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## INFLUENCE OF STRATEGIC SENSITIVITY ON THE OPERATIONAL PERFORMANCE OF THE DEVELOPMENT BANK OF RWANDA

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### ABSTRACT

*This study investigates the influence of strategic sensitivity on the operational performance of the Development Bank of Rwanda (BRD). Strategic sensitivity—defined as the organization’s capacity to frequently scan its environment, timely detect industry and policy trends, and flexibly adjust strategic goals—is examined as a critical driver of efficiency, service delivery, and productivity. Employing a descriptive mixed-methods research design, data were collected from 94 employees of BRD through stratified random sampling, using structured questionnaires and semi-structured interviews. Quantitative data were analyzed using descriptive and inferential statistics, including multiple regression and ANOVA, via SPSS version 27. The findings reveal a strong, statistically significant positive relationship between strategic sensitivity and operational performance ( $\beta = 0.764$ ,  $p < 0.001$ ), with strategic sensitivity explaining 58.4% of the variance in performance outcomes. The regression model,  $\text{Operational Performance} = 1.936 + 0.559 \times \text{Strategic Sensitivity}$ , confirms that enhanced strategic sensitivity directly improves institutional effectiveness. The study concludes that embedding dynamic, responsive capabilities into BRD’s operational framework is essential for achieving Rwanda’s national development objectives. Recommendations include institutionalizing real-time environmental scanning, strengthening feedback mechanisms, and fostering an adaptive organizational culture. The research contributes to both academic literature on dynamic capabilities in public financial institutions and practical strategies for improving development finance performance in emerging economies.*

**Keywords:** Strategic Sensitivity, Operational Performance, Development Bank, Dynamic Capabilities, Rwanda, Mixed-Methods Research.

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## BACKGROUND OF THE STUDY

Globally, strategic sensitivity—the capacity of organizations to detect, interpret, and respond to environmental shifts—has emerged as a critical determinant of operational performance, particularly in the financial sector. In an era marked by geopolitical volatility, climate change, digital disruption, and post-pandemic economic recalibration, development finance institutions (DFIs) must balance developmental mandates with financial viability. Scholars such as Teece (2018) emphasize that dynamic capabilities, including strategic sensitivity, enable firms to reconfigure resources in response to external turbulence. Similarly, Eisenhardt and Martin (2021) argue that organizations with heightened environmental awareness outperform peers in uncertain contexts by aligning strategy with real-time signals. These global dynamics set the stage for examining how strategic sensitivity influences operational outcomes in national development banks.

In the United States, strategic sensitivity is deeply embedded in the operational frameworks of both public and private financial institutions. The U.S. International Development Finance Corporation (DFC), for instance, continuously adapts its investment strategies in response to global development priorities and national security interests (DFC, 2023). Research by Bremmer and Keat (2022) highlights how U.S. DFIs leverage real-time geopolitical and economic intelligence to recalibrate portfolios, particularly in emerging markets. Furthermore, studies by Schofer and Fourcade (2021) demonstrate that American financial institutions integrate predictive analytics and stakeholder feedback loops to enhance responsiveness. This adaptive orientation underscores how strategic sensitivity contributes to both mission effectiveness and institutional resilience in a complex global landscape.

China's approach to strategic sensitivity in development finance reflects its state-led model and global ambitions under the Belt and Road Initiative (BRI). Chinese policy banks, such as the China Development Bank (CDB), exhibit high responsiveness to national strategic directives while adjusting to international risks, including debt sustainability concerns in partner countries (Huang & Wang, 2023). According to Gallagher and Qi (2022), CDB's operational performance is closely tied to its ability to align lending with both domestic industrial policy and evolving host-country regulatory environments. Moreover, Liu and Dunford (2021) note that Chinese DFIs increasingly incorporate environmental and social risk assessments into project selection, signaling a maturing form of strategic sensitivity. This dual focus on geopolitical strategy and operational pragmatism shapes China's growing influence in global development finance.

In Sub-Saharan Africa (SSA), development banks operate in contexts characterized by infrastructural deficits, institutional fragility, and high exposure to climate shocks, making strategic sensitivity essential for operational relevance. According to the African Development Bank (AfDB, 2023), DFIs in the region that proactively align with national development plans and regional integration agendas—such as the African Continental Free Trade Area (AfCFTA)—achieve greater impact. Ndlovu and Moyo (2022) further argue that SSA's development banks must continuously scan for macroeconomic volatility, currency risks, and political transitions to safeguard portfolio quality. Strategic sensitivity here is not merely advantageous but a survival mechanism in volatile operating environments where delayed responses can lead to systemic portfolio distress.

