

## Understanding Firm Performance: Does Opportunity Sensing Capability Matter?

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**Abstract:** From one fiscal year to the next, the banking sector's performance has varied. This is a result of falling interest income, escalating bank and non-bank rivalry, and technology advancements with their corresponding need for product enhancement. Although ABSA Bank enjoys a sound asset base, its market share was 6.69% as compared to that of KCB at 14.2% in 2022. It is the fifth-best bank after KCB, Equity, NCBA, and Co-operative Bank. The performance of the banks also declined in the following years: 2019, 2020, 2021, and 2022, which manifested itself in the client base, credit accounts, the quality of assets, market share, and customer account deposits. In addition, the banks had slow growth in net advances and loans as well. This suggests that the bank's firm performance has not been outstanding. In light of this, the study examined the effect of opportunity sensing capability on firm performance of ABSA Bank in Nairobi City County, Kenya. The variables of the study were built on the theories of dynamic capability theory and network capability Theory. The research methodology chosen was descriptive. A structured questionnaire was used to gather data from managers at senior, business, and functional levels. Data analysis employed both descriptive and inferential statistics. ABSA Bank is constantly looking for fresh business opportunities in the area. The study confirmed that opportunity sensing capability affects firm performance of ABSA bank. In light of the study's findings, it is recommended that ABSA Bank concentrate its efforts on maximising the use of relational trust and encouraging employee participation in public forums to improve on its opportunity sensing capability.

**Keywords:** Opportunity Sensing, Opportunity Sensing Capability and Firm Performance

### 1. INTRODUCTION

Globalization and shifting financial circumstances have forced contemporary banking to continue to develop. Numerous financial crises and accounting scandals that occurred on a worldwide scale have the potential to undermine investors' faith in financial reports and bring about criticism of corporate performance (Akeju & Babatunde, 2017). Chang, Dasgupta, and Hilary (2019) contended that during financial crisis, commercial banks that fail to leverage their resources and management capability are likely to experience performance challenges.

The capacity of managers to create revenue via their work is measured by their banking performance. Selvam, Gayathri, Vasanth, Lingaraja, and Marxiaoli (2016) explained that management skills have a direct impact on operational and financial outcomes in UK banking performance, which is a component of organizational success. The main international institutions and banks were compelled to lower their growth projections for the years 2019 to 2022 as a result of Covid 19's incursion (Elnahass, Trinh, & Li, 2021).

According to Schroeder (2021), 7.3% of lenders were unprofitable as a result of the economy's decline, and more than half of US banks reported declining earnings. As a result, lenders were forced to write down past-due liabilities and set aside billions of dollars to guard against potential losses. Schroeder asserts that banks with poor management skills—defined as a failure to recognise, seize, and innovatively repurpose opportunities—saw a 7.3% month-over-month increase in the amount of non-current loans. This growth was the greatest since 2010 overall. According to Schröder (2001), US commercial bank managers took initiative and saw opportunities, setting aside \$38.8 billion, an increase of more than 280 percent from 2018 to 2022, to protect against any potential future loan losses.

The COVID-19 pandemic, which resulted in \$224 billion in losses, may require Chinese bank management to set aside billions of dollars to repay loans, claims Somasundaram (2020). Due to weak loan demand and losing market share, the majority of bank managers in China have remained in their posts in an attempt to recover from their losses. The declining economy and the trade spat with the US were already putting pressure on Chinese banks' balance sheets before COVID-19. Somasundaram (2020) estimated that the coronavirus epidemic cost the Chinese banking sector \$224 billion in provisions and \$497 billion in non-performing loans.

The profitability of China's five biggest Mainland commercial banks saw its first decline since the global financial crisis, despite the country's GDP declining by 6.8% from the first quarter of 2020 and increasing by 3.2 percent in the second, Lee & Ren, (2020). Bank management abilities have been heavily credited for the resurgence of the abovementioned commercial banks (Dzinkowski, 2022). Recent technology problems at Indonesia's Bank Mandiri resulted in the loss of customer data, causing anxiety among stakeholders, particularly consumers and shareholders, and potentially threatening the bank's long-term performance if not appropriately addressed by banking management.

Intense competitive pressures are a consequence of the significant changes being made to the global banking environment by structural, technological, and regulatory dynamics (Grigoroudis, Politis, & Siskos, 2022). The banking business is seeing a growing level of competition as a consequence of the expansion and standardization of the goods provided by banks to their clients. The provision of high-quality services has been connected to long-term customer relationships (Rust & Oliver, 2018; Awan & Michael, 2019). Banking has evolved into an information market as a result of the development of modern technological tools, management talents, and the power of information (Lamb, 2022). The unpredictability in the world's economic climate has forced and urged banks to use information management to identify and seize opportunities, then streamline procedures to gain a competitive edge (Dzinkowski, 2022). For banks to have a competitive edge, managerial talent of opportunity sensing is still essential and helpful. A bank would have a stronger competitive advantage if it had the ability sense opportunities.

In the current economic environment, where banks have undergone different changes that have generated possibilities but also increased competition, the banking sector in Nigeria is under pressure (Johnson & Scholes, 2019). Nigerian commercial bank managers have been monitoring the market for opportunities and dangers related to the current status of the business on a deliberate basis in order to align their strategies with market circumstances and organizational capabilities. They have been able to perform well in this setting thanks to this. According to Akoth (2018), the level of concurrence, stakeholder management, political climate, business legal regime, inadequate opportunity sensing capability, and advancing technology have all influenced the success of these commercial banks. Banks must be fully informed of any external economic developments that have a direct or indirect impact on their business since they will eventually affect consumer behavior (Johnson & Scholes, 2020). Management of the bank must modify its plan of action to stay afloat when circumstances shift opportunity sensing capability abilities.

