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Environmental Scanning As A Strategic Driver Of Competitiveness In Commercial Banks In Burundi

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ABSTRACT

This study examines environmental scanning as a strategic driver of competitiveness in commercial banks in Burundi. In a rapidly changing financial environment characterized by technological advancement, regulatory reforms, and increasing customer expectations, commercial banks must continuously monitor and interpret external and internal environmental factors to remain competitive. The study investigates how environmental scanning practices influence the competitiveness of banks through improved strategic responsiveness, innovation, and decision-making. Using a quantitative approach based on survey data from commercial banks in Burundi, the findings reveal a positive and significant relationship between environmental scanning and bank competitiveness. The results indicate that banks that actively engage in systematic environmental analysis are more likely to achieve stronger market positioning and operational performance. The study concludes that environmental scanning is a critical strategic capability for enhancing competitiveness in the Burundian banking sector. It recommends that bank managers strengthen environmental intelligence systems and integrate scanning activities into strategic planning processes.

Keywords: *Environmental scanning; Bank competitiveness; Commercial banks; Strategic management.*

INTRODUCTION

The banking sector plays a key role in economic development by supporting financial intermediation, investment, and growth. In a dynamic and competitive environment, commercial banks must continuously adapt to changes in technology, regulation, and customer needs to remain competitive. Environmental scanning, defined as the systematic collection and analysis of internal and external information for strategic decision-making, is a key tool that enables banks to anticipate opportunities and threats and improve performance (Kazmi, 2008; Azhar, 2009). In developing economies such as Burundi, the banking sector faces increasing environmental uncertainty and competition, requiring banks to adopt proactive strategic practices to strengthen their competitiveness (BRB, 2021; World Bank, 2022). However, limited empirical evidence exists on how environmental scanning influences the competitiveness of commercial banks in this context. Therefore, this study examines the effect of environmental scanning on the competitiveness of commercial banks in Burundi.

According to Porter (1980), bank competitiveness refers to the ability of a commercial bank to outperform its rivals in the same market by attracting and retaining customers, achieving profitability, fostering innovation, and ensuring sustainable growth in a dynamic financial environment. Similarly, Claessens and Laeven (2004) describe bank

competitiveness as the capacity of banking institutions to effectively compete in the financial sector by offering superior services, maintaining financial stability, and adapting efficiently to technological, regulatory, and customer-driven changes (Porter, 1980; Claessens & Laeven, 2004).

In Burundi's banking sector, commercial banks operate in a highly competitive and resource-constrained environment characterized by limited geographical outreach, particularly in rural and underserved areas, which restricts financial inclusion and weakens market penetration. In addition, many banks offer relatively similar financial products and services with limited differentiation, reducing their ability to attract and retain customers in a competitive market. Furthermore, the slow adoption of digital banking solutions, agent banking, and innovative financial products limits responsiveness to emerging technological and customer needs (Banque de la République du Burundi, 2021; FinScope Burundi, 2022). Consequently, many commercial banks in Burundi continue to experience challenges such as low profitability, high operational costs, and weak efficiency ratios, which undermine their overall competitive position in the financial sector (World Bank, 2022; International Monetary Fund, 2023). Therefore, this study seeks to examine the effect of environmental scanning on the competitiveness of commercial banks in Burundi.

LITERATURE REVIEW

Theoretically, the study was underpinned with several theories to explain the relationship between environmental scanning and bank competitiveness. These theories provide a foundation for understanding how organizations interpret and respond to both internal and external environmental factors in order to achieve competitive advantage. The study is anchored on Contingency Theory developed by Fiedler (1964), which argues that organizational effectiveness depends on the fit between management style and situational factors in the environment; therefore, firms must continuously adapt their strategies to environmental conditions. It also draws on the Resource-Based View (RBV) introduced by Barney (1991), which explains that competitive advantage is achieved through valuable, rare, inimitable, and non-substitutable resources and capabilities within the firm. Dynamic Capabilities Theory developed by Teece, Pisano, and Shuen (1997) is also applied, emphasizing that firms gain competitiveness through their ability to sense environmental changes, seize opportunities, and reconfigure internal resources accordingly. Finally, Industrial Organization (IO) Theory advanced by Porter (1980) is included, which posits that industry structure and external competitive forces largely determine firm performance and that organizations must strategically position themselves within their industry to remain competitive. However, although these theories are widely recognized in strategic management literature, they do not fully explain how environmental scanning specifically influences bank competitiveness in measurable terms. This limitation creates a need to integrate these perspectives and empirically examine their relevance within the banking context.

