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Research Article

Open-mindedness as a Microfoundation of Competitiveness of Microfinance Banks

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Abstract

The microfinance banking industry has contributed significantly to socioeconomic development at family, community, and national levels through financial inclusion, particularly by expanding access to financial services among traditionally underserved groups. However, continued reliance on traditional product designs, conventional financing methods, and standardized service delivery models has constrained the ability of microfinance banks to respond to diverse customer needs and compete effectively in a dynamic financial services environment. This study examined the effect of open-mindedness on the competitiveness of microfinance banks in Kenya, drawing its theoretical anchorage from Dynamic Capabilities Theory and the Open Innovation Model. The study adopted the positivist research paradigm and employed an explanatory research design, consistent with its objective of examining causal linkages among the study variables. The units of analysis and observation were microfinance banks and management personnel, respectively, with a population of 616 management staff. A two-stage sampling procedure combining proportionate stratified and simple random sampling was employed to select 243 management staff, from whom data were collected using a structured questionnaire. Frequency counts, measures of central tendency and measures of dispersion were used to summarise the data, while simple linear regression served as the primary empirical model. The findings established that open-mindedness had a positive effect on the competitiveness of microfinance banks. The study recommends that the Head of Finance and Strategy establish a framework that promotes receptiveness to new ideas and alternative perspectives, facilitates real-time customer feedback and co-creation of value, and incorporates customer insights and adaptive solutions into continuous improvements in processes, products, and services.

Keywords

Firm Competitiveness, Learning Orientation, Open-Mindedness, Reflective Thinking and Receptiveness

1. Introduction

In an increasingly open and liberalized global economy, fostering firm competitiveness has become a major challenge attracting considerable attention from practitioners, policy-makers, and researchers [9]. Firms constitute the basic units of competition, and their ability to develop, renew, and deploy resources and capabilities is fundamental to achieving and sustaining competitive advantage. Firm-level competitiveness consequently provides the foundation for competitiveness at

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industry, national, regional, and international levels [44]. In this regard, organizational capacity to acquire, evaluate, and apply new knowledge is increasingly important, particularly in knowledge-intensive sectors where changing customer expectations, technological developments, and competitive pressures require firms to continuously reassess established practices. The learning school of strategy formation emphasizes this adaptive capacity, viewing organizational learning as a means through which firms respond to changes in their environments [46, 51, 54, 83]. Within this broader perspective, open-mindedness represents an important organizational attribute through which firms remain receptive to new ideas, alternative perspectives, and opportunities for improvement.

The financial services sector is inherently knowledge intensive, making the acquisition, interpretation, and application of new knowledge and skills important to organizational adaptability, innovation, and competitiveness [41, 45, 50]. The transition towards a knowledge-based economy has consequently reinforced the view of learning as a critical organisational resource for determining and continuously refining the configuration of firm resources and capabilities [10]. This perspective requires organizations not only to acquire new knowledge but also to question and, where necessary, discard outdated knowledge, assumptions, beliefs, and mental models [12]. Such capacity is particularly important in financial services, where firms must respond to rapidly changing customer needs, technological developments, regulatory requirements, and alternative forms of financial intermediation.

The importance of adaptability and responsiveness is especially evident in microfinance banking, which plays a significant role in promoting financial inclusion by extending financial products and services to individuals and enterprises with constrained access to conventional banking systems [1, 37]. Inclusive financial systems enable individuals to access financial facilities that support investment in education, utilization of business opportunities, retirement planning, and resilience against economic shocks [22]. Microfinance institutions therefore serve an important socioeconomic function by extending financial services to low-income and underserved populations, thereby contributing to poverty reduction and broader economic development in line with the aspirations of the United Nations Sustainable Development Goals, African Union Agenda 2063, and Kenya Vision 2030 [1, 2, 30].

The need for such services remains substantial because significant disparities persist in access to formal financial services between developed and developing economies. The [82] reported that approximately 35 percent of adults in developing countries lacked a bank account, compared with about 6 percent in developed countries. This disparity has stimulated efforts to broaden access to financial services, including through the expansion of microfinance. Globally, the microfinance industry has consequently developed into a substantial financial-services market, with continued growth driven by increasing demand for accessible and affordable financial products. India, for example, has developed a particularly extensive microfinance sector, where increasing customer demand and substantial investment have encouraged the development of innovative financial products and services [26, 81]. These developments demonstrate the importance of organizational adaptability and responsiveness in enabling microfinance providers to respond to changing market needs.

The African financial sector presents similar opportunities and challenges. Although the continent continues to experience significant limitations in access to formal financial services, the increasing diversity of financial service providers provides opportunities for developing innovative solutions for underbanked and unbanked populations [63]. Sub-Saharan Africa has historically recorded comparatively low levels of access to formal banking services, although the East African region has subsequently emerged as an important center of financial innovation, particularly in digital and alternative financial services. Kenya occupies a prominent position within this regional financial ecosystem. Its financial sector is substantially larger than those of neighboring Uganda and Tanzania, and the country hosts a significant proportion of microfinance institutions in the East African region [77]. The Central Bank of Kenya recognizes microfinance banks as complementary providers to commercial banks, serving segments of the population that remain inadequately served by conventional banking institutions [15]. Despite Kenya's comparatively developed microfinance sector, however, uptake of microfinance services among sections of the unbanked adult population remains relatively low [2], highlighting the continuing need for microfinance banks to enhance their responsiveness and competitive positioning [4].