Due in part to the Central Bank of Kenya's (CBK) strict regulatory oversight, the banking sector in Kenya has benefited from solid fundamentals. There were several challenges the financial sector faced in 2016. The unrest that erupted in South Sudan, where many banks, especially Kenya Commercial Bank (KCB) and Equity Bank Group, were operating effectively, is one example of how external factors have impacted performance. Despite the fact that the country's lenders have a positive outlook for the future, concerns have been raised about short-term outcomes in general since the 2016 restriction on bank lending rates (CBK, 2021). The most advanced banking sector in the region is found in Kenya, according to the European Investment Bank (2013). With the exception of Mauritius, Nigeria. They did so and South Africa, it has the fourth largest financial system in sub-Saharan Africa.

Despite this, Kenyan bank managers continue to be able to tailor their offerings to customers' needs, which has allowed the nation to reach 75% of the highest rate of financial inclusion in the developing world (Deloitte, 2018). While sector-specific issues may have temporarily slowed development, Kenyan banks appear to have solid and stable foundations in the long run. The problem with management competencies cannot be overstated, despite the fact that Kenya's banks are expanding quickly, are transparent, innovative, and more well-regulated than ever. Customers' trust in our banking sector will increase as a result, enhancing performance.

Flexible operations enable firms to flourish in rapidly changing environments, such as developing new products, establishing business partnerships, and making strategic decisions (Eisenhardt & Martin, 2022). Diverse abilities are rearranged by managers in line with shifting strategies. Many firms share complex skills, and they are often used as examples of best practices. Diverse resources are valuable because they may be arranged in many ways, not because of their inherent skills. Depending on how dynamic the market is, their impact may change. Both successful inventions and more common emerging markets are common in unstable and competitive markets. The ability of management to identify and reorganize them to better suit changing market conditions as well as continuing skill-building and learning processes determines the growth of various capabilities (Winter, 2020).

### 1.1. Firm Performance

Siminica (2008) acknowledges that the two factors that affect performance are effectiveness and efficiency. Colase (2009) claims that performance is a blanket term that encompasses a range of concepts, which involves revenue growth, financial return, efficiency, productivity, and competitiveness. According to Bartoli and Blatrix (2015), factors like piloting, assessment, which is efficiency, effectiveness, and quality should be used to achieve the notion of performance. As a result, different worldviews have different perspectives on it.

Performance is an organization's capacity to capitalize on its surroundings by making use of the limited resources that are at its disposal. Therefore, an organization would define effective performance as utilizing its resources to the fullest in order to accomplish its goals. Paying employees insufficient wages and spending less on social programs like employee housing options, corporate social responsibility, and charitable donations were some of the strategies used (Pearce & Robinson, 2009).

One aspect of measuring firm performance is comparing a company's performance to its goals and objectives. When analyzing a firm's performance, the anticipated results and the actual results are contrasted. Upadhaya, Munir, and Blount (2016) claim that the study's main focus is on the performance of the market, the performance of the stock market, and the performance of shareholder value. Financially measurable corporate actions and policies are referred to as financial outcomes. The term "market performance" describes how well a business or product does on the market. How well a company rewards its shareholders is determined by its shareholder value performance.

These days, firms monitor and assess performance using a balanced scorecard system that takes into account several aspects. According to Upadhaya, Munir, and Blount (2018), some of the metrics employed include employee stewardship, customer service, financial success, and social responsibility (such as corporate citizenship and community engagement). Today, the definition of "firm performance" includes achieving higher profit margins, a greater market share, and the rate of business expansion (Lebans & Euske, 2019). This supports Richard's (2019) claim that firm performance measures an organization's actual output or outcomes in comparison to its aims and objectives. Along with market share and sales, other objectives include financial success (profits, resource and investment returns, and return on shareholders' wealth).

Non-financial performance measures place a greater emphasis on a company's long-term success, and elements like client fulfilment, internal business process efficiency, effectiveness, and innovation, as well as employee satisfaction, enhance the effectiveness of the company's operations and finances, (Banker et al., 2000; Veen et al., 2002; Ghalayini & Noble, 1996; Chenhall, 2003; Ittner; Lynch and Cross, 1991; Kaplan and Norton, 1996, 2001; Otley, 1999; Studies have shown that the use of non-financial metrics and a company's success are positively correlated (Banker et al., 2000; Ittner & Larcker, 1996).. The non-financial organizational performance metrics will be used in the present research. Customer satisfaction, efficiency in operations, effectiveness in handling tasks, and market share will be the metrics.

### 1.2. Opportunity Sensing Capability

Opportunity sensing capability entails the ability of businesses to anticipate business changes, capture opportunities, and explore prospects across various technologies and marketplaces in contexts where technology and market circumstances are continually changing. Zacca, Dayan, and Ahrens (2018)

referred to these talents as detecting abilities. In order to govern internal and interorganizational information and analyse the chaotic environment in which the business works, sensing opportunities must have both internal (firm-level) and external characteristics where the business is able to capture the opportunity, anticipate business changes and new market development (Zhang and Wu, 2018). Additionally, according to the authors, sensing skills enable the synthesis and analysis of data and knowledge, enabling decision-makers to take quick and sensible actions. Information and knowledge, which together make up the main components of dynamic capacity, are significant and distinctive qualities that could not be readily replaced, according to Wang and Ahmed (2017). Given that it enables businesses to convert prospective resource advantages into actual results, sensing capability is crucial for businesses, especially in today's dynamic, internationally competitive situations (Teece, 2018).

