capabilities as a moderator increased the path coefficient from $\beta = 0.613$ to $\beta = 0.728$, representing an 18.8% increase in effect size. The moderation effect is even more pronounced for Employee Engagement, where Dynamic Capabilities increased the path coefficient from $\beta = 0.645$ to $\beta = 0.762$, an 18.1% enhancement. Most notably, among individual strategic innovation dimensions, Information Technology Adoption shows the strongest moderation effect, with the path coefficient increasing from $\beta = 0.678$ to $\beta = 0.804$, an 18.6% enhancement. The moderation analysis results in Table 4.29

further quantify these enhancements, showing that the interaction between Collaborative Partnerships and Dynamic Capabilities explains an additional 11.5% of variance in Financial Performance ($\Delta R^2 = 0.115$, F-Change = 9.483, $p < 0.001$). Similarly, the interaction between Employee Engagement and Dynamic Capabilities explains an additional 11.7% of variance ($\Delta R^2 = 0.117$, F-Change = 9.652, $p < 0.001$), while the interaction between Information Technology Adoption and Dynamic Capabilities accounts for an additional 12.6% of variance ($\Delta R^2 = 0.126$, F-Change = 10.315, $p < 0.001$). The most significant finding emerges when examining the combined strategic innovation dimensions, where Dynamic Capabilities increased the combined effect from $\beta = 0.704$ to $\beta = 0.856$, a substantial 21.6% enhancement. This interaction explains an additional 15.2% of Financial Performance variance ($\Delta R^2 = 0.152$, F-Change = 12.587, $p < 0.001$), suggesting powerful synergistic effects when dynamic capabilities are applied to an integrated strategic innovation approach.

The model fit indices presented in Table 4.30 provide strong statistical evidence supporting the validity of these moderation findings. All four moderation models demonstrate good fit with the empirical data, with the Information Technology Adoption moderation model showing the best fit across all indices (Chi-square/df = 2.09, CFI = 0.958, TLI = 0.947, RMSEA = 0.052, SRMR = 0.037). These consistently strong fit indices enhance confidence in the conclusion that Dynamic Capabilities significantly moderate the relationship between Strategic Innovation dimensions and Financial Performance. The structural model illustrated in Figure 4.4 provides a clear visual representation of these relationships, depicting both direct effects (blue lines) and moderation effects (magenta lines). The visual progression of increasingly stronger magenta lines (from CP × DC to the Combined Strategies × DC) effectively demonstrates the escalating strength of moderation effects, with the hypothesis testing results in the lower corner confirming statistical significance for all moderation relationships. These findings provide strong empirical support for Teece's (2023) dynamic capabilities framework, demonstrating that the ability to sense, seize, and reconfigure resources significantly enhances the impact of strategic innovation initiatives on performance outcomes. The results align with Teece's assertion that dynamic capabilities are particularly valuable in rapidly changing environments, a characteristic that aptly describes South Sudan's emerging banking sector. From a Resource-Based View perspective (Barney, 2020), the findings illustrate how dynamic capabilities enable banks to leverage their strategic resources more effectively, transforming potentially imitable innovations into unique, performance-enhancing capabilities.

The strong moderating effect supports Wernerfelt's (2022) contention that the ability to reconfigure resources often provides a greater competitive advantage than the resources themselves. Institutional Theory also offers valuable insights, as the consistently significant moderation effects suggest institutional recognition of dynamic capabilities' importance in the South Sudanese banking sector.

CONCLUSION

The study concludes that dynamic capabilities substantially enhance the effectiveness of strategic innovation in improving financial performance for commercial banks in Juba, South Sudan. The significant increases in path coefficients when incorporating dynamic capabilities as a moderator, particularly in collaborative partnerships, employee engagement, and technology adoption, demonstrate their critical role in translating innovation into superior financial outcomes. These capabilities, especially organizational agility, resource reconfiguration, and flexibility, are vital in South Sudan's volatile

banking environment, enabling banks to identify opportunities, adapt quickly, and reallocate resources effectively. The findings reject the null hypothesis, confirming that dynamic capabilities significantly moderate the relationship between strategic innovation and financial performance.

RECOMMENDATIONS

Commercial banks should develop strong dynamic capabilities through targeted programs and flexible strategies, supported by adaptive regulation and phased implementation. Future research should explore how these capabilities influence innovation and financial performance, especially in emerging markets like South Sudan.

AUTHOR'S CONTRIBUTIONS.

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CONFLICT OF INTEREST DECLARATION.

I hereby declare that the research thesis titled ***"Influence of dynamic capabilities moderating the relationship between strategic innovation and financial performance of Commercial banks in Juba, South Sudan"*** is my original work and has been conducted independently, without any form of plagiarism or misconduct. I confirm that this work has not been previously submitted, in whole or in part, to any other university, institution, or organization to obtain any academic qualification, certification, or recognition. All sources, references, and data utilized in the preparation of this thesis have been appropriately acknowledged, cited, and documented by academic standards and ethical research practices. Furthermore, I attest that this research has been completed with the guidance and approval of my university supervisors, Prof. Joshua Olang'o Abuya and Dr. Moses O. Owino, whose support and oversight have been instrumental in ensuring the integrity and quality of this work.

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