The competitive challenge is further heightened by changing customer expectations and the increasing availability of alternative financial service providers. Microfinance banks therefore need to move beyond established products, processes, and service delivery approaches and develop the capacity to recognize, evaluate, and respond to emerging opportunities and challenges. Open-mindedness is particularly relevant in this regard because it involves the critical analysis and evaluation of organizational activities and receptivity to new ideas [67, 70]. It encompasses willingness to question established practices, procedures, beliefs, and values while creating opportunities for organizational members to contribute alternative ideas and courses of action for enhancing customer value [13, 43]. Open-mindedness therefore enables firms to challenge conventional mental models and reconsider established approaches in response to changing market and organizational conditions.

Open-mindedness can further strengthen organizational adaptability by encouraging members to perceive environmental changes as opportunities for improvement and to consider alternative approaches to organizational challenges [64, 66]. Its emphasis on evaluating experiences, identifying and correcting mistakes, and reconsidering existing assumptions

facilitates organizational learning and adaptation [32, 47]. Accordingly, open-mindedness reflects an organization's capacity to absorb new ideas [24, 70] and critically examine its experiences to generate insights about its current circumstances and future courses of action [78]. In this study, open-mindedness is conceptualized through receptivity, evaluation of operational activities, open discussion, and reflective thinking. Collectively, these attributes represent the micro-level cognitive and behavioral processes through which firms question established assumptions, consider alternative perspectives, evaluate existing practices, and translate new insights into adaptive organizational responses. Open-mindedness can therefore be viewed as a potential microfoundation through which firms develop the capacity to respond to environmental change, create value, and ultimately strengthen firm-level competitiveness.

2. Statement of the Problem

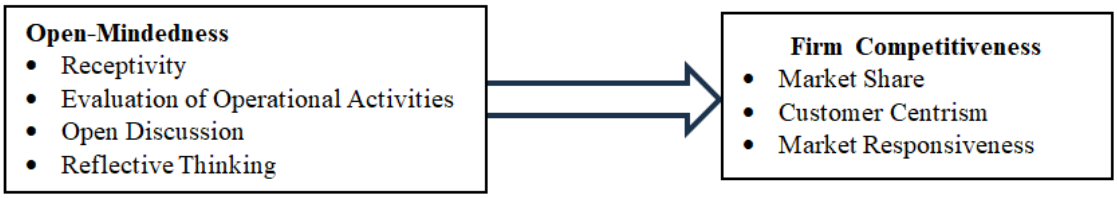
The microfinance banking industry has contributed significantly to socioeconomic development at family, community, and national levels through financial inclusion, particularly by expanding access to financial services among traditionally underserved groups [5]. However, the industry has experienced declining financial and market performance, raising concerns about its competitiveness. Combined pre-tax losses increased from Ksh 622 million in 2017 to Ksh 2.4 billion in 2023 and further to Ksh 3.5 billion in 2024 [14-16]. During the same period, the industry's branch network declined by 7 percent, from 115 branches in 2017 to 107 in 2024, while poor capitalization has weakened the market position and financial intermediation capacity of microfinance banks [40]. The industry also experienced substantial declines in borrowing and net advances of 60.1 percent and 16.8 percent, respectively, in 2024, largely attributed to intensifying competition from alternative financial service providers [5, 16]. These trends suggest weaknesses in the capacity of microfinance banks to operate efficiently, sustain market share, generate revenues, and maintain a competitive position.

The competitiveness challenge is further reflected in the continued reliance on traditional product designs and service delivery models, which have constrained responsiveness to changing customer needs [42, 55, 59]. Despite the growing importance of digitalization and innovation, only 64 percent of microfinance banks had adopted Application Programming Interfaces in 2024, while merely 36 percent had prioritized investment in innovative solutions and the proportion maintaining dedicated innovation teams had declined to 57 percent [16]. Market-share movements across peer groups further demonstrate an unstable competitive position within the industry [5, 6, 16]. These challenges are particularly significant given the need for affordable, accessible, and customized financial products and services tailored to diverse market segments [39]. The observed limitations in product customization, innovation, accessibility, affordability, and customer responsiveness therefore point to the need for microfinance banks to reconsider established practices, remain receptive to alternative perspectives, and respond more effectively to changing market and customer requirements conditions that underscore the potential importance of open-mindedness to firm-level competitiveness.

A targeted review of the empirical literature reveals several gaps that limit the generalizability and applicability of existing evidence on open-mindedness and firm-level outcomes. An empirical inquiry established a positive relationship between open-mindedness and enterprise performance among micro and small enterprises in Nigeria; however, the study purposively selected six of the thirty-six states, thereby limiting the representativeness of its findings [69]. Similarly, it has been empirically verified that open-mindedness predicts firm innovativeness among international oil companies in southern Iraq [32], while in the Turkish context, open-mindedness served as antecedent for innovation performance [17]. However, the use of convenience sampling in the latter study and the distinct industry and national contexts of both studies limit the generalizability of their findings to microfinance banks in Kenya. Furthermore, a predictive relationship between open-mindedness and smart manufacturing has been demonstrated among manufacturing enterprises in Poland established [48], albeit with disparities of study context-specific and cross-sectional data being in an extended duration of four-months during a period characterized by significant environmental uncertainty triggered by COVID-19 pandemic. Collectively, these studies provide evidence of the relevance of open-mindedness to organizational outcomes but leave insufficient empirical evidence on its effect on the competitiveness of microfinance banks in Kenya.