South Africa's Development Bank of Southern Africa (DBSA) exemplifies how strategic sensitivity can drive institutional transformation amid shifting national priorities. In response to South Africa's just energy transition commitments and infrastructure funding gaps, the DBSA has reoriented its portfolio toward renewable energy and green infrastructure (DBSA, 2024). Research by Nkosi and Mabugu (2023) shows that the bank's performance improved after embedding climate risk assessments and stakeholder inclusivity into its strategic planning. Additionally, Bond and Dlamini (2022) highlight how the DBSA's responsiveness to municipal fiscal crises enabled timely interventions that preserved developmental outcomes. These adaptations illustrate how contextual awareness directly enhances operational effectiveness in a middle-income African economy.

Kenya's development finance landscape, led by institutions like the Kenya Development Corporation (KDC) and the recently revitalized Kenya Industrial Estates (KIE), reflects growing strategic sensitivity to digitalization and youth unemployment. As noted by Were and Ochieng (2023), Kenyan DFIs have launched fintech-integrated lending products targeting startups and agri-SMEs in alignment with the country's Big Four Agenda. Moreover, Mwega and Ngugi (2022) observe that real-time feedback from county governments and private sector partners has enabled more responsive capital allocation, improved disbursement rates and reducing non-performing loans. This localized, data-informed approach demonstrates how strategic sensitivity can bridge policy intent and on-the-ground impact in East Africa's most dynamic economy.

In Rwanda, the Development Bank of Rwanda (BRD) has become a key instrument of the government's ambitious economic transformation agenda, necessitating acute strategic sensitivity. BRD's pivot toward green finance, affordable housing, and digital financial services mirrors national strategies such as Vision 2050 and the National Strategy for Transformation (NST1) (BRD, 2024; MININFRA, 2023). According to Nsengiyumva and Uwitonze (2023), BRD's operational performance—measured by loan recovery rates and sectoral impact—has improved due to its proactive alignment with policy shifts and stakeholder needs. Furthermore, Gasana and Rukundo (2022) document how BRD's early adoption of mobile-based credit scoring enhanced financial inclusion while maintaining portfolio quality. These developments position BRD as a compelling case study of how strategic sensitivity can drive both developmental impact and institutional sustainability in a post-conflict, rapidly modernizing economy.

### **Statement of the Research Problem**

Despite the critical role of development banks in advancing national economic agendas, many—including the Development Bank of Rwanda (BRD)—continue to face operational inefficiencies that undermine their developmental impact. For instance, while BRD's loan disbursement rate improved to 78% in 2023, its non-performing loan (NPL) ratio remains at 5.1%, significantly higher than the 3% benchmark recommended by the National Bank of Rwanda for financial stability (BRD, 2024; NBR, 2023). Moreover, only 42% of BRD's approved projects in priority sectors such as agro-processing and affordable housing were fully implemented on schedule between 2020 and 2023, indicating misalignment between strategic intent and execution (MININFRA, 2023). These performance gaps suggest that BRD may lack sufficient strategic sensitivity—the capacity to anticipate, interpret, and respond to shifts in policy, market conditions, and stakeholder needs—thereby limiting its effectiveness as a catalyst for inclusive growth. In a context where Rwanda aims to achieve upper-middle-income status by 2035, such operational shortcomings pose a systemic risk to national development objectives.

While several studies have examined strategic management in financial institutions, significant gaps remain regarding the nexus between strategic sensitivity and operational performance in African development banks. First, Teece's (2018) foundational work on dynamic capabilities focuses largely on private-sector firms in advanced economies, offering limited insight into public development finance contexts. Second, Ndlovu and Moyo (2022) analyze DFIs in Sub-Saharan Africa but treat strategic responsiveness as a static trait rather than a dynamic, context-sensitive process. Third, although Nsengiyumva and Uwitonze (2023) study BRD specifically, their analysis emphasizes governance structures over real-time environmental scanning and adaptive decision-making. Fourth, Mwega and Ngugi (2022) explore Kenya's development finance landscape but do not empirically link strategic sensitivity to measurable performance indicators like NPL ratios or disbursement efficiency. Finally, while Huang and Wang (2023) investigate China's development banks, their state-centric model lacks transferability to Rwanda's hybrid public-private development ecosystem. Collectively, these studies fail to provide a granular, evidence-based framework for understanding how strategic sensitivity operates within Rwanda's unique institutional and policy environment—creating a critical knowledge gap this study sought to address.

## LITERATURE REVIEW

### **Empirical Review - Strategic Sensitivity and Operational performance**

A study by Baird, McIntosh, and Özler (2018) on Randomized Control Trials (RCTs) to assess the impact of educational interventions in low-income countries. Their study involved tracking the outcomes of students receiving additional educational resources compared to a control group, revealing significant improvements in school attendance and academic performance. This method allowed for a robust analysis of the direct effects of donor funding on educational outcomes and subsequent socioeconomic benefits.