Additionally, Opportunity sensing capability helps businesses to expand their horizons and investigate nearby and far-off markets and technologies. The presence of unique opportunity sensing capabilities may help businesses turn the prospective advantages of resources into realized results in situations of fast technological development and high-velocity market (Hernandez-Linares, Kellermanns & Lopez-Fernandez, 2020). Alongside other intangible resources that are possessed by an enterprise, opportunity sensing capability can be leveraged for generating customer value that matches the ever changing posture of customers taste and preferences (Kinyua, 2015; Kinyua, Muathe, & Kilika, 2015). Additionally, the ability contributes to the production of more inventive items at a rate quicker than the market. The success of businesses that have implemented knowledge management is positively correlated with a firm's opportunity sensing capabilities, claim Tseng and Lee (2020). According to Zhou, Zhou, Feng, and Jiang (2019), a corporation with greater opportunity sensing capabilities may be able to innovate more technologically.

## 2. STATEMENT OF THE PROBLEM

ABSA Bank's firm performances have changed from one fiscal year to the next. In addition to these issues, ABSA Bank has also had to deal with declining interest income, greater rivalry from banks and non-banks, and technological advancements that compel continual product improvement (CBK, 2022). Despite having a solid asset base, ABSA Bank had a lower market share than KCB, which was 14.2% (CBK, 2022). After KCB, Equity, NCBA, and Co-operative bank, it is the 5th best bank. Additionally, according to the banks, net loans and advances increased gradually, by 4.3 percent, from Kshs 2.04 trillion in FY 2017 to Kshs 2.04 trillion in FY 2018, according to the Cytonn report from 2018. The firm performance has continued to decline in the years 2019, 2020, 2021, and 2022, which shows up in the customer base, loan accounts, asset quality, market share, and customer deposit accounts. This implies that the bank's firm performance has not been all that impressive, so the management should focus on improving their opportunity sensing capabilities.

Various gaps are evident in the reviewed empirical studies. Sebhatu (2021) examined the relationship between opportunity sensing capability and long-term company success in Chinese manufacturing SME's. The tests of the hypotheses revealed an important positive association between the performance and opportunity sensing capability. The study highlights a knowledge gap regarding the need to look into how opportunity sensing capability affects firm performance. Nyandingisi and Kimencu (2018) investigated how opportunity sensing capability affected the competitive advantage of Nairobi's numerical machining complex company. Knowledge management, organizational change, management process coordination, and continuous innovation were all used as stand-ins for opportunity sensing capability. The study discovered that opportunity sensing capability significantly improved competitive advantage. The study identifies gaps in opportunity sensing capability operationalization theory. The impact of changing management capacity on international sensing of opportunities on firm performance in Bangladesh was examined by Mostafiz, Sambasivan, and Goh in 2019. The study's findings demonstrated that improving opportunity sensing capability significantly affects business performance. The study, which focused on identifying opportunities and was carried out in Bangladesh, reveals a contextual gap.

Other difficulties that ABSA Bank has encountered include decreasing interest income, heightened competition from banks and non-banks, and technological advancements that compel continual product improvement (CBK, 2022). The statistical impact of opportunity sensing capability on ABSA Bank performance is unclear. Although research has shown that opportunity sensing capability play a



key role in the way commercial banks perform in developed countries, the same phenomenon hasn't exactly been replicated in Kenya. Failure of management strategies will lead to a decrease in profits and the departure of significant stakeholders for ABSA Bank. Therefore, the goal of this study was to determine how opportunity sensing capability impacted the firm performance of ABSA Bank.

### 3. LITERATURE REVIEW

#### 3.1. Dynamic Capability Theory

The dynamic capability theory was created in 1997 by Teece, Pisano, and Shuen. Teece, Pisano, and Shuen (2010) state that the dynamic capabilities theory investigates how businesses combine, develop, and reorganise their internal and external firm-specific skills to produce new capabilities that are suitable for their turbulent environment. According to the theory, organizations with more capabilities will outperform those with fewer capabilities. The goal of the hypothesis is to comprehend how businesses use talent to adapt to and create natural changes in order to gain an advantage over other businesses (Teece, 2007). A collection of unusual state, academic, planned, and laborious processes known as abilities allows an organization to surpass its rivals. As they refer to how an organization earns a living by providing something comparable, on a similar dimension, to similar clients, hierarchical skills are known as "zero-level" abilities (Winter, 2013).

The theory's guiding ideas are supported by research on daily organisation, fundamental competency, core capacity and rigidity, and absorbcency. Dynamic capacities serve as a buffer between a company's capital and the constantly changing business environment by bolstering a company's resource base and safeguarding its competitive advantage, which might have been harmed. The dynamic capacities perspective (DCP) refers to a company's ability to develop new competitive advantages through knowledge retention, organisational assets, and business environment adaptation. This capability is complex because the organisation must constantly innovate and adapt, because time-to-market and product positioning are crucial, because technology is developing quickly, and because it is challenging to predict the nature of upcoming competition and markets (Teece, Pisano, and Shuen, 1997).

The idea of capacity emerged as a result of a serious flaw in the company's asset-based perspective. Asset-related factors have been criticized for being disregarded by the resource-based view, which simply accepts that they "exist." Questions of how assets are created, integrated into the organization, and disposed of have all been researched throughout the literature (Teece, 2007). Through the acquisition of a process-based strategy, abilities try to close these gaps, such as outstanding administrative procedure coordination. With dynamic capabilities, an organisation gains a competitive edge from its management's capacity to use and repurpose its current competencies and resources in ways that are essential to the client but challenging for various competitors to replicate (Teece, 2007).