3. Conceptual Framework

The conceptual map illustrating the hypothesized causal relationship between open-mindedness and firm-level competitiveness is presented in Figure 1.



Source: Author (2025).

Figure 1. *Conceptual Model.*

3.1. Objectives of the Study

The objective of the study was to establish the effect of open-mindedness on competitiveness of Microfinance Banks in Kenya.

3.2. Research Hypotheses

The research hypotheses for the study were formulated to provide a basis for the statistical testing of the objective of this study.

H_0: Open-mindedness does not positively affect competitiveness of Microfinance Banks in Kenya.

H_1: Open-mindedness positively affect competitiveness of Microfinance Banks in Kenya.

4. Theoretical Literature Review

The key concepts and their underlying causal relationship were theoretically underpinned by Dynamic Capabilities Theory and the Open Innovation Model, which collectively provide a basis for conceptualizing open-mindedness as a microfoundation of firm-level competitiveness.

4.1. Dynamic Capabilities Theory

The Dynamic Capabilities Theory evolved from the seminal work [72] as a basis for providing a more rigorous explanation of the sustainability of firm-level competitive advantage and the resulting competitiveness. The theory sought to elaborate the sources of firm-specific capabilities and the regeneration of competences, both of which are important for maintaining dynamic fit between organizational actions and a shifting business environment [28]. This theoretical perspective complemented earlier views that attributed the development of long-term competitive advantage to isolating mechanisms associated with value creation and capture [62, 71, 79], but which provided limited explanation of how firms continually renew their sources of advantage. Further development of the dynamic capabilities perspective placed path-dependent processes of integrating, building, and reconfiguring competences at the core of firm competitiveness [73].

Whereas earlier theoretical perspectives primarily attributed sustainable competitive advantage to the possession of valuable, immobile, and difficult-to-replicate resources and capabilities, [73] underscored the importance of dynamic capabilities in enabling firms to renew and transform their resource base. A key argument of the theory is that dynamic capabilities enable firms to create, enhance, extend, combine, protect, and reconfigure their idiosyncratic asset base [74]. Survival and success in complex and dynamic business environments therefore require firms to move beyond ordinary capabilities, which primarily support the optimization of existing processes and preservation of established business models [25, 73]. In such environments, dynamic capabilities involving sensing, seizing, and transforming or recombining the firm's resource and competence base are fundamental to sustaining competitive advantage and firm competitiveness [34, 35, 80].

Dynamic capabilities are therefore critical to the continuous alignment and realignment of a firm's asset base in processes of value creation and co-creation [25, 75]. Industry best practices largely represent ordinary capabilities whose rapid diffusion and adoption by competing firms can diminish their usefulness as reliable sources of sustained competitive advantage [76]. Dynamic capabilities, by contrast, enable firms to conceive, develop, combine, and reconfigure their competences to navigate environmental uncertainty and change [25, 35]. Their effectiveness, however, depends not only on the existence of organizational routines and processes but also on the micro-level attributes through which managers and employees interpret information, question established assumptions, evaluate alternatives, and initiate adaptive responses. It is within this microfoundational logic that open-mindedness becomes relevant to dynamic capabilities and firm competitiveness.

Open-mindedness reflects an organizational disposition to remain receptive to new ideas, alternative perspectives, and information that challenges established assumptions and practices. Such receptivity can strengthen the sensing function of dynamic capabilities by encouraging managers and employees to attend to diverse sources of information and recognize emerging opportunities and threats that may otherwise be overlooked. Open discussion and consideration of alternative viewpoints can further support the evaluation of competing

courses of action, thereby contributing to the seizing of opportunities. Similarly, reflective thinking and critical evaluation of existing operational activities can facilitate the questioning and modification of established routines, thereby supporting the reconfiguration of organizational resources and processes. Open-mindedness can thus be understood as a micro-level cognitive and behavioral attribute through which dynamic capabilities are enacted.

This microfoundational interpretation is particularly relevant in environments characterized by changing customer expectations, technological developments, regulatory pressures, and intensified competition. Firms must continually reassess established assumptions about customers, markets, products, services, and competitive approaches rather than becoming trapped by previously successful routines. Open-mindedness facilitates such reassessment by enabling organizations to consider alternative perspectives, learn from diverse sources of knowledge, engage stakeholders, and remain willing to modify established practices. Through these processes, firms can strengthen their capacity to adapt their resource and competence base and to identify and exploit opportunities for value creation and co-creation.

Accordingly, open-mindedness provides a micro-level foundation through which dynamic capabilities can be developed and exercised in pursuit of firm-level competitiveness. While dynamic capabilities explain how firms sense opportunities and threats, seize emerging opportunities, and reconfigure their resources and processes, open-mindedness helps explain the underlying cognitive and behavioral conditions that enable these processes to occur. The theoretical perspective therefore suggests that firms characterized by greater receptivity to new ideas and alternative perspectives, open discussion, critical evaluation of existing practices, and reflective thinking are better positioned to renew their capabilities and respond effectively to environmental change. Dynamic Capabilities Theory therefore provides a fundamental theoretical foundation for conceptualizing open-mindedness as a microfoundation of firm-level competitiveness.