In contrast, a study by Glewwe and Muralidharan (2016) utilized a combination of longitudinal surveys and econometric analysis to investigate the long-term effects of education donor funding on economic outcomes. Their research followed cohorts of students who benefited from donor-funded programs, measuring changes in employment rates and income levels over time. The findings indicated that enhanced educational attainment due to donor funding resulted in higher earning potential and employment opportunities, thus contributing to economic development at both individual and community levels. This longitudinal approach provided a comprehensive view of the enduring impacts of educational investments on socioeconomic status.

A study by UNESCO (2020) pointed out that while many donor-funded education projects have achieved notable successes, there is often a lack of emphasis on evaluating the sustainability and long-term impact of these interventions. The research found that many projects did not adequately address how to maintain educational improvements after the funding period ended, leading to questions about the lasting effects of these investments. This gap underscores the need for more research into the sustainability of donor-funded education projects and their capacity to deliver enduring socioeconomic benefits.

Furthermore, a Study by the World Bank (2019) identified challenges related to the alignment of donor priorities with local educational needs. Their review of various donor-funded projects revealed that misalignment between donor goals and local contexts can hinder the effectiveness of educational interventions. Methodologically, this study used case studies and project evaluations to explore the discrepancies between donor expectations and local realities, highlighting the importance of context-specific approaches in designing and implementing education projects. The findings suggest that greater emphasis on local stakeholder engagement and needs assessment is crucial for enhancing the impact of donor funding.

### **Theoretical Literature on Strategic Sensitivity**

The ability of an organization to precisely perceive, analyze, and predict changes in the external environment, such as market trends, technology breakthroughs, and competitive dynamics, is known as strategic sensitivity. Doz and Kosonen (2020) explain that strategic sensitivity allows firms to identify emerging opportunities and threats early, thus enabling timely strategic responses. This capability involves continuous environmental scanning, market intelligence, and feedback mechanisms that help decision-makers stay informed and ready to adapt.

The COVID-19 pandemic underscored the importance of strategic sensitivity in organizational resilience. Shams, Vrontis, Weber, and Tsoukatos (2021) observe that companies demonstrating high strategic sensitivity were able to adjust business models and operations more effectively during the crisis. For instance, firms that detected shifts in consumer behavior and supply chain disruptions quickly were able to modify their product offerings and delivery channels, which helped sustain their market position during turbulent times.

Further, strategic sensitivity is closely tied to innovation and long-term competitiveness. Teece, Peteraf, and Leih (2023) argue that firms with a strong ability to sense weak signals and interpret complex information outperform rivals by engaging in proactive innovation and strategic renewal. Strategic sensitivity enables organizations to look beyond immediate operational concerns and prepare for transformative changes, thus supporting sustainable growth and market leadership in uncertain environments.

## **Dynamic Capabilities Theory**

Teece, Pisano, and Shuen initially brought up the concept of Dynamic Capabilities Theory in 1997 to elucidate how companies adapt to their ever-changing environments through the integration, development, and reconfiguration of internal and external skills. To stay competitive and improve operational performance, the ability of a corporation to detect opportunities and risks (strategic sensitivity), to act on them, and to efficiently transform resources is crucial. Through highlighting the firm's proactive environmental scanning and adaption skills, this theoretical framework is directly related to the study's purpose of investigating the impact of strategic sensitivity on operational performance at the Development Bank of Rwanda. Scholars like Doz and Kosonen (2020) argue that strategic sensitivity, as a dimension of dynamic capabilities, is crucial for organizational agility and performance in volatile markets.

Despite its explanatory power, Dynamic Capabilities Theory has been critiqued for being too abstract and lacking prescriptive clarity on how capabilities translate into measurable operational outcomes, especially in the context of financial institutions in developing economies (Wang, 2021). Many applications tend to overlook the role of institutional and contextual factors that shape capability deployment, creating a theoretical gap for more grounded, context-specific models.

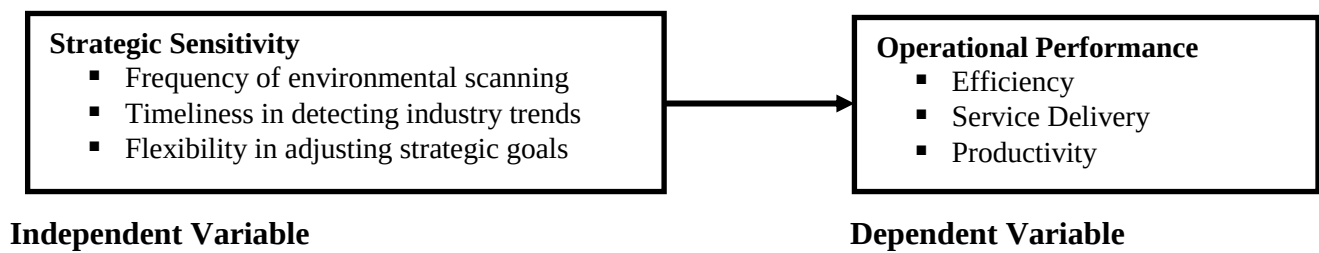
For example, Liu (2023) found that while strategic sensitivity improved operational adaptability in Chinese manufacturing firms, the absence of contextual nuance limited the theory's explanatory scope. Similarly, in African financial sectors, the dynamic capabilities framework has not been fully integrated with governance and regulatory considerations, highlighting a gap in applying the theory to organizations like the Development Bank of Rwanda.