Environment scanning

Environmental scanning is the systematic process of collecting, analyzing, and disseminating information from both internal and external environments to support strategic decision-making (Kazmi, 2008; Azhar, 2009). It involves evaluating an organization's internal strengths and weaknesses alongside external opportunities and threats using tools such as SWOT, PESTEL, and Porter's Five Forces to support effective strategy formulation and implementation

(Yabs, 2010; Soko et al., 2012; Hill & Jones, 2010). This process enables organizations to detect early signals of environmental change, improve responsiveness, and strengthen strategic positioning in competitive markets (Cole, 2004). The internal environment of the organization consists of strengths and weaknesses of that organization and the external environmental scanning consists of the appraisal of opportunities and threats, which are outside the organization and are not typically within the short-run control of the top management (Sababu, 2007).

Despite its recognized importance, most existing studies emphasize theoretical explanations and general organizational performance outcomes, with limited empirical focus on specific sectors such as banking. In addition, there is insufficient statistical evidence linking environmental scanning directly to competitiveness, particularly in developing country contexts. This creates a conceptual and contextual gap, necessitating further empirical investigation into how environmental scanning influences bank competitiveness.

Organizational Competitiveness

Organizational competitiveness refers to a firm's ability to adapt, survive, and perform effectively in a dynamic and highly competitive business environment. Globalization, rapid environmental changes, and evolving customer needs have intensified competitive pressures across industries (Streimikiene et al., 2021). Ageron et al. (2012) emphasize that firms must continuously innovate, adapt, and differentiate themselves in order to remain competitive in increasingly open and uncertain markets. Competitiveness enables organizations to strengthen their capabilities, utilize resources efficiently, and influence key determinants of market performance (Salem et al., 2016). Accordingly, competitive advantage is defined as a firm's ability to implement unique strategies that reduce costs, exploit opportunities, or mitigate threats (Zhu & Cheung, 2017), leading to outcomes such as innovation, improved profitability, cost efficiency, and product diversification (Kuo et al., 2017).

Porter (1980) argues that competitiveness is reflected in a firm's ability to sustain superior performance in a competitive environment. Similarly, Barney (1991) defines organizational competitiveness as the capacity to design, produce, and successfully introduce products into competitive markets, including international markets. This indicates that competitiveness is influenced by both internal and external factors. While internal resources such as knowledge, skills, and strategic planning can be leveraged to enhance competitiveness (Andreeva & Kianto, 2012), external environmental forces also play a significant role in shaping firm performance (Zhao et al., 2015). Therefore, organizations must balance internal capabilities with responsiveness to external environmental conditions to strengthen their competitive position. In addition, supportive institutional and policy frameworks can further enhance firms' ability to effectively exploit competitive advantages (Aschehoug & Boks, 2012). However, the literature largely provides conceptual insights into competitiveness and its determinants but offers limited empirical evidence and context specific analysis, particularly regarding how environmental scanning influence bank competitiveness in emerging economies.

Relationship between Environment scanning and Bank competitiveness

Several studies have investigated the relationship between environmental scanning and organizational outcomes. Babatunde and Adebisi (2012) found that strategic environmental scanning positively influences institutional performance by improving the identification of opportunities and the mitigation of external risks, thereby enhancing

profitability. Similarly, Nyagaki, Munga, and Nzioki (2021) reported a positive effect of environmental scanning on organizational performance in commercial parastatals in Kenya. However, their study focused on general organizational performance rather than bank competitiveness. In addition, Sekere, Kiriri, and Njenga (2023) established that environmental scanning significantly predicts the performance of SMEs in Kenya ($R^2 = 0.398$), providing stronger empirical evidence. Nevertheless, most existing studies focus on performance outcomes and different sectors, with limited attention to bank competitiveness and varying levels of statistical rigor.

However, the literature reveals contextual, geographical, conceptual, and theoretical gaps. Most studies have focused on SMEs, parastatals, and non-banking sectors in countries such as Kenya and Nigeria, with limited evidence from Burundi's banking sector. Conceptually, environmental scanning has mainly been linked to general organizational performance rather than bank competitiveness, with limited empirical models testing this relationship. Theoretically, although major theories such as Contingency, RBV, Dynamic Capabilities, and IO explain organizational adaptation and competitiveness, they do not adequately integrate environmental scanning as a measurable capability influencing competitiveness outcomes. Therefore, a study in Burundi's banking sector is necessary to provide context-specific and empirical evidence on this relationship.

METHODOLOGY

This study adopted a quantitative approach using a descriptive and correlational research design to examine the relationship between environmental scanning and bank competitiveness. Data were collected from a census of 27 employees in selected commercial banks in Burundi using a structured questionnaire and analyzed using SPSS through descriptive statistics, Pearson correlation, and simple linear regression. The validity and reliability of the instrument were ensured through expert review and Cronbach's Alpha, while ethical considerations were strictly observed throughout the study.

RESULTS

This section presents the empirical results of the study examining the relationship between environmental scanning and bank competitiveness in commercial banks in Burundi. It covers descriptive statistics, normality tests, correlation, and regression analysis, with interpretations based on statistical evidence and relevant theory.