The ability of the senior administration to carry out two crucial responsibilities is given priority. This dynamic capacity view places a strong emphasis on coordination and combination to advancement, or the degree to which the organization's opportunity sensing capability and specialised skills, mechanical layout, social and psychological structure, culture, and traits have been altered and preserved. According to Pavlou and Sawy (2006), dynamic capabilities "enable organizations to reorganize current practical capacities so they may manufacture products that better meet expanding customer demands and capitalize on inventive advances. Hierarchical schedules and work practises provide the hierarchical "paste" that supports the crucial hidden action necessary for dynamic ability arrangement and development when paired with certain socio-subjective auxiliary qualities (such as preferred communication and sense-production approach).. In especially for new and cutting-edge items, market placement is crucial to the advertising strategy. When creating a new product, advertising could advance by giving it special features or changing the product's physical appearance to arouse hedonistic or aesthetic appeal. The issue is that creative form changes usually conflict with consumer desires (Farjoun, 2010). This theory supports opportunity sensing capability.

#### 3.2. Opportunity Sensing Capability and Firm Performance

Rehman and Saeed (2018) conducted research on how the Saudi Arabian agricultural sector's opportunity sensing capabilities affects business success. Due to this, ABSA Bank looked into the connection between opportunity sensing abilities and organizational performance. According to

empirical research, a company's organizational effectiveness is directly impacted by its ability to detect opportunities. This demonstrates that performance and the capacity to detect opportunities are not directly correlated. On sensing, learning, coordination, and competitive reaction, management competencies were operationalized. The context for the agricultural industry differed from that of ABSA Bank.

Oswago (2019) investigated how Kenyan commercial banks' performance was affected by their ability to detect opportunities. The study's design was a descriptive cross-sectional one. 5432 managers at middle and senior levels who worked in the head offices of 42 Kenyan commercial banks made up the target group. The sample size for the study consisted of 358 respondents in total. The sample size was ascertained by employing stratified random sampling techniques. The collected data were examined using statistical tools for both inferential and descriptive analysis. According to the study, Kenyan commercial banks perform significantly better when they make effective use of their opportunity sensing capabilities. The results showed that the evaluation procedures are crucial to bank success. It is clear that various financial institutions employ diverse methods for determining the extent to which the goals have been attained, and the outcomes might not be relevant in the context of ABSA Bank. Because the study was based on a cross-sectional research design, the case of ABSA Bank is not relevant to it. The proposed study was focused on the firm performance of ABSA Bank and used a case and descriptive study methodology.

Odwaro, Abongo, and Mise (2022) investigated how commercial banks' performance was impacted by their ability to sense opportunities. This study concentrated on 11 Kenyan listed banks. The resource-based approach was used in the study because it considers how internal organizational factors, such as resources and capabilities, affect transformation. A correlational analysis was performed on a cross-sectional survey of eleven listed commercial banks in Kenya. Eleven CEOs, 68 department heads, 145 regional managers, and 29 regional heads were among the respondents. A questionnaire was used to collect primary data. The reliability of the data was assessed using Cronbach's alpha test. The data analysis employed both inferential and descriptive statistics. The findings demonstrated that opportunity sensing capability has a positive effect on commercial banks' performance. The cross-sectional research design study methodology might not be the most appropriate approach for this particular study. By concentrating on one company, the methodological gap will be closed, leading to a case study research design. The findings regarding 11 banks were overly general and might not be that applies to the firm performance of ABSA Bank.

### 3.3. Conceptual Framework

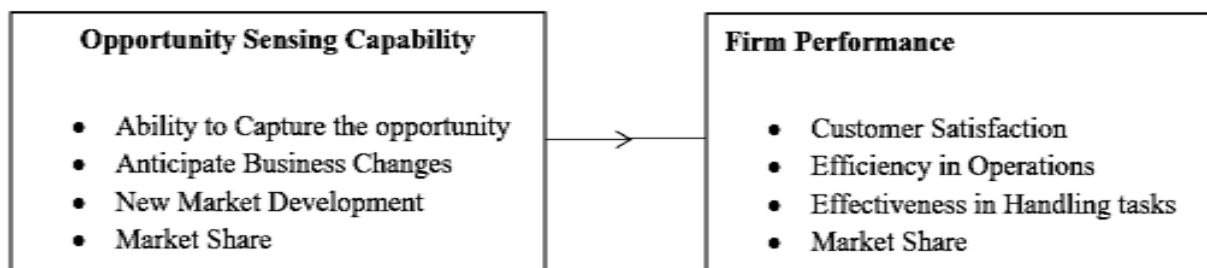


Figure1. Conceptual Framework

Source: Author (2023)

### 3.4. Research Hypotheses

The research hypotheses of this study were;

*H<sub>0</sub>: Opportunity sensing capability has no significant effect on firm performance in Microfinance Banks in Kenya*

*H<sub>1</sub>: Opportunity sensing capability a significant effect on firm performance in Microfinance Banks in Kenya*

## 4. RESEARCH METHODOLOGY

### 4.1. Research Design

In this study, a descriptive research design was used. The objective was to ascertain how opportunity sensing capability affects firm performance of ABSA Bank in Nairobi City County. According to Cooper and Schindler (2011), a descriptive research approach is effective at capturing respondents' perceptions and experiences in an objective manner. The what, when, how, and which questions are answered by descriptive design, and these are the questions that defined this study. Descriptive research design has been widely adopted in management researches that seeks to examine causal link on the basis of observing phenomena in their current state (Kimaru, & Kinyua, 2018; Kitur & Kinyua, 2020; King'oo, Kimencu & Kinyua, 2020). In light of the current study, the researcher was able to use descriptive research design to systematically examine the cause-effect link between opportunity sensing capability and firm performance.

### 4.2. Target Population

Kombo and Tromp (2006) define a population as a precisely defined set of individuals, services, elements, events, collections of objects, or family units that are the subject of a study with the aim of summarising the findings. It was anticipated by this definition that the population would not be homogeneous. Lumley (2004) defined the population as the total set of all subjects from which a sample is drawn. It alludes to a large group of individuals, events, or issues that have commonplace observable characteristics (Mugenda, 2011). Despite there being 44 commercial banks in the nation at the time of the investigation, only one was the subject of the study. Because of its exclusivity in the Kenyan market, the researcher was interested in ABSA Bank.