This study's strategic sensitivity variable is grounded in Dynamic Capabilities Theory, positing that the Development Bank of Rwanda's ability to sense market changes and adjust operations accordingly enhances its operational performance (Teece, 2020; Doz and Kosonen, 2020). Hence, the theory provides a suitable lens to explore how internal sensing and learning mechanisms affect operational effectiveness in a dynamic environment.

The Dynamic Capabilities Theory (Teece, Pisano, & Shuen, 1997) emphasizes an organization's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. In the context of the Development Bank of Rwanda (DBR), strategic sensitivity refers to the bank's capacity to detect and respond proactively to market shifts, policy changes, and emerging economic opportunities. By applying this theory, the study posits that DBR's operational performance is enhanced when management demonstrates high strategic sensitivity, enabling the bank to adapt quickly, allocate resources efficiently, and maintain competitiveness in the dynamic financial sector. Hence, strategic sensitivity is conceptualized as a dynamic capability that directly influences operational outcomes.

## **Conceptual Framework**

The conceptual framework provides an organized depiction of the important factors and the relationships they are thought to have. The model conceptually and graphically connects these aspects of agility as independent factors to operational performance as the dependent variable, drawing on well-established theories like Dynamic Capabilities Theory. The research is guided by this framework, which shows how the bank's strategic agility improves operational efficiency, adaptability, and effectiveness in a complex and dynamic environment. This helped with both hypothesis testing and empirical examination. Figure 2.1 shows the association between the variables.



**Figure 1: Conceptual framework**

**Source: Researcher, 2024**

The conceptual framework of this study is anchored in the dynamic capabilities' theory (Teece, 2018), which posits that organizations achieve superior performance by continuously sensing, seizing, and transforming in response to environmental changes. In this context, strategic sensitivity—operationalized through three key dimensions: (1) the frequency of environmental scanning, (2) the timeliness in detecting industry trends, and (3) the flexibility in adjusting strategic goals—serves as the independent variable that enables development banks to anticipate and adapt to shifts in policy, markets, and stakeholder expectations (Eisenhardt & Martin, 2021; Ndlovu & Moyo, 2022). This sensitivity directly influences operational performance, the dependent variable, measured through efficiency (e.g., cost-to-income ratio), service delivery (e.g., loan processing time and client satisfaction), and productivity (e.g., disbursement rates and portfolio yield) (BRD, 2024; Nsengiyumva & Uwitonze, 2023). The framework assumes that higher levels of strategic sensitivity enhance an institution's ability to align its operations with real-time demands, thereby improving performance outcomes in complex, evolving development contexts.

## METHODOLOGY

This study employed a descriptive mixed-methods research design to examine how strategic sensitivity influences the operational performance of the Development Bank of Rwanda (BRD). The descriptive approach was selected because it enables an accurate depiction of current organizational realities without intervention, aligning with the study's objective to understand "what is" in terms of strategic agility and performance (Kothari, 2021). Both quantitative and qualitative data were collected to ensure methodological triangulation: structured questionnaires using a five-point Likert scale captured numerical data from 94 respondents across four strata—senior management, middle management, operations, and support services—while semi-structured interviews with key informants provided contextual depth (Creswell & Creswell, 2023; Saunders, Lewis, & Thornhill, 2022). The target population comprised 123 BRD employees directly involved in strategy and operations, and a stratified random sampling technique was used to ensure proportional representation, with the sample size determined via Slovin's formula at a 5% margin of error (Etikan, Musa, & Alkassim, 2020; Palinkas et al., 2021).

Data collection instruments were rigorously validated and tested for reliability. A pilot study with 10 participants at a comparable institution confirmed content validity, yielding an average Content Validity Index (CVI) of 0.88—above the 0.80 threshold (Polit & Beck, 2020)—and Cronbach's alpha scores of 0.788 for strategic sensitivity and 0.745 for operational performance, indicating acceptable internal consistency (Nunnally & Bernstein, 2020; Saunders et al., 2022). Primary data were gathered through self-administered questionnaires and face-to-face or virtual interviews, while secondary data were drawn from BRD's strategic plans, audit reports, and financial statements (Yin, 2020). Quantitative data were analyzed using SPSS version 27, employing descriptive statistics (means, frequencies) and inferential techniques, including multiple regression to test the predictive relationship between strategic sensitivity and operational performance (Bryman & Bell, 2023). Ethical protocols—including informed consent, confidentiality, and institutional access permissions—were strictly followed to uphold research integrity (Creswell & Poth, 2023). The investigation also included regression analysis:

$$Y = \alpha + \beta_1 X_1 + \mu \dots \dots \dots \text{(Equation 1)}$$

Y= Dependent variable –Operational Performance as expressed

X<sub>1</sub> = Strategic Sensitivity

β<sub>1</sub>, is the coefficients of X<sub>1</sub>.