4.2. Open Innovation Model

The open innovation model evolved in 2003 from the seminal work of Chesbrough “The New Imperative for Creating and Profiting from Technology” [18]. The model is premised on the deliberate management of knowledge and information flows across organizational boundaries, whereby firms draw on both internal and external sources of knowledge to create and capture value [19]. It recognizes that valuable ideas and knowledge are not confined within organizational boundaries and that firms can enhance their capacity to respond to changing market conditions by remaining receptive to diverse sources of knowledge and alternative approaches [36]. This premise provides a strong theoretical basis for understanding open-mindedness as an organizational disposition that encourages receptivity to new ideas, alternative perspectives, and different ways of addressing organizational challenges.

Accordingly, open innovation accords importance to both internal and external ideas and to diverse pathways through which knowledge can be accessed, evaluated, integrated, and applied [8, 18]. Such openness is particularly important for firms operating in dynamic environments, where competitiveness depends on the capacity to recognize emerging opportunities and challenges and respond appropriately [74]. For microfinance banks, receptivity to customer perspectives, employee suggestions, stakeholder knowledge, and emerging market information can broaden the pool of ideas available for improving financial products, lending procedures, service delivery, and operational practices. Open innovation practices can therefore enable firms to integrate external knowledge into internal processes, enhance products and services, improve risk management, and respond more effectively to changing customer needs [31].

The Open Innovation Model further recognizes that knowledge flows are not unidirectional. Firms can acquire knowledge from external sources while also allowing internally generated knowledge and ideas to create value beyond organizational boundaries [11]. This reciprocal exchange requires an organizational disposition that is receptive to unfamiliar ideas, willing to question established assumptions, and prepared to consider alternative perspectives. In this respect, open-mindedness facilitates the evaluation and integration of diverse knowledge by creating an environment in which employees and managers can openly discuss existing practices, reflect on alternative approaches, and reconsider established ways of doing business. Such processes enhance the organization’s ability to identify and utilize knowledge that may otherwise remain unexplored.

The relevance of the Open Innovation Model to microfinance banks is particularly evident in the need to respond to evolving customer expectations and competitive pressures. Through open-mindedness, firms can remain receptive to real-time customer feedback, stakeholder perspectives, and emerging market knowledge and use these inputs to reassess existing practices and identify opportunities for improvement. The resulting interaction between internal capabilities and externally sourced knowledge can facilitate value co-creation and adaptive responses in products, services, and processes. The Open Innovation Model therefore provides an appropriate theoretical foundation for conceptualizing open-mindedness as a corporate disposition that facilitates the mobilization and application of internal and external knowledge, thereby explaining how learning-oriented behaviors can translate into enhanced competitiveness of enterprises.

5. Empirical Review

The causal effect open-mindedness on performance was investigated through an empirical survey [69]. The survey involved micro and small medium enterprises based in Nigeria

and applied descriptive research design. six states were purposively chosen from the overall thirty-six states in Nigeria. Empirical observations were drawn from three hundred and sixty-eight of the target four hundred enterprises determined for the survey using a questionnaire calibrated on Likert scaling. The analytical results demonstrated that performance of surveyed enterprises can be favorably explained by open-mindedness. In the current thesis, probabilistic sampling was applied to ensure fair representativeness of the sample validating the inferences drawing from the survey.

The predictive power of open-mindedness on firm innovativeness was empirically examined [32]. This study involved technicians, engineers and accountants working in international oil companies in the southern region of Iraq. The study recorded a notably high response rate of 91 percent, a factor that is considered critical in enhancing the level of precision of resulting statistical inferences [27]. The empirical inquiry relied on primary data that was obtained via closed ended likert scale questions. The survey verified that open-mindedness is a critical ingredient for firm innovativeness as it enhances sharing of viewpoints, reviewing values and beliefs, and exchanging ideas which foster creation of new knowledge and development of capabilities and skills. The inferences made in this study are specific to international oil companies based in the southern region of Iraq and would therefore require empirical validation in microfinance banks in the Kenyan setting.

Moreover, an empirical analysis was carried seeking to explain the phenomenon innovation performance on the basis of open-mindedness and innovation performance [17]. Open-mindedness was conceived as a phenomenon that spurred knowledge creation within enterprises besides fostering openness and receptiveness amongst organizational members towards new perspectives and ideas, and business opportunities. Forty-nine senior cadre managers and one hundred and forty-nine middle cadre managers selected using convenience sampling from leading companies based in Turkey were observed. The survey attained a reasonably good response rate of seventy nine percent. Structural equation modeling confirmed the phenomenon of open-mindedness as a predictor of innovation performance. The current thesis leverage on probabilistic sampling in selecting the research participants to achieve generalizability of empirical findings.

