

**Strategic Adaptability, Absorptive Capacity and Performance of SMEs in South
West Nigeria**

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Certification

This is to certify that this thesis “**Strategic Adaptability, Absorptive Capacity and Performance of SMEs in South West Nigeria**” was carried out by **Adebayo Muiliyu MUDASIRU** with Matriculation number **LCU/PG/003242**, in the Department of Management & Accounting under my thorough supervision in the Faculty of Management and Social Sciences, Lead City University, Ibadan, Nigeria and that this work had not been previously submitted.

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Dedication

This thesis is dedicated to Almighty God.

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Acknowledgement

The Creator of the universe is worthy of all adoration for guiding me through the course of study in this great institution of learning, Lead City University, Ibadan. I wish to express my profound gratitude to Lead City University, Ibadan, Nigeria for the opportunity accorded me to undergo my PhD degree. I appreciate the Vice-Chancellor of the University, Professor K.A. Adeyemo, Provost, Postgraduate College, Prof. Oredein, Heads of Departments, Lecturers and other non-academic staff members of the University.

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Even though the above-mentioned institution and persons have assisted in this research work, I alone stand responsible for the errors, if any, found in this work.

Abstract

The dynamic business environment in Nigeria poses significant challenges for Small and Medium Enterprises (SMEs), particularly in the Southwestern region, characterized by rapid technological, economic, and market changes. Strategic adaptability; comprising environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition, and absorptive capacity, defined as the ability to identify, assimilate, and exploit external knowledge, are crucial for sustaining SME performance. This study investigates the individual and combined effects of these factors on SME performance metrics, including market share, brand reputation, operational efficiency, and competitive advantage, while assessing the moderating role of absorptive capacity. Adopting a quantitative research design, data was collected from 498 SMEs across Lagos, Ogun, and Oyo States using a validated questionnaire. Regression analyses revealed significant relationships between strategic adaptability dimensions and SME performance. Environmental scanning explained 18.9% of market share variance (Adj. $R^2 = 0.186$, $F = 78.364$, $p = 0.000$), with a regression coefficient ($\beta = 1.185$). Strategic flexibility accounted for 38.2% of brand reputation variance (Adj. $R^2 = 0.389$, $F = 215.726$, $p = 0.000$, $\beta = 0.524$). Resource allocation influenced operational efficiency by 27.2% (Adj. $R^2 = 0.269$, $F = 132.712$, $p = 0.000$, $\beta = 0.658$), while knowledge acquisition explained 38.8% of competitive advantage variance (Adj. $R^2 = 0.386$, $F = 112.547$, $p = 0.000$, $\beta = 0.763$). Absorptive capacity significantly moderated the relationship between strategic adaptability and SME performance ($\Delta R^2 = 0.114$, $\Delta F = 38.942$, $p = 0.000$, $\beta = 0.426$), amplifying positive outcomes. The study concludes that strategic adaptability drives SME resilience and competitiveness, with absorptive capacity playing a vital role in enhancing these effects. Recommendations include fostering environmental scanning and strategic flexibility, prioritizing resource allocation and knowledge acquisition, and building organizational learning capabilities to strengthen absorptive capacity. These findings contribute to the strategic management literature, offering actionable insights for policymakers and practitioners to optimize SME performance in volatile and resource-constrained environments.

Keywords: Strategic Adaptability, Knowledge Acquisition, Absorptive Capacity, SMEs

Word Count: 311

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Chapter One

Introduction

1.1 Background to the Study

The dynamic business environment in Nigeria is constantly changing as a result of both internal and external factors. These unforeseen market shifts, technological advancements, and economic fluctuations pose a significant challenge to the performance of all enterprises, particularly Small and Medium-Sized Enterprises (SMEs). In Nigeria's Southwestern region, a hub of entrepreneurial activity, SMEs play a pivotal role in driving economic growth and job creation. Nevertheless, to ensure their long-term success, these businesses must adopt capabilities that will enable them to thrive in this dynamic landscape.

Strategic adaptability involves an SME's ability to effectively respond to unexpected changes in the business environment. It includes proactively analyzing the company's surroundings to prevent hasty decisions and creating a strategy to adjust methods and operations when facing unforeseen challenges¹. Strategic adaptability and its implementation in SMEs through many channels, such as dynamic cloud capabilities, can enhance the flexibility of resources and strategic agility in SMEs, especially in the technology sector. Furthermore, the stages of dynamic capability adaptation play a crucial role in fostering innovation inside SMEs, particularly through collaborations that facilitate the transformation of performance to an optimal level².

Moreover, the promotion of organizational resilience may be achieved by encouraging inventive adaptation and developing the practice of self-environmental scanning in SMEs³. Strategic entrepreneurship in SMEs depends on the use of organizational change

drivers such as leadership and adaptive culture to stimulate advantage-seeking and opportunity-seeking behaviours, eventually resulting in the production of wealth⁴. Furthermore, achieving successful adaptation in SMEs requires the ongoing acquisition of knowledge, the utilization of connections, and the implementation of efficient communication as crucial adaptive strategies⁵. This study will examine environmental scanning, strategy flexibility, and resource allocation.