The study's findings were crucial in determining how the bank, one of the Tier I, was able to contend with other domestic banks and maintain its competitiveness in Kenya over time. The data source for the analysis was the personnel files of management staff members working in various ABSA Bank headquarters departments. Senior management, business, and functional management staff at the headquarters comprised the unit of observation. This was done on purpose to identify respondents who are essential to ABSA Bank's strategic program implementation.

**Table 1.** Target Population

Employee Strata	Number of Employees	Percentage
Senior Level Managers	21	5.20
Business Level Managers	153	37.87
Functional Level Managers	230	56.93
<b>Total</b>	<b>404</b>	<b>100%</b>

**Source:** ABSA Bank (2023)

The target population therefore comprised of 1 (one) commercial bank (ABSA Bank) and 404 employees of the bank.

### 4.3. Sampling Design

#### 4.3.1. Sampling Frame

A sampling frame, as defined by Welman, Kruger, and Mitchell (2008), is a list of the sources or devices that are used to collect samples. It is a list of all the individuals, homes, or organisations that make up the population and are suitable for sampling. A sampling frame, in the words of Saunders, Lewis, and Thornhill (2009), can also refer to a group of elements from which the sample is actually drawn and which are closely associated with the population. A list of additional geographic locations, organizations, people, or other units is what is referred to as a sampling frame (Saunders, Lewis, and Thornhill, 2007; Churchill and Brown, 2007). Consequently, the investigation's focus is on the list of population members. Since this study was a case study, ABSA Bank was included in the sample frame.

### 4.3.2. Sampling Technique and Sample Size

According to Cooper and Schindler (2011), a sample is a subset of the target population that is used to collect, compile, analyse, and draw conclusions about the target population. Sampling refers to the procedure of selecting a portion or subset of a population for the research process (Bryman & Bell, 2007). Proportionate stratified random sampling method was used. This method, according to Welman and Kruger (2001), avoids the possibility of the sample just including individuals from one specific group. Respondents were chosen by proportionate stratified random sampling according to their participation in strategic decision-making that affects how specific bank department's operate. Yamane's sample size formula (Yamane, 1973) was used to determine the study's sample size at a 95% level of confidence. From the various management levels of ABSA Bank in Nairobi City County, a proportionate sample of 201 respondents was chosen.

### 4.3. Data Collection Methods and Instruments

The investigator selected original sources since they were appropriate for this investigation. Employees in the categories shown in table 1 were surveyed to gather primary data. The employees' answers to structured questionnaires were gathered. The tool allowed the researcher to investigate how respondents felt about the effect of opportunity sensing capability on ABSA Bank's firm performance.

The use of questionnaires was crucial since they allowed for the process of coding responses and confirming the accuracy of the informant's statements, (Kothari, 2004). Six sections (A–F) make up the questionnaire. Data on respondents' personal information was collected in Sections A, while the independent variable; opportunity sensing capability was dealt with in Sections B. Firm performance data for ABSA was collected in Section C.

### 4.4. Pilot Study

The purpose of the pilot study was to find unclear or ambiguously formulated items; to find potential flaws in the measurement procedures, which could include things like unclear instructions or insufficient time limits; and to observe respondents' nonverbal behaviour (Welman, Kruger, & Mitchell, 2008). The questionnaire was also put through a pilot test to see whether it had any errors, restrictions, or other weaknesses. The researcher has the chance to adjust as needed thanks to this. Branch managers and branch operation officers took part in the pilot study at the Peri-urban branches of ABSA Bank (Limuru, Thika, Juja, Machakos, Ngong, Rongai). A pilot study was conducted using instruments that were given to 20 participants. Three branch managers and seven operational managers were specifically chosen for the pilot trial. This satisfies the prerequisite that the pilot group's respondents do not require statistical selection. which may have a size of 10 to 20 participants depending on the approach to be tested (Cooper & Schindler, 2011).

#### 4.4.1. Validity of the Research Instruments

Internal and external validity are two terms used to describe how well the questionnaire's measurements accurately reflect the intended notion and do not assess anything else (Sekaran & Bougie, 2009). It is important to consider the content, face, and construct validity of a measure when determining if it can accurately reflect the reality of a notion (Bryman & Bell, 2011). In order to identify and rectify any problem areas, experts in the field of strategic management assessed the research instrument, ensuring face validity. As stated by Straub et al. (2004), content validity refers to how well a set of test items captures the variety of topics that will be covered by the test. The main concern is whether the test has all the essential items for a given construct domain. On the other hand, construct validity has its central concerns on test items measures the concept/construct of interest to the researcher. In order to determine the elements and scope of elements to integrate when formulating the set of questions for each of the variables, a thorough comprehensive examination of the relevant research on the concepts from both the empirical and theoretical domains of opportunity sensing capability and firm performance was conducted.

#### 4.4.2. Reliability of Research Instruments

A test's consistency is a good indicator of how reliable an instrument is (Kombo & Tromp, 2006; Sekaran & Bougie, 2008). An analysis of the study's reliability was conducted with a pilot test and the Cronbach's Alpha formula. Sekaran and Bougie (2008) state that in order to assess an instrument's



validity, a pilot study is necessary. The findings of this study are used to refine the questionnaire, making it more dependable for the study. Cronbach's alpha was used to assess how reliable the instrument's measurements were (Cronbach, 1994). Furthermore, Bryman (2011) suggests that a general rule of thumb—wherein Cronbach Alpha was used for a reliability test—was also applied, according to which the study's item Cronbach values shouldn't be less than 0.7. To increase the reliability of the questionnaire, this study employed Cronbach's Alpha for specific areas of the questionnaire rather than the entire questionnaire.