An analytical survey examined the predictive effect of open-mindedness on the adoption of smart manufacturing (Industry 4.0) among small and medium-sized manufacturing firms in Poland [48]. Survey data for this inquiry was gathered the period between December 2019 and March 2020 from senior managers in 76 medium enterprise, 221 small enterprises and 265 micro enterprises. Open-mindedness was determined as a predictor of smart manufacturing amongst the surveyed Polish manufacturing enterprises. Besides the disparity of contexts of studies which limits generalizability of conclusions, the four months duration involved in assembling field data may have been too long for cross-sectional survey especially considering the uncertainty that characterized the business environment in face of COVID-19 pandemic. The current empirical enquiry sought to reduce the duration for gathering field data in microfinance banks to at most one month to minimize variation of responses that may be attributed to dynamism of the business environment.

6. Research Methodology

Positivism was espoused as the philosophical basis underpinning the execution of measurement and analysis of the survey through its principles and assumptions. As a research paradigm that has its genesis in the scholarly work of Auguste Comte, positivism has the orientation of hypothetico-deductive scientific thinking of science that seeks to verify a priori hypotheses through operationalization and measurement of research phenomena [61]. Under positivism, a business enterprise is considered as a value neutral entity and thus impactful and meaningful evaluation of causation should be devoid of impartiality, judgement and biasness of the researcher [52, 58, 61].

A mixed descriptive and explanatory research design was adopted as the overall blueprint for the study, providing a framework for data measurement, sample description, and testing hypothesized causal relationships [49]. The explanatory component was appropriate for examining the hypothesized relationships between open-mindedness and firm competitiveness, within a quantitative survey framework [60]. The descriptive component complemented this by documenting the characteristics and current status of the study variables and respondents [29]. The combined design is consistent with its application in management and social science research for describing existing conditions and examining relationships among interconnected phenomena [38, 57].

The study was conducted in Microfinance Banks within Kenya. The unit of observation was management staff involved in strategic, tactical and operational matters in Microfinance Banks. Microfinance Banks are organized on the basis of market share into large with a gross market share of 86.2%, medium with an aggregated market share of 14.6% and small with an overall market share of 0.9 percent [16]. Table 1 clearly highlights the target population. The management staff comprised 616 subjects, from whom 243 were selected using stratified proportionate and simple random sampling techniques.

Empirical data were collected from the selected management personnel using a structured questionnaire based on a seven-point summated rating scale. A pilot study involving 25 management assistants or equivalent personnel was conducted to assess the feasibility of the main study and validate and refine the research instrument. The analysis of the pilot data yielded the results in Table 1.

Table 1. *Analysis of Pilot Data.*

Research Variable	S-CVI/Ave)	Observation	Decision
Open-mindedness	0.911	>0.90	Content validity verified
Firm Competitiveness	0.938	>0.90	Content validity verified
Inter-item Correlations Coefficients			
Construct		Inter-item Correlation Range	Decision
Open-Mindedness		0.358 – 0.622	Satisfactory convergence
Firm Competitiveness		0.376 – 0.579	Satisfactory Convergence
Item-Total Correlation Coefficients			
Construct		Corrected Item-Total Correlation Range	Decision
Open-Mindedness		0.452 – 0.751	Satisfactory Consistency
Firm Competitiveness		0.378 – 0.790	Satisfactory Consistency
Reliability Statistics			
Construct		Cronbach's Alpha	Decision
Open-Mindedness		0.767	Reliable
Firm Competitiveness		0.851	Reliable

Source: Pilot Data (2025).

The scale-level content validity index for the two research variables varied between 0.911 for open-mindedness and 0.938 for firm competitiveness. The findings from these results indicated that the scale-level CVI for all the research variables exceeded the recommended statistical threshold of 0.90. Based on these results, the content validity of the seven study constructs was considered satisfactory, indicating that the adopted measurement items were relevant and appropriate for data collection. The inter-item correlation analysis revealed positive and statistically significant associations among the measurement items, with coefficients ranging from satisfactory (r = 0.358) to strong (r = 0.622), with p-values not exceeding 0.05. These findings provided preliminary evidence of convergent validity and confirmed the suitability of the items for measuring their respective constructs. The item-total correlation coefficients ranged from 0.378 to 0.790, exceeding the recommended minimum threshold of 0.3 [56]. This indicated satisfactory alignment of the items with their respective constructs and provided preliminary evidence of construct validity. The reliability analysis indicated Cronbach's alpha coefficients of 0.767 and 0.851 for learning orientation and firm competitiveness, respectively, exceeding the minimum threshold of 0.700 for decision making [21]. These results indicated that the scales demonstrated acceptable internal consistency and were therefore considered reliable for data collection and subsequent statistical analysis.

7. Descriptive Statistics

A total of two hundred and forty-three questionnaires was administered to the sampled management staff of microfinance banks. Sufficient time was provided for engaging with the data collection instruments, with sustained follow-up to minimize the risk of a high non-response rate. Among the two hundred and forty-three administered questionnaires, one hundred and seventy were filled in and returned. This yielded a response rate of seventy percent, with a corresponding non-response rate of thirty percent. Notably, high non-response rate of at most forty percent [27] and fifty percent [53] renders the inferences unreliable and invalid. However, in this study the non-response rate of thirty percent is in the permissible range for analysis and drawing of reliable and valid inferences.

A key focus of an open-minded perspective is evaluation, discovery and correction of mistakes, which promotes learning within the business enterprise [32, 47]. Accordingly, open-mindedness is reflective of the capacity of an enterprise to absorb new ideas [24, 70] or its ability to critically dissect its experience and build insights regarding the its current circumstances and situation [78]. Therefore, receptivity, evaluation of operational activities, open discussion and reflective thinking signify the ability of the enterprise to transform past lessons and new ideas as cornerstone for development of innovation capability.