The absorptive capacity of an SME discusses the ability to identify, acquire, assimilate, and utilize external knowledge and resources to enhance its competitiveness. Absorptive capacity plays an important role in enhancing SME competitive advantage by facilitating open innovation practices and improving innovation performance. Studies have shown that absorptive capacity positively influences both inbound and outbound open innovation in SMEs, leading to improved performance outcomes⁶. SME knowledge exploitation involves utilizing the acquired and integrated knowledge to create tangible benefits and a better value for the business operational efficiency. The continuous acquisition, absorption, transformation, and exploitation of both existing and new knowledge helps to drive organisational efficiency⁷. Therefore, the deployment by SMEs refreshes existing knowledge to push short-term profits while exploring new knowledge to create long-term value within the organisation remains a secret weapon in the hands of management to drive and maintain a competitive advantage in the marketplace⁸. This balance between exploration and exploitation of knowledge remained a source of strength for SMEs to innovate and adapt to changing environments⁸. It is pertinent to explain that absorptive capacity acts as a mediator between open innovation practices and SMEs' innovation performance, highlighting the pivotal role in bridging external knowledge for innovation success⁹.

But despite this, SMEs have a plethora of challenges on a global basis. Financial restrictions, complicated regulations, a lack of qualified workers, economic downturns, technological advances at a breakneck pace, political instability, and severe market rivalry^{6,7,8,9,10}. These challenges make it hard for most small and medium-sized businesses (SMEs) to grow and stay in business. This has had a significant negative impact on their capacity to prosper in an intensely competitive business environment. Additionally, SMEs face significant hurdles when trying to acquire appropriate funding, handle regulatory responses to the COVID-19 pandemic, traverse political instability, and adapt to the evolving nature of company operations due to factors like digitization and green transitions^{11,12}. However, opportunities for small and medium-sized businesses (SMEs) to develop and succeed include digital transformation, expansion into new markets, and favorable government regulations.

Moreover, the performance of the SME sector in the United States of America (USA) has had significant instability due to the extensive conflict initiated by the Russian government against Ukraine. This has resulted in severe limitations on the availability of oil, food, and other essential goods, leading to a notable increase in worldwide inflation¹¹. Furthermore, throughout the initial six months of 2021, the global economy was still adversely affected by the presence of COVID-19, particularly due to the rise in cases and deaths caused by its Omicron version in both the United States and other countries⁸. The U.S. economy, which was already dealing with temporary inflation during the peak of the epidemic, saw a level of inflation in June 2022 that was the highest in four decades, reaching a peak of 9.1% consequently affecting the market share of the SMEs. Nevertheless, the SME sector in the United States, known for its dynamic nature, plays a significant role in driving the economy by contributing substantially to the gross domestic product (GDP) and employment rates. In the United States, the sector contributes more

than 50% to the Gross Domestic Product (GDP) and employs between 55% and 80% of the entire workforce in the economy as a whole¹². Additionally, the United States, SMEs are known to make up 44.5% of the overall private payroll and are also credited with generating 66.7 to 75% of the total number of new employments.

In Europe SMEs face several obstacles, especially in the areas of digitalization and financial reorganization. According to research, a mere 37% of SMEs in the European Union have adopted information technology (IT) by 2021 to mitigate and sustain brand reputation. This attempt and drive highlight a considerable disparity when compared to bigger businesses¹³. Notably, SMEs have challenges in adopting technological innovation because of their constrained resources, such as financial, human, and technical limitations which have hindered the ability to embrace and incorporate new technologies into business performance. These hurdles impede their capacity to embrace and incorporate new technologies into their business operations¹⁴. Additionally, SMEs are a vulnerable component of the non-financial corporate sector. These companies face challenges such as a stringent bankruptcy system, significant expenses for debt restructuring, and a scarcity of alternative funding options. These factors all make it difficult for them to remain operational and undergo restructuring^{15,16}.

In Asia, SMEs also encounter challenges, like limited access to affordable finance due to asymmetric information issues and high transaction costs, leading to heightened collateral requirements and increased lending interest rates, hindering their growth and competitiveness^{17,18}. It is also reported that SMEs face obstacles such as insufficient databases, low R&D expenditures, underdeveloped sales channels, and low financial inclusion levels, all contributing to the slow growth of SMEs in the region^{19,20}. These challenges are critical as SMEs constitute over 96% of all Asian businesses and provide

two out of three private-sector jobs, emphasizing the necessity for effective support measures to enhance their access to finance and address the underlying issues impeding their development and contribution to the Asian economy.