Table 1. Descriptive statistics of the study variables

	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Environment Scanning	2.29	1.032	.516	.448	-.823	.872
Bank Competitiveness	2.97	1.105	-.229	.448	-1.237	.872

The descriptive statistics indicate that Environment Scanning has a relatively low mean (M = 2.29, SD = 1.032), suggesting limited adoption among respondents, whereas Bank Competitiveness shows a higher mean (M = 2.97, SD = 1.105), reflecting a moderate level of competitiveness. The standard deviations above 1 for both variables imply moderate variability in responses. Skewness values (0.516 for Environment Scanning and -0.229 for Bank Competitiveness) indicate slight asymmetry but remain within acceptable limits, while the negative kurtosis values (-

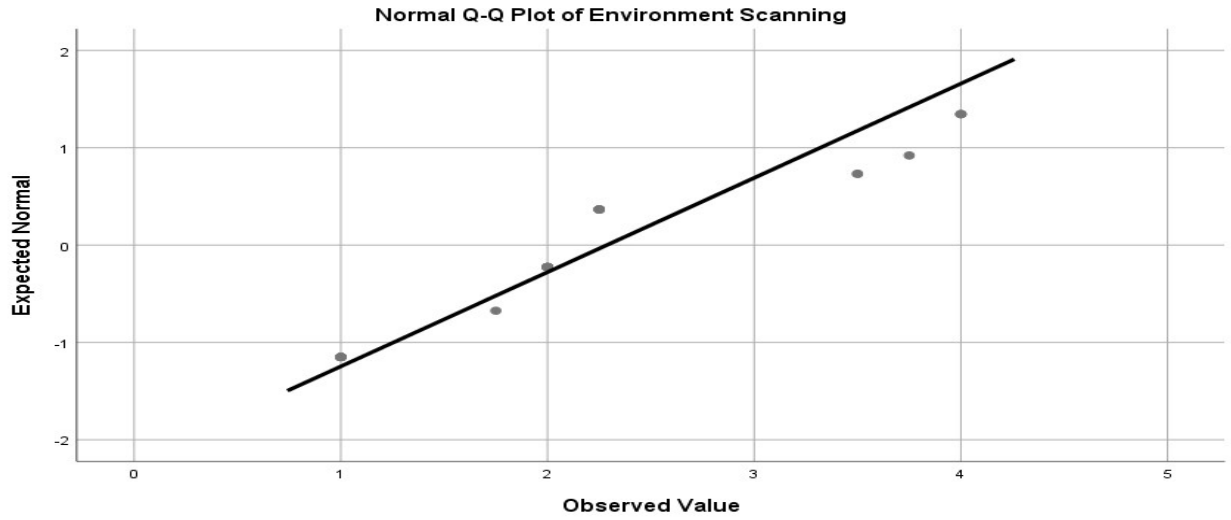
0.823 and -1.237) suggest platykurtic distributions. Overall, the data approximate normality, making them suitable for further inferential analysis.

Table 2. Test of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Environment Scanning	.255	27	.000	.852	27	.001
Bank Competitiveness	.255	27	.000	.872	27	.003
a. Lilliefors Significance Correction						

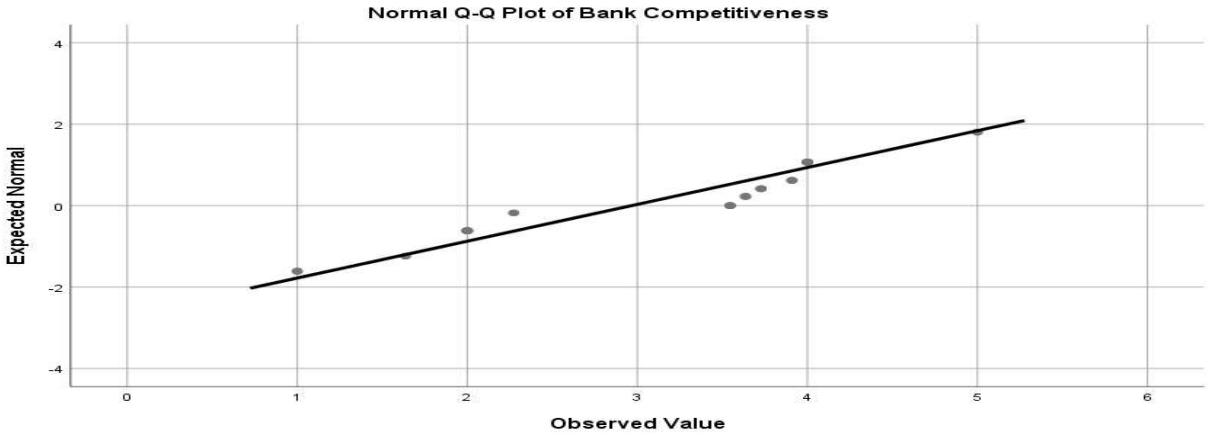
The results of the normality tests reveal that both Environment Scanning and Bank Competitiveness significantly deviate from a normal distribution. The Kolmogorov Smirnov test shows significant values (p = .000) for both variables, while the Shapiro Wilk test also indicates significance (p = .001 for Environment Scanning and p = .003 for Bank Competitiveness), all below the 0.05 threshold. These findings suggest a violation of the normality assumption. Nonetheless, considering the sample size and complementary evidence from skewness and kurtosis indicating only mild deviations, the data may still be deemed sufficiently approximate to normality to justify the use of parametric statistical techniques.