Table 2. *Open-Mindedness.*

	Number of Respondents	Sample Mean	Sample Standard Deviation	Coefficient of Variation
Management keenly process the divergent views and suggestions of members in decision making	170	6.312	.637	.101
Data on processes of completing organizational task is gathered continuously	170	6.471	.663	.102
Brainstorming is utilized in generating solutions to challenges in performance of institutional activities	170	6.529	.645	.099
Analysis of past actions is undertaken to inform improvements in performance of related activities	170	6.488	.637	.098
Lessons from mistakes are used as a basis for refining institutional Practices	170	6.459	.645	.100
Participation in meetings and other discussion forums serve to stimulate new ideas and information	170	6.577	.583	.089
Lessons from what has worked well are used to inform institutional practices	170	6.659	.587	.088
Open-Mindedness	170	6.499	0.628	.097

Source: Survey Data (2025).

The findings in Table 2 highlight that open-mindedness had a mean response of 6.499, standard deviation of 0.628 and variability of 9.7 percent. These descriptive results indicate open-mindedness was perceived as a reasonably well entrenched organizational practice within microfinance banks. Members of the observed microfinance banks perceive environmental changes as opportunities for improvement and possess considerable creative potential that can be harnessed to enhance competitiveness [64]. Essentially, activities that foster receptiveness to questions regarding conventional practices, procedures, beliefs and values, thus stimulates creative thinking are manifested in ordinary routine of executing organizational tasks and assignment. The results reveal a relatively low level of variability in responses, with a coefficient of variation of approximately 10 percent, demonstrating that the observations gathered were clustered around the mean response of open-mindedness.

In terms of individual indicators, lessons from what has worked well are used to inform institutional practices achieved the highest mean of 6.659 and the lowest variability of 8.8 percent. On the other extreme, the lowest mean of 6.312 characterized the indicator that management keenly process the divergent views and suggestions of members in decision making, which corresponded to a variability of 10.1 percent. Although there is a noticeable disparity in the variability of responses across the two attributes, the coefficients of variation fall within a narrow range, indicating that the observations gathered are generally clustered together. The range in mean response (6.312 to 6.659), standard deviation (0.583 to 0.663) and coefficient of variation (8.8% to 10.2%), broadly reveals that the observations made across the different indicators of open-mindedness were clustered together and therefore the observations made were significantly consistent.

The results highlighted a strong agreement that participation in meetings and other discussion forums serve to stimulate new ideas and information (mean=6.577, standard deviation = 0.583 and coefficient of variation = 8.9%). This suggests that participatory decision making is nurtured as an avenue for sharing alternative ideas and as has been observed [43], conventional mental models and dogmatic perspectives are challenged in light of the evolving character of corporate practices and market conditions. This is further reinforced by the observations that brainstorming is utilized in generating solutions to challenges in performance of institutional activities (mean=6.529, standard deviation = 0.645 and coefficient of variation = 9.9%). Equally notable, is the observation that analysis of past actions is undertaken to inform improvements in performance of related activities (mean=6.488, standard deviation = 0.637 and coefficient of variation = 9.8%).

The results highlighted a good level of agreement that data on processes of completing organizational task is gathered continuously (mean=6.471, standard deviation = 0.663 and coefficient of variation = 10.2%). It was also evident that lessons from mistakes are committed in task completion are used as a basis for refining institutional practices (mean=6.459, standard deviation = 0.645 and coefficient of variation = 10%). Moreover, there was an appreciable indication that management keenly process the divergent views and suggestions of

members in decision making (mean=6.312, standard deviation = 0.637 and coefficient of variation = 10.1%). This signifies that there is immense potential to enhance institutional task performance by leveraging the knowledge gained from the experiences and divergent views of individual members and teams. As has been observed, these are the kind of institutional practices that fosters reflective learning and therefore should be strengthened to enhance the realization of desirable organizational outcomes [32].

The descriptive statistics demonstrates that open-mindedness was perceived as a substantially established practice in the surveyed microfinance banks. The attribute that that lessons from what has worked well are used to inform institutional practices registered the strongest indication relative to other observable aspects of open-mindedness. However, the observable aspects that management keenly process the divergent views and suggestions of members in decision making attracted divergent perceptions as was manifested by its comparatively high coefficient of variation. This underscores the need for management to consider going beyond being receptive to harnessing the views and suggestions of staff when formulating decisions. Indeed, fostering employees' perception that their views and suggestions are genuinely and impartially incorporated into organizational decision-making cultivates a sense of ownership of the implementation process and accountability for implementation outcomes.

The phenomenon of firm competitiveness is primarily manifested in the industry as enterprises jostle each other for market share by embedding practices that optimizes their stock of resources in designing and delivering products and services with relative superior customer appeal [7]. Firm competitiveness is viewed as the ability of an enterprise to conceive, create and or market goods and services that are relatively superior to those drawing from the rivals, in the light of both non-price and price attributes [3]. In microfinance banks, firm competitiveness is reflected in firm-level outcomes that embody the ability of an enterprise to outperform its rivals through the provision of superior products and services, as evidenced by indicators such as market share, customer-centricity, and market responsiveness.