In Africa, SMEs face a myriad of obstacles that impede their expansion and achievement. The hurdles include obstacles in obtaining credit facilities from commercial banks owing to exorbitant interest rates, absence of collateral, limited payback terms, and inadequate loan information²¹. Furthermore, SMEs also face limited financial resources, lack of innovation, inadequate technology, and shortage of trained employees, subpar infrastructure, and corruption, as emphasized in the World Bank Enterprise Survey²². Furthermore, insufficient expertise in financial management, limited possibilities for acquiring new skills, and the understanding that finance alone is not sufficient to address all problems, all contribute to the difficulties encountered by small and medium-sized enterprises (SMEs) in Africa²³. Although SMEs play a pivotal role in driving economic development, they confront several complex hurdles that hinder their ability to contribute to job creation, GDP growth, and overall economic success²⁴.

Furthermore, SMEs in Kenya and Ghana face diverse obstacles. SMEs in Kenya have challenges like rivalry from both other SMEs and bigger corporations, restricted finance accessibility, an inflow of low-cost imports, security apprehensions, and obstacles in debt recovery²⁵. Conversely, SMEs in Ghana face many obstacles such as exorbitant taxation, rivalry from informal sectors, misallocation of money, discrepancies in business practices, inadequate paperwork, and restricted financial access²⁶. Both nations have recognized the difficulties in maintaining the quality of data in vaccination information systems, such as a lack of trust in the accuracy of target population statistics and discrepancies between the information recorded in registers and tally sheets²⁷. Different problems underscore the

diverse and complex barriers that small and medium-sized enterprises (SMEs) encounter in different nations, underscoring the need for customized solutions to bolster their expansion and long-term viability.

In Nigeria, SMEs are confronted with a myriad of challenges, these challenges include lack of capital (17%), marketing problems (22%), lack of resources (18%), lack of skilled manpower (11%), unavailability of modern and affordable technology (8%), lack of basic infrastructure (24%)²⁸. One of the monsters bedeviling the sector is poor decision-making complexities and the need for optimal resource utilization are important for SMEs' success and sustainability²⁹. Market orientation and entrepreneurial orientation significantly influence SMEs' performance, while information technology shows no significant relationship with performance³⁰. A scholar explained that the COVID-19 pandemic further exacerbated challenges for MSMEs in Lagos State, leading to declines in productivity, business closures, supply chain breakdowns, and reduced profit volumes, with cutting expenses being a common performance strategy³¹. Additionally, challenges in implementing MSMEs credit intervention programs in Nigeria include high loan default risks and politicization of programs³².

Furthermore, a scholar discussed that “SMEs are an important part of the Nigerian economy, contributing to job creation, economic growth, and poverty reduction”. However, they face numerous challenges such as limited access to finance, inadequate infrastructure, high cost of inputs, and a difficult business environment. The report also highlighted that the Nigerian government has successfully implemented strategic initiatives to bolster the growth of SMEs, such as providing tax incentives and unwavering support for entrepreneurship and business development. SMEs are forecasted to account for 49.5% of GDP by 2024, largely due to the growth in wholesale and retail

trade SMEs. Lagos State houses the highest number of SMEs, accounting for 7.3% of the total number of SMEs in the country. Rivers follows closely in second position with 6.8% of the total, while Kano comes in at third with 6.4%³³.

Strategic adaptability and absorptive capacity dictate the way and manner in which SMEs operation in dynamic political and economic environments. Studies show that absorptive capacity significantly dictates the implementation of innovation strategies, stressing the importance of firms adapting to market needs and technological advancements. Besides, the mediating role of strategic flexibility in facilitating product innovation through absorptive capacity underscores the importance of utilizing existing resources effectively in innovation processes, especially in high-tech SMEs in transition economies like China³⁴. It is evident from literature that absorptive capacity and strategic adaptability is important for SMEs to thrive in challenging political and economic landscapes. However, the challenges faced by SME practitioners are myriad as revealed from the lens of literature particularly in Nigeria. Therefore, examining the interplay between the variables and sub-variables, how strategic adaptability and absorptive capacity affect the performance of SMEs in South-West, Nigeria.

1.2 Statement of the Problem

In the dynamic business environment of South West Nigeria, SMEs face significant challenges due to both internal and external factors, including unforeseen market shifts, technological advancements, and economic fluctuations. These challenges are exacerbated by the need for SMEs to adopt capabilities that enable them to thrive and sustain long-term success in this constantly changing landscape. Despite their crucial role in driving economic growth and job creation, many SMEs in this region struggle with

limited strategic adaptability and absorptive capacity, hindering their ability to respond effectively to unexpected changes and to leverage new knowledge and innovations³⁵.

Strategic adaptability is essential for SMEs to efficiently react to unexpected alterations in the business environment. It involves proactive analysis of the company's surroundings to prevent hasty decisions and creating strategies to adjust methods and operations in response to unforeseen challenges. However, many SMEs lack the necessary skills, resources, and managerial competencies to implement such adaptive strategies, leading to suboptimal performance and, in some cases, business failure. The implementation of strategic adaptability through dynamic capabilities, such as cloud capabilities, can enhance flexibility and strategic agility, especially in the technology sector. Yet, the stages of dynamic capability adaptation are crucial for fostering innovation within SMEs, and many SMEs fail to effectively leverage these stages^{36,37}.