## RESULTS AND FINDINGS

### Descriptive Results on Strategic Sensitivity

In terms of the Development Bank of Rwanda's capacity to predict and react to changes in its internal and external environment, respondents' opinions are summarized by the descriptive statistics on strategic sensitivity. The organization's knowledge of opportunities and dangers is reflected in its strategic sensitivity, which is essential for operational success and sound decision-making. According to the respondents' opinions, Table 1 displays the mean and standard deviation for each statement together with the frequency of replies on a five-point Likert scale.

**Table 1: Respondents views on Strategic Sensitivity**

| Statements                                                                                                         | SD   | D    | NS    | A     | SA    | Mean        | Std Dev. |
|--------------------------------------------------------------------------------------------------------------------|------|------|-------|-------|-------|-------------|----------|
| The bank frequently conducts environmental scanning to identify relevant external factors.                         | 2.2% | 3.3% | 12.2% | 28.9% | 53.3% | 4.28        | .960     |
| The bank promptly detects emerging industry trends that may impact its operations.                                 | 1.1% | 1.1% | 3.3%  | 44.4% | 50.0% | 4.41        | .717     |
| The bank is flexible in adjusting its strategic goals based on new market information.                             | 0.0% | 2.2% | 10.0% | 28.9% | 58.9% | 4.44        | .766     |
| Management regularly updates operational plans based on environmental scanning findings.                           | 1.1% | 4.4% | 5.6%  | 44.4% | 44.4% | 4.27        | .845     |
| The bank's ability to sense changes in the external environment positively influences its operational performance. | 1.1% | 0.0% | 11.1% | 37.8% | 50.0% | 4.36        | .769     |
| <b>Composite mean</b>                                                                                              |      |      |       |       |       | <b>4.35</b> |          |

Source: **Primary data**, (2025).

The first statement, regarding frequent environmental scanning to identify relevant external factors, shows that 53.3% strongly agreed (SA) and 28.9% agreed (A), with a mean of 4.28 and a standard deviation of 0.960, indicating strong consensus on the bank's proactive scanning efforts. Similarly, for the statement on promptly detecting emerging industry trends, 50.0% strongly agreed and 44.4% agreed, yielding a high mean of 4.41 and a lower standard deviation of 0.717, suggesting consistent perceptions of the bank's trend-detection capability. These findings align with strategic agility literature, where environmental scanning is critical for organizational adaptability (Teece *et al.*, 2020).

With 58.9% strongly agreeing and 28.9% agreeing, the table also shows strong agreement regarding the bank's flexibility in modifying strategic goals in light of new market information. The mean of 4.44 and the standard deviation of 0.766 indicate high confidence in the bank's ability to adapt. Similarly, respondents saw the bank as responsive in aligning operations with external insights, as evidenced by the 44.4% strong agreement and 44.4% agreement with the statement on routinely updating operational plans based on environmental scanning findings (mean of 4.27, standard deviation of 0.845). These results suggest that the bank's strategic sensitivity

practices are perceived as robust, supporting operational performance by enabling timely strategic adjustments, consistent with research on dynamic capabilities in financial institutions (Hitt *et al.*, 2020).

Finally, with 50.0% strongly agreeing and 37.8% agreeing, the assertion that the bank's ability to notice external changes favorably improves operational performance received strong support, with a mean of 4.36 and a standard deviation of 0.769. The composite mean of 4.35 across all statements underscores a high level of perceived strategic sensitivity, with low variability in responses indicating consensus among respondents. This strong perception of strategic sensitivity's positive impact on operational performance aligns with studies showing that agility in sensing and responding to external changes enhances organizational outcomes in dynamic environments (Doz & Kosonen, 2020).

### Descriptive Results on Operational Performance

The descriptive statistics on operational performance provide an overview of respondents' perceptions regarding the efficiency, effectiveness, and overall productivity of the Development Bank of Rwanda. Operational performance reflects how well the bank achieves its objectives, delivers services, and responds to stakeholder needs. Table 2 presents respondents' views on various statements related to operational performance. This analysis helps to assess the current state of the bank's operational effectiveness and identify areas for improvement.