Table 3. *Firm Competitiveness.*

	Number of Respondents	Sample Mean	Sample Standard Deviation	Coefficient of Variation
Repeat purchases are closely monitored in the organization	170	6.324	.582	.092
Client onboarding initiatives are embedded in the institutional practices	170	6.453	.697	.108
Customer needs are the primary focus of all the organizational actions	170	6.435	.605	.094
Institutional responsiveness to customers' needs is considered as an imperative for outperforming other organizations in the industry	170	6.459	.672	.104
Product features that matter to customers are continuously integrated in product improvement	170	6.406	.611	.095
Insights drawing from the environment has been used to generate new processes that are friendly to end users	170	6.447	.616	.096
The company utilizes innovative platforms to reach potential Customers	170	6.488	.588	.091
Technology is leveraged to enhance he visibility of the company	170	6.547	.635	.097
Firm Competitiveness	170	6.445	.626	.097

Source: Survey Data (2025).

The findings indicate that the construct of firm competitiveness recorded a relatively high mean score of 6.455 and a relatively low standard deviation of 0.626. The corresponding aggregate variability of responses was narrow, as indicated by a coefficient of variation of 9.7%, suggesting a high level of agreement among respondents regarding firm competitiveness as a key institutional outcome within microfinance banks. The individual indicators recorded high mean scores ranging from 6.324 for monitoring repeat purchases in the organization to 6.547 for leveraging technology to enhance company visibility, suggesting strong respondent agreement regarding the presence of these practices. The low variability of responses for the two attributes, with coefficients of variation ranging from 9.2% to 9.7%, suggests a high level of agreement among

respondents and limited dispersion around the mean scores.

Notably, the results provided strong evidence that innovative platforms are utilized to reach potential customers (mean = 6.488). In the observed microfinance banks, institutional responsiveness to customers' needs is considered as an imperative for outperforming other organizations in the industry (mean = 6.459). Likewise, insights drawing from the environment has been used to generate new processes that are friendly to end users (mean = 6.447), and product features that matter to customers are continuously integrated in product improvement (mean = 6.406). Moreover, client onboarding initiatives are embedded in the institutional practices (mean = 6.453), and customer needs are the primary focus of all the organizational actions (mean = 6.435). These disaggregated attributes of firm competitiveness have immense potential to differentiate the offerings of microfinance banks and align with the assertion that firm competitiveness is signified by the enterprise's ability to sustainably deliver on its twin objective of serving customer needs profitably [20].

In principle, a firm is deemed competitive if it offers products and services whose price and quality are more attractive than alternative propositions from rival enterprises [65]. Therefore, monitoring repeat purchases within microfinance banks is essential for understanding customer loyalty patterns and generating insights into customer switching behavior. The descriptive statistics indicate that firm competitiveness is perceived as an important organizational outcome among the observed microfinance banks. Accordingly, competitiveness reflects an organization's ability to operate efficiently, secure a relatively larger market share, and generate sustainable revenues [23]. Consequently, lessons derived from past experiences provide an important foundation for developing innovative solutions that effectively address evolving customer needs.

8. Inferential Statistics

Given that a summated rating scale was employed in gathering the empirical data, composite scores for the each of the research variable was determined using the mean of the items on the basis of the recommended formulation [68].

$$x = \frac{\sum_{i=1}^{k} x_i}{k}$$

where: xi= ith item of the research variable

k = Number of items for each research variable

The determined composite mean score is particularly suitable whenever an identical scale is used for all items in the scale are presumed to be equally important to the underlying research construct [33]. Subsequently, firm competitiveness was regressed on open-mindedness using standard simple linear regression analysis.

Table 4. *Regression Results.*

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.673a	.453	.450	.24953

a. Predictor: (Constant), Open-Mindedness

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.659	1	8.659	138.998	.000b
	Residual	10.465	168	.062		
	Total	19.124	169			

a. Dependent Variable: Firm Competitiveness

b. Predictors: (Constant), Open-Mindedness

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		β	Std. Error	Beta		
1	(Constant)	2.535	.332		7.633	.000
	Open-Mindedness	.602	.051	.673	11.790	.000

Model Summary

a. Dependent Variable: Firm Competitiveness

Source: Research Data (2025).

The results in the model summary indicate that open-mindedness has substantial explanatory power for variations in firm competitiveness. The correlation coefficient (R = 0.673) indicates a strong positive linear association between open-mindedness and firm competitiveness among the microfinance banks. The coefficient of determination (R^2= 0.453) indicates that open-mindedness explains 45.3% of the variation in firm competitiveness. The adjusted R^2 of 0.450 further indicates that, after adjusting for the predictor in the model, approximately 45.0% of the variation in firm competitiveness is explained by open-mindedness. The remaining 54.7% of the variation is attributable to other factors not included in the model.

The ANOVA results further demonstrate that the estimated regression model is statistically significant. The Regression Sum of Squares (SSR = 8.659) exceeds the Residual Sum of Squares (SSE = 10.465), while the model accounts for 45.3% of the total variation in firm competitiveness. The F-statistic of 138.998 with 1 and 168 degrees of freedom is statistically significant ($p < 0.001$), indicating that the regression model provides a statistically significant explanation of variations in firm competitiveness. Thus, open-mindedness provides a statistically significant basis for predicting firm competitiveness among microfinance banks.