Absorptive capacity, which refers to the ability to identify, acquire, assimilate, and utilize external knowledge and resources, plays a pivotal role in enhancing SME competitiveness. It facilitates open innovation practices and improves innovation performance, leading to better operational efficiency and long-term value creation. However, many SMEs in South West Nigeria struggle with low absorptive capacity due to inadequate investment in research and development (R&D), limited access to external knowledge networks, and insufficient training and development programs for employees. This hampers their ability to innovate and adapt to changing environments, negatively impacting their performance and sustainability^{38,39,40}.

Furthermore, SMEs in this region face numerous external challenges, including economic instability, infrastructural deficiencies, and regulatory constraints, which further limit their ability to adapt and absorb new knowledge. Financial restrictions, complicated

regulations, lack of qualified workers, and severe market competition are significant barriers that impede the growth and performance of SMEs. Additionally, SMEs must navigate the evolving nature of business operations due to factors like digitization and green transitions, which require continuous adaptation and innovation^{41,42}.

Therefore, there is a pressing need to explore the interplay between strategic adaptability and performance, with absorptive capacity serving as a moderating variable, to understand how these factors drive the performance and success of SMEs in South West Nigeria. Research and policy interventions that enhance strategic adaptability, while considering the role of absorptive capacity, are essential for improving SMEs' overall performance and contribution to the regional economy.

1.3 Aim and Objectives of the Study

The aim of this study is to investigate the effect of strategic adaptability and absorptive capacity on the performance of SMEs in South-West, Nigeria. While the specific objectives are to:

- i. examine the effect of strategic adaptability (environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition) on the market share of SMEs in Southwest, Nigeria.
- ii. evaluate the effect of strategic adaptability (environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition) on the brand reputation of SMEs in Southwest, Nigeria.
- iii. examine the effect of strategic adaptability (environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition) on the operational efficiency of SMEs in Southwest, Nigeria.

- iv. investigate the effect of strategic adaptability (environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition) on the competitive advantage of SMEs in Southwest, Nigeria.
- v. investigate the moderating effect of absorptive capacity on the interaction between strategic adaptability and performance of SMEs in Southwest, Nigeria.

1.4 Research Questions

The research proposes to answer the following questions:

1. What is the effect of strategic adaptability (environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition) on the market share of SMEs in Southwest Nigeria?
2. How does strategic adaptability (environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition) influence the brand reputation of SMEs in Southwest Nigeria?
3. What is the impact of strategic adaptability (environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition) on the operational efficiency of SMEs in Southwest Nigeria?
4. How does strategic adaptability (environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition) affect the competitive advantage of SMEs in Southwest Nigeria?
5. Does absorptive capacity moderate the relationship between strategic adaptability (environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition) and the performance of SMEs in Southwest Nigeria?

1.5 Hypotheses

The hypotheses for the proposed study are as follows:

- H₀₁: Environmental scanning has no significant effect on the market share of SMEs in Southwest Nigeria.
- H₀₂: Strategic flexibility has no significant effect on the brand reputation of SMEs in Southwest Nigeria.
- H₀₃: Resource allocation has no significant effect on the operational efficiency of SMEs in Southwest Nigeria.
- H₀₄: Knowledge acquisition has no significant effect on the competitive advantage of SMEs in Southwest Nigeria.
- H₀₅: Absorptive capacity has no significant moderating effect on the interaction between strategic adaptability factors and the performance of SMEs in Southwest Nigeria.

1.6 Significance of the Study

This study will be of great importance to different stakeholders in the country. The study would benefit SME owners and managers, government and policymakers, society, researchers, and academic scholars. The benefits of the results of this study are as follows: This research will deepen the understanding of the effect of strategic adaptability and absorptive capacity and how these influence the activities and performance of small and medium-scale enterprises in the South-West as well as entire Nigeria.

This study will provide in-road of insight for the government and policymakers with regards to making policies and taking the appropriate measures towards designing and implementing strategies for improving the growth and sustainability of SMEs in Nigeria through support and financing.

Furthermore, the findings of this study will boost the intention and zeal of entrepreneurs and enable them to raise the level of their performance. Their knowledge of Strategic Adaptability and Absorptive Capacity and their dimensions will create ways and equip owners and managers of SMEs with the necessary tools to enhance their performance and thereby achieve their set performance goals and objectives.

The study will also serve as an important contribution to the academic world by extending the frontiers of knowledge on strategic adaptability, absorptive capacity, and performance of SMEs, while also serving as a basis for further studies to be carried out.

1.7 Scope of the Study

This study intends to assess the effect of strategic adaptability, absorptive capacity and performance of SMEs in South West Nigeria. More specifically, the study will examine how environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition affect the performance of SMEs (market share, brand reputation, operational efficiency, and competitive advantage) in Southwest, Nigeria. To provide a full explanation for the intended functional relationship between the independent and dependent variables, a third variable (a moderator) was introduced. Absorptive capacity is the moderator proposed in this study.