Figure 1. Normal Q-Q Plot of Environment Scanning



The Normal Q–Q plot for environment scanning indicates that most data points align closely with the diagonal reference line, suggesting an approximate normal distribution. However, slight deviations at the tails reveal minor departures from normality. Overall, the distribution can be considered sufficiently normal to support the use of parametric statistical analyses.

Figure 2. Normal Q-Q Plot of Bank Competitiveness



The Normal Q–Q plot for Bank competitiveness shows that the data points generally follow the diagonal reference line, indicating an approximate normal distribution. Although slight deviations are observed at the tails, these are minimal and do not indicate serious non-normality. Therefore, the distribution can be considered sufficiently normal to justify the use of parametric statistical techniques.

Table 3. Correlations result of the study variables

		Bank Competitiveness
Environment Scanning	Pearson Correlation	.410*
	Sig. (2-tailed)	.034
	N	27
*. Correlation is significant at the 0.05 level (2-tailed).		

The results indicated a moderate positive and significant relationship between environment scanning and Bank competitiveness ($r = 0.410^*$, $p < 0.05$). This indicates that improvements in environmental scanning are associated with increases in bank competitiveness. Therefore, the findings imply that effective environmental scanning plays an important role in enhancing the competitiveness of banks.

Table 4. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.410[a]	.168	.135	1.028
a. Predictors: (Constant), Environment Scanning				

The model summary indicates that Environment Scanning has a moderate relationship with Bank Competitiveness ($R = 0.410$). The coefficient of determination ($R^2 = 0.168$) shows that environmental scanning explains 16.8% of the variation in bank competitiveness, while the adjusted R^2 (0.135) confirms a slightly lower explanatory power after adjusting for sample size. This suggests that although environmental scanning contributes to competitiveness, a substantial proportion of the variation is influenced by other factors not considered in this study. The standard error of the estimate (1.028) indicates a moderate level of prediction accuracy.

Table 5. Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.

1	Regression	5.344	1	5.344	5.056	.034[b]
	Residual	26.427	25	1.057		
	Total	31.771	26			
a. Dependent Variable: Bank Competitiveness						
b. Predictors: (Constant), Environment Scanning						

The ANOVA results show that the regression model is statistically significant, F (1, 25) = 5.056, p =0.034<0.05, indicating that the overall model provides a better fit than a null model and that environment scanning significantly explains variation in bank competitiveness.

Table 6. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.962	.489		4.016	.000	.956	2.968
	Environment Scanning	.439	.195	.410	2.249	.034	.037	.841
a. Dependent Variable: Bank Competitiveness								

When environment scanning is held constant, bank competitiveness would remain at 1.962. In addition, when environment scanning increases by 1 unit, Bank competitiveness increases by o.439 units. Environment scanning had a p-value <0.05 at 95% confidence level implying that it is significant in influencing Bank competitiveness. For this study, the regression model can be summarized as follow: **Y=1.962+0.439X**.

Where Y is the dependent variable (Bank competitiveness), X=Environment scanning. In summary, Bank competitiveness would vary because the conditions under which Environment scanning is employed in the Bank.

Table 7. Collinearity Diagnostics

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions	
				(Constant)	Environment Scanning
1	1	1.914	1.000	.04	.04
	2	.086	4.726	.96	.96
a. Dependent Variable: Bank Competitiveness					

The collinearity diagnostics reveal no evidence of multicollinearity in the regression model, as indicated by a low maximum condition index (4.726), which is far below commonly accepted critical thresholds. Furthermore, the variance proportions are not simultaneously high for the constant and the independent variable across the same dimension, confirming that environment scanning is statistically independent within the model structure and that the regression estimates are stable and reliable.

CONCLUSION

The study concludes that environmental scanning has a positive and statistically significant influence on the competitiveness of commercial banks in Burundi. The findings confirm that banks that actively and systematically engage in environmental scanning are more likely to achieve stronger competitive positioning. However, the moderate explanatory power indicates that other strategic and organizational factors also contribute to bank competitiveness.

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