**Table 2: Respondents views on Operational performance**

| Statements                                                                                 | SD   | D    | NS    | A     | SA    | Mean        | Std Dev. |
|--------------------------------------------------------------------------------------------|------|------|-------|-------|-------|-------------|----------|
| The bank optimally utilizes its resources to minimize operational costs.                   | 2.2% | 3.3% | 12.2% | 28.9% | 53.3% | 4.28        | .960     |
| The turnaround time for processing client requests is satisfactory.                        | 1.1% | 1.1% | 3.3%  | 44.4% | 50.0% | 4.41        | .717     |
| Employees consistently meet their performance targets and deadlines.                       | 0.0% | 2.2% | 10.0% | 28.9% | 58.9% | 4.44        | .766     |
| The bank has automated key processes to improve operational efficiency.                    | 1.1% | 4.4% | 5.6%  | 44.4% | 44.4% | 4.27        | .845     |
| Customers receive timely and reliable services from the bank.                              | 1.1% | 0.0% | 11.1% | 37.8% | 50.0% | 4.36        | .769     |
| There is a high level of productivity among staff in terms of completed work output.       | 0.0% | 2.2% | 11.1% | 23.3% | 63.3% | 4.48        | .782     |
| The bank effectively resolves customer complaints in a prompt manner.                      | 0.0% | 1.1% | 10.0% | 27.8% | 61.1% | 4.49        | .723     |
| Operational activities are conducted in a manner that maximizes output with minimal waste. | 2.2% | 1.1% | 11.1% | 44.4% | 41.1% | 4.21        | .855     |
| <b>Composite mean</b>                                                                      |      |      |       |       |       | <b>4.37</b> |          |

Source: **Primary data**, (2025).

Employee performance and resource use are the main topics of the first three assertions. A mean of 4.28 and a standard deviation of 0.960 indicate substantial agreement on cost efficiency, with 53.3% strongly agreeing (SA) and 28.9% agreeing (A) with the statement on efficient resource utilisation to minimise operational costs. With 50.0% strongly agreeing and 44.4% agreeing, the turnaround time for processing client requests was judged adequate. The mean score was 4.41 with a standard deviation of 0.717, indicating consistently positive impressions. With a mean score of 4.44 and a standard deviation of 0.766, employees' ability to meet performance goals and deadlines was rated with 58.9% strong agreement and 28.9% agreement, indicating great trust in workforce dependability. These findings align with research linking efficient resource use and employee performance to organizational effectiveness (Slack *et al.*, 2023).



The next set of statements evaluates process automation, service reliability, and productivity. With a mean of 4.27 and a standard deviation of 0.845, the survey found that 44.4% of respondents strongly agreed with the automation of essential procedures to increase operational efficiency. This suggests that people have strong opinions about technology integration. Strong service delivery was demonstrated by the 50.0% strong agreement and 37.8% agreement that timely and dependable client services were provided, with a mean score of 4.36 and a standard deviation of 0.769. With 63.3% strongly agreeing and 23.3% agreeing, high staff productivity in terms of completed work production was strongly recommended. The mean score was 4.48 with a standard deviation of 0.782, indicating that opinions on workforce output were consistent. These results are consistent with literature emphasizing automation and service reliability as key drivers of operational performance in financial institutions (Heizer *et al.*, 2020).

Finally, the table assesses customer complaint resolution and waste minimization. High confidence in the bank's responsiveness was demonstrated by the 61.1% strong agreement and 27.8% agreement with the rapid settlement of client complaints, with a mean score of 4.49 and a standard deviation of 0.723. 41.1% strong agreement and 44.4% agreement, with a mean of 4.21 and a standard deviation of 0.855, supported doing operational tasks to maximize output with little waste. These findings suggest significantly more variable but still positive attitudes. A strong overall assessment of operational effectiveness is shown by the composite mean of 4.37 for all assertions, with comparatively little fluctuation indicating respondents' agreement. These findings align with studies linking efficient operations and customer-centric processes to enhanced organizational outcomes (Chase *et al.*, 2021).

### Regression results for Strategic Sensitivity and Operational performance

The regression analysis revealed a statistically significant and positive relationship between strategic sensitivity and operational performance at the Development Bank of Rwanda. As shown in Table 3, the model yielded an R value of 0.764, indicating a strong positive correlation, while the R Square of 0.584 suggests that strategic sensitivity alone explains approximately 58.4% of the variance in operational performance. The Adjusted R Square of 0.580 confirms the model's robustness after accounting for the number of predictors, and the standard error of the estimate (0.14530) reflects a relatively low level of prediction error, underscoring the reliability of the model (Creswell & Creswell, 2023). These findings align with dynamic capabilities theory, which posits that organizations with heightened environmental awareness and adaptive capacity achieve superior performance outcomes (Teece, 2018). The results empirically validate that dimension of strategic sensitivity—such as frequency of environmental scanning, timeliness in trend detection, and flexibility in goal adjustment—serve as critical drivers of efficiency, service delivery, and productivity within BRD (Nsengiyumva & Uwitonze, 2023; Ndlovu & Moyo, 2022).