The focus of this study is on the effect of strategic adaptability, absorptive capacity, and performance of SMEs in South West Nigeria (Lagos State, Ogun State, and Oyo State).

South-West Nigeria was chosen as the study location because it offers a rich context for exploring the effect of strategic adaptability and absorptive capacity on the performance of SMEs. The States or region has a vibrant entrepreneurial ecosystem, and a diverse range of SMEs, and that facilitates collaboration and knowledge sharing among stakeholders. Additionally, South-West States has a history of commercial activities and innovative initiatives, making it an ideal setting for investigating the impact of strategic adaptability and absorptive capacity on SME performance.

1.8 Limitation of the Study

This study is limited in scope to Small and Medium Enterprises (SMEs) in South-West Nigeria. It focuses on the interplay between strategic adaptability, absorptive capacity, and performance outcomes such as market share, brand reputation, operational efficiency, and competitive advantage. The study does not cover other regions or sectors, which could provide additional context and insights. Moreover, the research relies on survey-based data, which may be subject to response biases or inaccuracies in self-reported measures.

Additionally, while this study investigates critical variables like environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition, it does not delve into other factors that could influence SME performance, such as government policy interventions or external economic shocks.

Despite these limitations, the research is robustly guided by the outlined objectives, hypotheses, and a detailed framework grounded in literature, ensuring its findings remain valid and valuable for understanding the dynamics of strategic adaptability and absorptive capacity in SMEs. The limitations do not adversely affect the study's ability to achieve its aim or provide actionable insights for practitioners and policymakers.

1.9 Operational Definition of Terms

Absorptive Capacity: this denotes the ability to identify, acquire, assimilate, and utilize external knowledge and resources to enhance its competitiveness.

Competitive Advantage: Competitive advantage denotes the unique qualities, resources, or strategies that distinguish a company from its competitors, allowing it to outperform them in the market and achieve superior results.

Environmental Scanning: it pertains to the systematic process of gathering and analyzing information about the external environment that can impact the business.

Knowledge Acquisition: it is the proactive process of identifying, seeking out, and obtaining new knowledge relevant to the business.

Market Share: Market share is a company's sales with total industry sales for a certain period.

Operational Efficiency: This is a situation in which an organization maximizes benefits and profit while minimizing effort and expenditure.

Performance of SMEs: it pertains to the ability of a business to effectively manage market share, maintain a positive brand reputation, operate efficiently, and leverage competitive advantages to achieve long-term success and sustainability in the regional business landscape.

Resource Allocation: denotes the process of strategically assigning and managing the available resources (financial, human, and technological) to support chosen strategies and achieve organizational goals.

Strategic Adaptability: this denotes the ability of an SME, to adjust its strategies and operations effectively in response to changing circumstances.

Strategic Flexibility: it is defined as the organization's agility in modifying its strategies and operations in response to a dynamic external environment.

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Chapter Two

Literature Review

This chapter provides a detailed explanation of the concepts used in this study, the theories, and the empirical findings of past research works. The chapter is classified into three main sections, namely, conceptual, theoretical, and empirical reviews of literature.

2.1 Conceptual Review

This section discussed the definitions and researcher's definition of the concepts of strategic adaptability, environmental scanning, strategic flexibility, resource allocation, knowledge acquisition, absorptive capacity, knowledge assimilation, knowledge exploitation, performance of SMEs, market share, brand reputation, operational efficiency, competitive advantage.

2.1.1 Performance of SMEs

The performance of SMEs is the ability of SMEs to effectively manage market share, maintain a positive brand reputation, operate efficiently, and leverage competitive advantages to achieve long-term success and sustainability in the regional business landscape¹. The performance of SMEs is the capacity of an organization to sustain itself and thrive over time, navigating through changes in the business environment². The performance of SMEs involves the strategic resilience and flexibility that allow an organization to withstand shocks and disruptions³. Performance of SMEs is the ongoing process of anticipating, responding to, and learning from environmental changes to ensure the continued existence of the organization⁴. Performance of SMEs is the ability of an organization to evolve and innovate in response to market dynamics, technological advancements, and competitive pressures⁵.

Performance of SMEs involves the proactive identification and mitigation of risks that could threaten the stability and continuity of the organization⁶. Performance of SMEs is the outcome of effective strategic planning, adaptive management, and the cultivation of a resilient organizational culture⁷. Performance of SMEs is the result of a company's ability to align its internal capabilities with external demands and opportunities⁸. Performance of SMEs is the sustained ability of an organization to meet its goals and objectives, even in the face of economic downturns or industry shifts⁹. Performance of SMEs is the dynamic equilibrium achieved through continuous organizational learning, evolution, and strategic decision-making¹⁰. Performance of SMEs involves the establishment of effective crisis management and contingency planning to navigate unforeseen challenges¹¹.