**Table 2.** *Reliability Results*

Constructs	Alpha Score	No. of Items	Comments
Opportunity Sensing Capability	0.766	7	Accepted
Firm Performance	0.788	7	Accepted

**Source:** *Researcher (2023)*

The study found that the Cronbach Alpha score for opportunity sensing capability was 0.766 and firm performance was 0.788. Because the Cronbach Alpha scores were more than 0.7, the researcher was able to use the research instruments to summarise the findings and draw conclusions pertaining to study variables.

**4.5. Data Collection Procedure**

The researcher requested an introduction letter from Kenyatta University prior to initiating data collection. After receiving the letter, the researcher applied for a permit to conduct research in Kenya from the National Council for Science and Technology. Next, the researcher proceeded to the assigned ABSA Bank divisions, presented herself, left surveys there, and worked out a collection date schedule. For a period of six days, the researcher gave the respondents time to complete the questionnaire.

**4.6. Data Analysis and Presentation**

According to Kerlinger (1983), data analysis typically entails breaking down a large amount of raw data into manageable chunks, creating summaries, searching for patterns, and using statistical techniques. Both descriptive and statistical data were collected for this investigation and separately analysed. To identify common replies and tendencies that apply to the majority of the respondents, descriptive data was analysed using the dominant responses technique (Yin, 2003). To make inferences and come to conclusions, descriptive measurements like percentages and frequencies were used (Cooper & Schindler, 2011).

At the five percent significance level, the analysis of variance (ANOVA) was employed to investigate the overall model's significance in the multiple regression models. Linear regression analysis was undertaken as shown in equation below.

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where:

$Y$  = Firm performance

$\beta_0, \beta_1$  = Regression coefficients

$X_1$  = Opportunity sensing capability

$\varepsilon$  = Error term.

**5. RESEARCH FINDINGS AND DISCUSSION**

**5.1. Response Rate**

The study focused on 201 senior, business, and functional level managers of Nairobi City County's ABSA Bank. The questionnaire was fully completed by 186 of the 201 directors, giving a 93% response rate. Baruch and Holtom (2014) assert that a response rate of 80% or greater is necessary for data analysis. It was determined that a 93% study response rate was sufficient for data analysis. The study's high response rate enhanced the validity and acceptability of its conclusions.

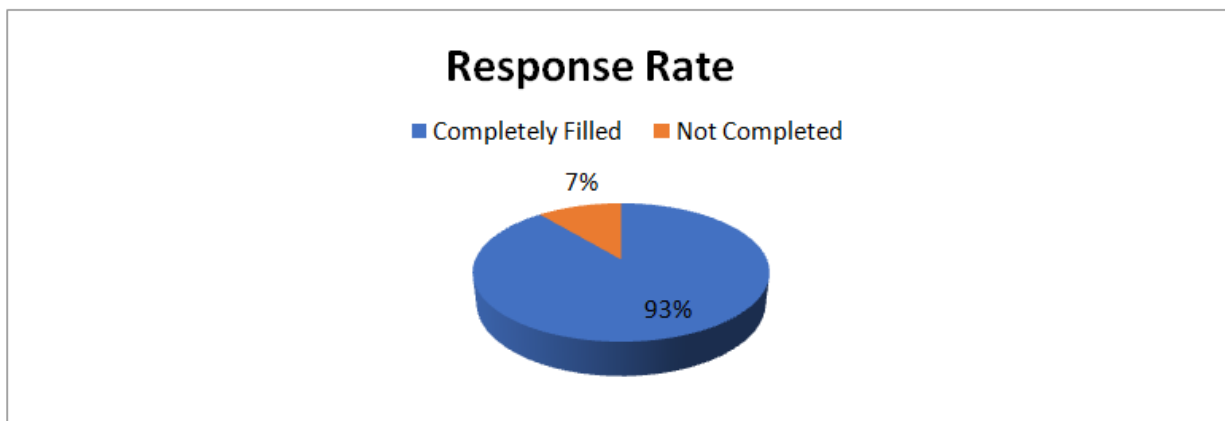


Figure2. Response Rate

Source: Researcher (2023)

## 5.2. Background Information of the Respondents

The respondents' general information was examined with consideration to their educational background, work history, and gender.

### 5.2.1. Gender of the Respondents

This section displays the gender response results. The results are shown in Figure 3.

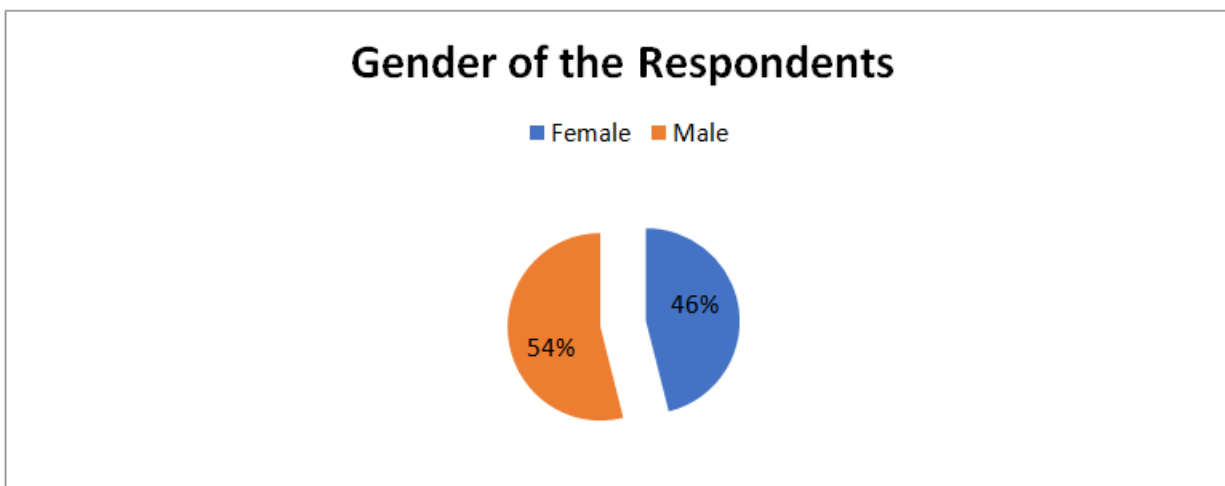


Figure3. Gender of the Respondents

Source: Researcher (2023)