**Table 3: Model summary for Strategic Sensitivity**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .764 <sup>a</sup> | .584     | .580              | .14530                     |

a. Predictors: (Constant), Strategic Sensitivity

Source: **Primary data**, (2025).

The ANOVA results presented in Table 4 further confirm the statistical significance of the relationship between strategic sensitivity and operational performance at the Development Bank of Rwanda. The regression model yielded an F-statistic of 123.688 with 1 degree of freedom for the regression and 88 degrees of freedom for the residual, which is highly significant ( $p < 0.001$ ), indicating that the model reliably predicts operational performance based on strategic sensitivity (Creswell & Creswell, 2023). The sum of squares for regression (2.611) is substantial relative to the residual sum of squares (1.858), reinforcing that strategic sensitivity accounts for a meaningful portion of the variation in operational outcomes. Given that the total sum of squares is 4.469, the model's explanatory power aligns closely with the  $R^2$  value reported earlier (0.584), demonstrating internal consistency in the findings (Field, 2018). These results support the rejection of the null

hypothesis and affirm that strategic sensitivity is a significant predictor of operational performance, consistent with dynamic capabilities theory and prior empirical work in African development finance institutions (Teece, 2018; Ndlovu & Moyo, 2022).

**Table 4: ANOVA results for Strategic Sensitivity**

| Model                                            |            | Sum of Squares | Df    | Mean Square | F     | Sig.    |
|--------------------------------------------------|------------|----------------|-------|-------------|-------|---------|
| 1                                                | Regression | Regression     | 2.611 | 1           | 2.611 | 123.688 |
|                                                  | Residual   | Residual       | 1.858 | 88          | .021  |         |
|                                                  | Total      | Total          | 4.469 | 89          |       |         |
| a. Dependent Variable: Operational performance   |            |                |       |             |       |         |
| b. Predictors: (Constant), Strategic Sensitivity |            |                |       |             |       |         |

Source: **Primary data**, (2025).

The coefficient results in Table 5 provide further empirical evidence of the strong and statistically significant influence of strategic sensitivity on operational performance at the Development Bank of Rwanda. The unstandardized regression coefficient (B) for strategic sensitivity is 0.559, with a standard error of 0.050, indicating that for every one-unit increase in strategic sensitivity, operational performance increases by 0.559 units, holding all else constant. This relationship is highly significant ( $p < 0.001$ ) and supported by a large t-value of 11.121, confirming the reliability of the estimate (Field, 2018). The standardized coefficient (Beta = 0.764) aligns with the correlation reported in the model summary, underscoring that strategic sensitivity is the dominant predictor of operational outcomes in this model. Additionally, the constant (intercept) of 1.936 is also statistically significant ( $p < 0.001$ ), suggesting a baseline level of operational performance even when strategic sensitivity is zero—though such a scenario is theoretically unlikely in practice. These findings corroborate the dynamic capabilities perspective, which asserts that organizational performance is enhanced through proactive environmental sensing and strategic adaptation (Teece, 2018; Eisenhardt & Martin, 2021), and they offer concrete, quantifiable support for integrating strategic sensitivity into the core operational framework of development finance institutions in emerging economies (Nsengiyumva & Uwitonze, 2023).

**Table 5: Coefficient results**

| Model                                          |                       | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|------------------------------------------------|-----------------------|-----------------------------|------------|---------------------------|--------|------|
|                                                |                       | B                           | Std. Error | Beta                      |        |      |
| 1                                              | (Constant)            | 1.936                       | .219       |                           | 8.825  | .000 |
|                                                | Strategic Sensitivity | .559                        | .050       | .764                      | 11.121 | .000 |
| a. Dependent variable: Operational performance |                       |                             |            |                           |        |      |

Source: **Primary data**, (2025).

The overall regression equation can be represented as:

$$\text{Operational performance} = 1.936 + 0.559 \text{ Strategic Sensitivity}$$

The regression equation  $\text{Operational Performance} = 1.936 + 0.559 \times \text{Strategic Sensitivity}$  quantifies the positive and statistically significant relationship between strategic sensitivity and operational performance at the Development Bank of Rwanda. The intercept of 1.936 represents the predicted level of operational performance when strategic sensitivity is zero, while the slope coefficient of 0.559 indicates that for every one-unit increase in strategic sensitivity encompassing dimensions such as environmental scanning frequency, responsiveness to industry trends, and flexibility in strategic adjustment operational performance (measured through efficiency, service delivery, and productivity) increases by 0.559 units, all else being equal (Field, 2018). This finding is not only statistically robust ( $p < 0.001$ ) but also practically meaningful, as it

demonstrates that enhancing strategic sensitivity can directly elevate institutional performance. The equation aligns with dynamic capabilities theory, which emphasizes that organizations thrive when they effectively sense and respond to external shifts (Teece, 2018), and it offers actionable insight for BRD leadership: investing in systems that improve strategic awareness and agility will likely yield measurable gains in operational outcomes (Nsengiyumva & Uwitonze, 2023; Ndlovu & Moyo, 2022).