Organizational performance is the strategic allocation of resources, both human and capital, to sustain operations and foster long-term growth¹². Organizational performance requires the cultivation of a forward-thinking mindset that anticipates and prepares for future market and industry changes¹³. Organizational performance is the ability to maintain customer trust, satisfaction, and loyalty, ensuring a consistent market presence¹⁴. Organizational performance involves the creation of adaptive structures and processes that can flexibly respond to changing circumstances¹⁵. Organizational performance is the sustained ability to attract and retain skilled and motivated employees who contribute to the organization's success¹⁶. The performance of SMEs is contingent on effective leadership that can guide the organization through challenges, inspire employees, and make sound strategic decisions¹⁷. Organizational performance requires a commitment to ethical business practices and corporate social responsibility, building a positive reputation, and stakeholder support¹⁸.

Organizational performance is the outcome of strategic alliances, partnerships, and collaborations that enhance the organization's capabilities and market reach¹⁹. Organizational performance involves effective financial management, ensuring liquidity, and prudent investment to weather economic uncertainties²⁰. Organizational performance is the strategic diversification of products, services, and markets to reduce vulnerability to external shocks²¹. Organizational performance necessitates the cultivation of a learning culture that encourages experimentation, adaptation, and continuous improvement²². Organizational performance involves the identification and leveraging of core competencies that provide a competitive edge in the marketplace²³.

Organizational performance is the strategic management of organizational change, ensuring that the company remains agile and responsive to evolving conditions²⁴. Organizational performance requires effective communication both internally and externally to foster transparency, trust, and adaptability²⁵. Organizational performance is the ability to navigate regulatory changes and compliance requirements that impact the industry and market environment²⁶. Organizational performance involves the proactive identification and management of technological disruptions that could affect the industry environment. Organizational performance is the strategic anticipation of customer needs and preferences, ensuring the continuous relevance of products and services. Organizational performance necessitates a commitment to environmental sustainability and corporate citizenship, aligning with changing societal expectations^{25,26,27}.

Organizational performance involves the strategic utilization of data and analytics to inform decision-making and stay ahead of market trends¹⁸. Organizational performance requires a robust and adaptable supply chain that can withstand disruptions and ensure continuity of operations. Organizational performance is the outcome of a resilient

organizational culture that fosters employee engagement, creativity, and commitment²⁸. Organizational performance involves the cultivation of a positive workplace culture that attracts and retains talent in competitive markets. Organizational performance requires strategic foresight to identify emerging opportunities and challenges in the industry and market⁹. Organizational performance is the outcome of strategic succession planning to ensure leadership continuity and talent development. Organizational performance involves the proactive management of geopolitical risks and international market dynamics⁹.

Organizational performance requires a commitment to quality management, ensuring that products and services meet or exceed customer expectations²⁹. Organizational performance is the strategic management of intellectual property, innovation, and the protection of competitive advantages³⁰. Organizational performance involves proactive adaptation to cultural shifts, societal values, and demographic changes that impact the customer base³¹. Organizational performance is the outcome of effective crisis communication and stakeholder engagement during challenging times³². Organizational performance necessitates the cultivation of strategic partnerships and collaborations to enhance capabilities and market reach³³. Organizational performance involves the strategic use of marketing and branding to maintain a positive organizational image and customer loyalty.

Organizational performance requires ongoing evaluation and adjustment of organizational goals and strategies in response to evolving market conditions¹⁹. Organizational performance involves the development of a comprehensive risk management strategy that addresses both internal and external threats. Organizational performance is the ability to attract and retain diverse talent, fostering a culture of inclusion and adaptability³⁴.

Organizational performance necessitates a commitment to innovation and continuous improvement to stay ahead of industry trends. Organizational performance involves the strategic alignment of organizational values with societal expectations and emerging ethical considerations³⁵. Organizational performance requires effective governance structures and compliance measures to ensure ethical conduct and legal adherence. Organizational performance is the strategic positioning of the organization in the marketplace to differentiate from competitors and create unique value. Organizational performance is the outcome of strategic scenario planning, allowing the organization to anticipate and prepare for various future scenarios³⁶.

In view of the various definition in literature above, the researcher defines organizational performance as the ability and capacity of an organization to sustain itself and thrive over time, navigating through changes in the business environment. For the purpose of this study, strategic adaptability is measured by market share, brand reputation, operational efficiency and competitive advantage. These variables are discussed below

2.1.1.1 Market Share

Market share is the percentage of total sales within a specific market that a company or product captures over a defined period. Market share is the relative portion of total industry sales that a company holds, often expressed as a percentage. Market share represents a company's sales as a proportion of the total market sales, providing insight into its competitive position³⁷. Market share is a key metric used to assess a company's performance and influence in a particular industry or market segment. Market share is the measurement of a company's ability to attract and retain customers compared to competitors in the same market³⁸. Market share reflects the competitiveness of a company's products or services in relation to similar offerings from other companies.