The contribution of open-mindedness to firm competitiveness can be interpreted from the results presented in the coefficients table. Based on the estimated coefficients, the predictive regression model is specified as:

$$Y = 2.535 + 0.602X$$

where;

Y = Firm Competitiveness

X = Open-Mindedness

The results indicate that open-mindedness has a statistically significant positive effect on firm competitiveness ($\beta = 0.602$, SE = 0.051, t = 11.790, $p < 0.001$). The positive unstandardized coefficient indicates that a one-unit increase in open-mindedness is associated with a 0.602-unit increase in firm competitiveness, holding other factors outside the model constant. The standardized coefficient (Beta = 0.673) further indicates a strong positive contribution of open-mindedness to firm competitiveness. Since the p-value is less than 0.001, the coefficient is statistically different from zero, providing sufficient evidence to reject the null hypothesis and conclude that open-mindedness has a statistically significant positive effect on firm competitiveness.

The constant term is also positive and statistically significant (B = 2.535, SE = 0.332, t = 7.633, $p < 0.001$), indicating that the estimated level of firm competitiveness when open-mindedness is zero is 2.535 units. Overall, the findings demonstrate that higher levels of open-mindedness are associated with higher levels of firm competitiveness, suggesting that strengthening practices that encourage receptiveness to new ideas, reconsideration of existing assumptions, and responsiveness to new knowledge may enhance the competitiveness of microfinance banks.

These findings resonate with the inferences characterizing past studies that open-mindedness has a positive implication on value capture, creation and delivery in micro and small medium enterprises [69], international oil companies [32], and small and medium-sized manufacturing firms [48]. In the theoretical lens of RBV, open-mindedness embodies an important intangible resource which signifies ingrained willingness to question existing value creation models and assumptions, enabling them to avoid competency traps through proactivity in decision-making [10]. Besides, open-mindedness lend itself as fundamental ingredient that underlies sensing and seizing emerging opportunities [28, 80].

9. Conclusion

The microfinance banking industry plays a critical role in Kenya's economy through financial inclusion, employment creation and enhancement of socio-economic welfare. However, reliance on traditional product and service delivery models has constrained the competitiveness of microfinance banks. This study therefore examined the effect of learning orientation on firm competitiveness, conceptualizing learning orientation in terms of shared vision, commitment to learning, open-mindedness and intra-organizational knowledge sharing. The findings established that learning orientation has a statistically significant positive effect on firm competitiveness among microfinance banks in Kenya. The study therefore concludes that microfinance banks with stronger learning-oriented practices are better positioned to enhance their competitiveness. In particular, fostering shared vision, commitment to learning, open-mindedness and intra-organizational knowledge sharing enables microfinance banks to adapt to changing customer needs, utilize knowledge effectively and strengthen their competitive position.

10. Contribution to Knowledge

The findings provide context-rich evidence that open-mindedness, manifested through receptivity to new ideas and alternative perspectives, evaluation of operational activities, open discussion, and reflective thinking, positively influences the competitiveness of microfinance banks in Kenya. These practices enable firms to question established assumptions, incorporate diverse viewpoints, respond to changing customer and market requirements, and translate individual and collective cognitive processes into organizational responses that enhance competitiveness. The study therefore positions open-mindedness as a micro-level organizational attribute with implications for firm-level competitive outcomes.

The study extends Dynamic Capabilities Theory by positioning open-mindedness as a microfoundation through which firms sense environmental changes, evaluate alternative courses of action, and reconfigure organizational processes and resources. It also extends the Open Innovation Model by demonstrating how receptivity to internal and external knowledge, open discussion, reflective evaluation, and engagement with customers facilitate the assimilation and application of distributed knowledge. Through real-time customer feedback and stakeholder interaction, these processes support value co-creation and continuous improvement in processes, products, and services. Collectively, the two perspectives explain how open-mindedness translates micro-level cognitive and behavioral processes into organizational adaptation, value creation, and competitiveness.

11. Policy and Practical Recommendation

The Head of Finance and Strategy should establish an institutional framework that promotes receptivity to new ideas and alternative perspectives, encourages open discussion of operational issues, and facilitates reflective thinking on existing practices. The framework should provide mechanisms for systematically evaluating operational activities, capturing and assessing suggestions from employees and customers, and using real-time feedback to inform improvements in processes, products, and services. Such a framework would strengthen the organization's capacity to question established practices, consider alternative approaches, and adapt its operations to changing customer and market needs, thereby enhancing the competitiveness of microfinance banks.

Abbreviations

AMFI	Association of Microfinance Institutions Kenya.
ANOVA	Analysis of Variance
CBK	Central Bank of Kenya
KBA	Kenya Bankers Association
KFSR	Kenya Financial Sector Regulators

Author Contributions

Faith Gacheri Kamandi: Conceptualization, Data curation, Formal Analysis, Investigation, Methodology, Writing – original draft, Writing – review & editing

Godfrey Muigai Kinyua: Conceptualization, Methodology, Supervision, Validation, Writing – review & editing

Reuben Njuguna Kinyuru: Conceptualization, methodology, validation, supervision, Writing – review & editing

Conflicts of Interest

The authors declare no conflicts of interest.

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