The data presented in Figure3 indicate that 54% of the respondents, or nearly all of the sample, consisted male. However, women made up only 46% of the respondents. This implies that there was an equal distribution of genders in the study. As shown by the findings, both genders were fairly represented in this study.

### 5.2.2. Level of Education

The results in this section showed that the respondents who were targeted had the highest degree of education. The results are presented in Table 3.

Table3. Education Level

Category	Frequency	Percent
Valid	1 <sup>st</sup> Degree	127
	Master's Degree	56
	PhD	3
	Total	186
		68.3
		30.1
		1.6
		100.0

Source: Researcher (2023)

According to the findings in Table 3, 68.3% of the participants had completed college, with 30.1% having completed a master's degree and 1.6% having completed a PhD. This indicates that a significant proportion of the research participants held advanced degrees.

**5.2.3. Age Brackets**

The age brackets of the respondents in the study were represented as below.

**Table4.** Age Brackets

Category		Frequency	Percent
Valid	18 to 25 Years	23	12.4
	26 to 35 Years	51	27.4
	36 to 45 Years	84	45.2
	More than 46 Years	28	15.0
	Total	186	100.0

**Source:** Researcher (2023)

According to the findings presented in Table 4, 36 to 45 years of age made up the bulk of respondents (45.2%). The survey found that 12.4% had less than 26 years old, 15.0% had more than 46 years, and 27.4% had ages between 26 and 35. This finding demonstrates unequivocally that the groups' ages were distributed fairly.

**5.2.4. Working Experience**

The respondents' tenure at ABSA Bank is shown in this section.

**Table5.** Working Experience

Category		Frequency	Percent
Valid	Less than 3 Years	6	3.2
	3 to 6 Years	19	10.2
	7 to 10 Years	44	23.7
	11 to 15 Years	49	26.3
	More than 16 years	68	36.6
	Total	186	100.0

**Source:** Researcher (2023)

According to the findings presented in Table 5, 3.2% of respondents had worked for ABSA for less than three years; 10.2% had done so for three to six years; 23.7% had done so for seven to ten years; 26.3% had done so for eleven to fifteen years; and 36.6% had done so for more than sixteen years. It is evident that the majority had been employed for more than six years and possessed the essential knowledge to answer the study's questions.

**5.3. Descriptive Analysis Results**

This section presented the descriptive results based on the study's independent and dependent variables. The mean and standard deviation were used, respectively, to quantify the degree of agreement and dispersion. The average of the data was used to interpret the results. The Likert scale's values were as follows: 1-1.7 strongly disagree, 1.8-2.7 disagree, 2.8-3.6 moderately disagree, 3.8-4.4 agree, and more than 4.4 to indicate a highly agree.

**5.3.1. Descriptive Statistics for Opportunity Sensing Capability**

The findings on ABSA Bank's capability for opportunity sensing are presented in the outcomes of this section.

**Table6.** Descriptive Statistics for Opportunity Sensing Capability

Test Items	Mean	Std. Dev
We routinely monitor the surrounding area for fresh business opportunities.	3.9839	.55484
We periodically assess the anticipated impact of business climate changes on our customers.	4.4677	.50031
We frequently assess our efforts in product development to make sure they align with customer needs.	4.3710	.48437

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We spend considerable time and enhancing existing products	4.3334	.47788
We routinely monitor the surrounding area for fresh business opportunities.	4.3548	.51244
We ensure that our work output is synced with that of others.	4.4444	.55324
<b>Aggregate Score</b>	<b>4.2703</b>	<b>.50331</b>

Source: Researcher (2023)

The overall participant responses to the question about opportunity sensing capability (M=4.27, SD=0.50) fall into the "agree" category on the questionnaire's five-point Likert scale. When compared to the mean score, the estimated standard deviation of the data set was found to be less than 2.0, indicating extremely minimal degree of variability in the replies. According to the study's findings, a substantial number of the participants agreed with the conclusion regarding ABSA Bank's capacity to detect opportunities. In order to make sure that their product development efforts have been in line with customer preferences, ABSA Bank reportedly regularly evaluated their efforts (M=4.3710, SD=0.48437). The bank also frequently assessed the anticipated effects of business climate changes on their customers (M=4.4677, SD=0.50). The survey also revealed that the ABSA Bank spent a lot of effort putting innovative product ideas into practice. The majority of respondents concurred that they often scan their immediate surroundings for new business chances and make sure their output is coordinated with that of others.

Rehman and Saeed's (2018) conclusions that opportunity sensing abilities have a direct impact on a company's organizational performance were backed by their findings. In addition, the Oswago (2019) study discovered that effective use of opportunity sensing capabilities considerably and enhances the efficiency of Kenyan commercial banks. The outcomes demonstrated how important the evaluation processes are to the success of banks. Additionally, Odwaro, Abongo, and Mise's findings from 2022 indicated that the performance of commercial banks is positively impacted by opportunity sensing abilities.