Market share indicates the strength and presence of a brand or product within a given market space³⁹. Market share measures the effectiveness of a company's marketing, sales, and product strategies in comparison to competitors. Market share is a crucial metric for investors, analysts, and stakeholders to evaluate a company's market performance and growth potential⁴⁰. Market share is an essential factor in determining the competitiveness and concentration of an industry. Market share can be calculated for a specific geographic region, product category, or customer segment. Market share provides insights into the market dynamics and the distribution of consumer preferences among competing brands⁴¹. Market share can be expressed in terms of revenue share, unit share, or customer share, depending on the context.

Market share helps companies assess the impact of their pricing strategies on their competitive position in the market⁴². Market share is often used as a performance benchmark and a key indicator of a company's market leadership or challenger status⁴³. Market share is dynamic and can change over time based on shifts in consumer behavior, market trends, and competitive actions. Market share is a valuable tool for companies to identify growth opportunities, target new customer segments, and refine their market approach. Market share reflects the market penetration of a company's products or services compared to the overall demand⁴⁴.

Market share is a comparative metric that helps businesses understand their standing in the marketplace relative to their industry peers. Market share is influenced by factors such as product quality, brand recognition, distribution channels, and customer satisfaction⁴⁵. Market share is a key performance indicator that companies use to set strategic goals and track their market expansion. Market share is an important metric in strategic planning, guiding companies on where to allocate resources and investments⁴⁶. Market share can be

used to assess the effectiveness of promotional campaigns and marketing initiatives. Market share is a relative measure that provides context for a company's performance against the backdrop of industry dynamics⁴⁷.

Market share can be calculated using either revenue-based or volume-based methods, depending on the industry. Market share is often used by companies to benchmark their growth against industry averages and identify areas for improvement⁴⁸. Market share is a critical factor in pricing decisions as companies strive to maintain competitiveness while maximizing profitability. Market share is a useful metric for assessing market concentration and determining the level of competition within an industry⁴⁹. Market share is a snapshot of a company's competitive position at a specific point in time, subject to change with market fluctuations⁵⁰. Market share is a reflection of a company's market strength, showcasing its ability to capture a share of customer demand. Market share is a metric that is closely monitored by industry analysts, competitors, and regulatory bodies⁵¹.

Market share is a dynamic metric that responds to changes in consumer preferences, economic conditions, and technological advancements. Market share can be influenced by strategic partnerships, acquisitions, and collaborations that impact a company's reach and offerings. Market share is a component of market competitiveness, indicating how well a company's products or services resonate with consumers⁵². Market share is crucial in competitive analysis, allowing companies to assess the strengths and weaknesses of their rivals. Market share is a relative measure that enables companies to gauge their performance in relation to the growth or contraction of the overall market⁵³.

Market share is a metric that is often reported in industry reports and financial statements to inform investors and stakeholders⁵⁴. Market share is a forward-looking indicator, helping companies anticipate market trends and position themselves for future success⁵⁵.

Market share is a critical metric in industries with high competition and rapid technological advancements⁵⁶. Market share is an important consideration in mergers and acquisitions as companies evaluate the potential impact on their competitive position⁵⁷. Market share is a metric that companies use to assess the effectiveness of their distribution channels and market reach⁵⁸.

Market share is a relative measure that can be used to assess a company's performance against its own historical data⁵⁹. Market share is a competitive advantage when a company can consistently outperform its rivals in capturing customer demand⁴⁰. Market share is a metric that reflects the customer's perception of a company's brand value and product offerings. Market share is a metric that can be benchmarked against industry leaders to identify areas for improvement and innovation. Market share is a metric that can be influenced by customer loyalty programs, incentives, and retention strategies. Market share is a dynamic metric that reflects the cyclical nature of industries and the impact of economic conditions on consumer spending. Market share is a metric that is used to assess the effectiveness of product differentiation and innovation strategies. Market share is a performance indicator that is often linked to a company's revenue growth and profitability. Market share is a strategic metric that informs companies about their competitive standing and guides their decision-making in the pursuit of sustainable growth^{59,60}.

2.1.1.2 Brand Reputation

Brand reputation is the collective perception, impression, and opinion that consumers, stakeholders, and the public hold about a brand. Brand reputation is the overall qualitative assessment of a brand's character, trustworthiness, and credibility in the eyes of its target audience⁶¹. Brand reputation is the result of a brand's actions, behavior, and

communication, which shape how it is perceived by customers and the broader market. Brand reputation reflects the level of confidence and goodwill that a brand has built over time through consistent and positive interactions with its stakeholders⁶². Brand reputation is a measure of how well a brand fulfills its promises, meets customer expectations, and adheres to ethical and social standards.