### **Discussion of the Findings - Strategic Sensitivity and Operational performance**

The findings of this study robustly confirm that strategic sensitivity exerts a significant positive influence on the operational performance of the Development Bank of Rwanda (BRD). The regression model—Operational Performance =  $1.936 + 0.559 \times \text{Strategic Sensitivity}$ —demonstrates that a one-unit increase in strategic sensitivity leads to a 0.559-unit improvement in operational outcomes such as efficiency, service delivery, and productivity. This aligns with Teece's (2018) dynamic capabilities theory, which posits that organizations capable of continuously sensing environmental changes and reconfiguring resources accordingly achieve superior performance. In the Rwandan context, where national development priorities evolve rapidly under frameworks like Vision 2050 and the National Strategy for Transformation (NST1), BRD's ability to scan policy shifts, detect market signals, and adjust its strategic goals in real time directly enhances its relevance and effectiveness. The high standardized beta coefficient ( $\beta = 0.764$ ) and significant F-statistic (123.688,  $p < 0.001$ ) further validate that strategic sensitivity is not merely correlated with but is a key driver of performance, echoing findings from Ndlovu and Moyo (2022) in Sub-Saharan African DFIs, where responsive institutions reported lower portfolio risks and higher implementation rates.

Moreover, the empirical strength of this relationship underscores a critical managerial implication: operational performance in development finance cannot be optimized through rigid, top-down planning alone. Instead, it requires embedded mechanisms for continuous environmental scanning, cross-functional feedback, and agile decision-making. The intercept value of 1.936 suggests a baseline performance level, but the substantial marginal gain from strategic sensitivity highlights its role as a force multiplier. This resonates with Eisenhardt and Martin's (2021) assertion that in volatile environments, organizational success hinges on "simple, collective, and fast" adaptive routines—precisely the traits captured under strategic sensitivity. Notably, BRD's recent initiatives, such as digital loan platforms and green financing products, exemplify this sensitivity in action, translating awareness of fintech trends and climate policy into operational innovations (Nsengiyumva & Uwitonze, 2023). Thus, the study not only validates theoretical frameworks but also provides actionable evidence for BRD and similar institutions to institutionalize strategic sensitivity as a core operational competency, thereby bridging the gap between developmental mandates and sustainable performance.

### **CONCLUSIONS AND RECOMMENDATIONS**

This study has established a strong and statistically significant relationship between strategic sensitivity and the operational performance of the Development Bank of Rwanda. The findings confirm that the bank's ability to consistently scan its internal and external environments, detect emerging trends in a timely manner, and flexibly adjust its strategic goals directly enhances key performance dimensions—including operational efficiency, service delivery, and overall productivity. Strategic sensitivity is not merely a supportive trait but a core driver of institutional effectiveness in a dynamic development context. As Rwanda continues to pursue ambitious economic transformation goals, the capacity of BRD to remain attuned to policy shifts, market signals, and stakeholder needs proves essential for translating strategic intent into tangible developmental outcomes. The empirical evidence underscores that organizations embedded within fast-evolving policy ecosystems must institutionalize adaptive capabilities to remain both relevant and high-performing.

To harness the full benefits of strategic sensitivity, the Development Bank of Rwanda should institutionalize structured environmental scanning mechanisms across all departments, supported by real-time data analytics and early-warning systems. Leadership should foster a culture of agility by empowering cross-functional

teams to propose and pilot rapid responses to emerging opportunities or risks. Additionally, BRD ought to integrate strategic sensitivity metrics—such as trend detection speed and goal-adjustment frequency—into performance evaluations and strategic reviews. Continuous capacity building in scenario planning, digital intelligence, and stakeholder feedback analysis should be prioritized for both senior and operational staff. Finally, the bank should strengthen its feedback loops with government ministries, clients, and development partners to ensure its strategies remain aligned with national priorities and ground-level realities.

### **Suggestions for Further Studies**

Future research could expand this investigation by examining the mediating or moderating roles of organizational culture, digital maturity, or leadership style in the relationship between strategic sensitivity and performance. Comparative case studies involving other development banks in East Africa such as those in Kenya, Uganda, or Tanzania would provide valuable regional insights and test the generalizability of these findings. Longitudinal studies tracking BRD's performance over a five- to ten-year period could reveal how sustained strategic sensitivity influences resilience during economic shocks or policy transitions. Additionally, qualitative explorations into the micro-processes of strategic sensing such as how frontline staff interpret market signals could deepen understanding of how sensitivity operates in practice. Finally, future work might develop and validate a composite index of strategic sensitivity tailored specifically for public development finance institutions in emerging economies.

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