### 5.3.2. Descriptive Statistics for Firm Performance

The section presents results on ABSA Bank (Kenya) firm Performance.

**Table 7.** Descriptive Statistics for Firm Performance

Test Items	Mean	Std. Dev
In comparison to competitors, the quality of our company's products and services is superior.	3.0181	.45188
Our consumers are more satisfied than those of our competitors	3.3839	.55484
Our company's technological advancements are superior to those of our competitors.	3.3677	.50031
Our company's profits are higher than those of our competitors	2.7710	.45436
The level of customer satisfaction is very high	3.3766	.44456
The company's internal business processes are efficient	3.3334	.42324
Compared to competitors, our company's overall market share growth is relatively high.	3.3544	.50044
In comparison to competitors, the quality of our company's products and services is superior.	3.3546	.46737
<b>Aggregate Score</b>	<b>3.2293</b>	<b>0.47566</b>

Source: Researcher (2023)

The survey respondents' ratings of ABSA Bank's firm performance are "moderate" on the questionnaire's five-point Likert scale. The standard deviation, which was less than 2.0, indicated that there was very little variation in the responses from the mean score. The findings showed that most respondents thought negatively about the claims made regarding ABSA Bank's firm performance. Most respondents thought that the quality of the goods and services provided by ABSA Bank was on par with or slightly higher than that of their competitors (M=3.0181; SD=0.45188); that their customers were moderately satisfied compared to those of their rivals (M=3.38; SD=0.50); and that the company's technological advancements were moderately better than those of its rivals. The study's findings showed that the company's profits were less than those of its rivals (M=2.77). The degree of client satisfaction at ABSA Bank was average (M=3.37). The majority of respondents said the business' internal operations were only moderately efficient (M=3.35, SD=0.50). The outcome also showed that the company's overall market share increase was comparatively low in comparison to competitors and that the company's goods and services were of moderately higher quality.



### 5.4. Regression Analysis

Linear regression analysis demonstrated existence of a linear relationship between the study's variables. It was clarifying how modifying one independent variable could affect changes in the predicted variable. Regression coefficients, an ANOVA table, and a model summary are presented in this section.

**Table8. Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.917 <sup>a</sup>	.840	.837	1.43676

Source: Researcher (2023)

Significant correlation was found between the variables (Correlation Coeff, R=0.917) in Table 8. As per the findings of the R square (coefficient of determination) opportunity sensing capability was responsible for 84% of the changes in firm performance under consideration. 16% changes in the firm performance at ABSA Bank were caused by other factors that the model did not account for.

**Table9. ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1962.928	4	490.732	237.724	.000 <sup>b</sup>
	Residual	373.637	181	2.064		
	Total	2336.565	185			
<b>a. Dependent Variable: Firm Performance</b>						
<b>b. Predictors: Opportunity Sensing Capability</b>						

Source: Researcher (2023)

The results demonstrated the statistical significance of the model (sig<0.000) at a 95% confidence level. 237.724 was the computed F, and 5.75 was the critical F. This implies that the variable significantly influenced the way the firm's performance changed.

**Table10. Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	β	Std. Error	Beta		
(Constant)	11.357	2.089		5.438	.049
Opportunity Sensing Capability	1.254	.090	.484	13.955	.001
<b>a. Dependent Variable: Firm Performance</b>					

Source: Researcher (2023)

The tabulated output of coefficients of regression analysis were used to model the causal relationship between opportunity sensing capability and firm performance.

$$Firm\ Performance = 11.357 + 1.254\ Opportunity\ Sensing\ Capability$$

Findings showed that when opportunity sensing capability was maintained at zero level, the value of firm performance was 11.357 units. This value represents the y-intercept for this linear relationship for which the p value of .049 serves as a confirmation of its statistical significance. The rest of the statics for respective opportunity sensing capability are useful for responding to the objective of the survey.

The survey sought to analyze the effect of opportunity sensing capability on firm performance. In The beta coefficient for adaptive capability is .484 and its p-value is 0.001 which is less than .05. This confirms that a variation of 1unit in the level of adaptive capability would cause firm performance to vary by .484 in the same direction. It is thus reasonable to infer that firm performance of ABSA Banks in Nairobi City County, Kenya is affected by opportunity sensing capability.

Rehman and Saeed's (2018) conclusions that opportunity sensing abilities have a direct impact on a company's organizational performance were backed by their findings. In addition, the Oswago (2019) study discovered that effective use of opportunity sensing capabilities considerably and positively improves the performance of Kenyan commercial banks. Additionally, Odwaro, Abongo, and Mise's findings from 2022 indicated that the performance of commercial banks is positively impacted by opportunity sensing capabilities.

### 6. CONCLUSION

According to the study, performance of ABSA bank was significantly impacted by opportunity sensing capability. The term "sensing" refers to the process of collecting pertinent market information. Perception and interpretation of information are of significant importance for organizations in order to effectively analyse the business landscape, discern client preferences, and integrate staff insights. Market trends and client orientation play an essential part in facilitating organizations to identify and understand the requirements and desires of their customers. The capacity to discern alterations in customer preferences holds significant importance for firms, particularly those operating in the service sector. Managers or employees that engage in direct interactions with consumers are required to possess the necessary knowledge, competence, and experience to effectively identify potential opportunities and subsequently respond with relevant actions.

### 7. RECOMMENDATIONS

The study's findings recommend that ABSA Bank should give priority to methods that attempt to use relational trust as effectively as possible. This can be achieved by fostering trust among staff members. Additionally, enhancing relations through the promotion of employee's interactions in open forums is advised. It is recommended that ABSA Bank concentrate its efforts on maximising the use of relational trust and encouraging employee participation in public forums to improve on its Opportunity Sensing Capability.

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