Brand reputation is an intangible asset that plays a crucial role in influencing consumer purchase decisions and fostering brand loyalty. Brand reputation is the public's judgment of a brand's integrity, reliability, and the value it delivers to customers. Brand reputation is the enduring perception of a brand that extends beyond individual products or services to encompass the overall brand identity⁶³. Brand reputation is the result of a brand's ability to consistently deliver high-quality products, excellent customer service, and positive experiences⁶⁴. Brand reputation is the sum of all interactions and touchpoints a brand has with its audience, both online and offline.

Brand reputation is a key factor in building and maintaining a competitive advantage, as it influences customer loyalty and market share⁶⁵. Brand reputation is an ongoing process that requires proactive management, communication, and responsiveness to maintain a positive image. Brand reputation is the perception that customers and stakeholders have about a brand's commitment to social responsibility and sustainability. Brand reputation is a valuable asset that can act as a buffer during times of crisis, helping a brand recover more quickly from negative events. Brand reputation is influenced by customer reviews, testimonials, and word-of-mouth recommendations that circulate in both online and offline communities⁶⁶.

Brand reputation is a strategic consideration that businesses prioritize to differentiate themselves in competitive markets. Brand reputation is a reflection of a brand's

consistency in delivering on its brand promise and values across diverse touchpoints. Brand reputation is a dynamic concept that can be influenced by marketing campaigns, brand storytelling, and community engagement. Brand reputation is a holistic evaluation that takes into account a brand's impact on customers, employees, communities, and the environment⁶⁷. Brand reputation is the result of a brand's ability to recover from setbacks, learn from mistakes, and adapt to changing market conditions. Brand reputation is a crucial factor in attracting and retaining top talent, as employees often seek to align with reputable and socially responsible brands⁶⁸.

Brand reputation is a multidimensional construct that includes attributes such as authenticity, transparency, and responsiveness. Brand reputation is an indicator of the emotional connection that customers have with a brand, influencing their loyalty and advocacy. Brand reputation is a key consideration for investors and stakeholders, as it can impact a company's valuation and long-term sustainability. Brand reputation is an ongoing dialogue between a brand and its audience, shaped by each interaction and communication effort⁶⁹. Brand reputation is the result of a brand's ability to navigate cultural nuances, adapt to diverse markets, and resonate with varied audience segments⁷⁰.

Brand reputation is a long-term investment that requires consistent effort, resources, and a commitment to ethical business practices. Brand reputation is a strategic differentiator that allows a brand to command premium prices and enjoy a competitive advantage. Brand reputation is a reflection of a brand's commitment to customer satisfaction, as satisfied customers contribute positively to a brand's image. Brand reputation is a measure of a brand's resilience in the face of competition, market shifts, and technological advancements. Brand reputation is the collective memory and perception of a brand, shaped by its history, achievements, and response to challenges⁷¹.

Brand reputation is a strategic asset that can be leveraged in marketing communications to build credibility and trust. Brand reputation is a determinant of customer loyalty, influencing repeat purchases and recommendations to others. Brand reputation is a critical factor in crisis management, influencing how well a brand can weather and recover from negative events. Brand reputation is a key driver of customer trust, which is foundational for building and maintaining strong customer relationships. Brand reputation is a strategic consideration for global brands, as it can vary across cultures and regions. Brand reputation is an important metric to track and measure, allowing brands to assess the impact of their efforts on perception⁷².

Brand reputation is an indicator of a brand's standing within its industry and its ability to influence market trends. Brand reputation is an intangible asset that contributes to a brand's market capitalization and overall enterprise value. Brand reputation is a reflection of a brand's commitment to innovation, quality, and the ability to meet evolving customer needs. Brand reputation is a dynamic concept that requires ongoing monitoring and adjustment to align with evolving market expectations. Brand reputation is a factor in consumer decision-making, as customers often choose brands with positive reputations over competitors. Brand reputation is an integral part of a brand's equity, contributing to its overall value in the eyes of consumers⁷³. Brand reputation is a strategic consideration in mergers and acquisitions, influencing the perceived value of the acquired brand. Brand reputation is a multidimensional construct that includes aspects of customer satisfaction, brand recognition, and corporate social responsibility⁷⁴.

Brand reputation is an essential element in brand management, as it shapes a brand's trajectory and influence in the market. Brand reputation is a valuable asset that can be eroded by negative publicity, product recalls, or ethical lapses⁷⁵. Brand reputation is an

indicator of a brand's cultural relevance and ability to resonate with the values of its target audience. Brand reputation is a collective perception that is influenced by the experiences of individual customers and stakeholders. Brand reputation is a strategic consideration that requires cross-functional collaboration involving marketing, operations, and customer service to ensure consistency and alignment with brand values⁷⁶.

2.1.1.3 Operational Efficiency

Operational efficiency is the ability of an organization to deliver goods or services with the minimum amount of resources, time, and cost. Operational efficiency involves optimizing processes and workflows to achieve maximum output while minimizing input and waste. Operational efficiency is the ratio of output to input, reflecting the organization's effectiveness in converting resources into valuable products or services. Operational efficiency is the streamlining of internal processes and activities to enhance productivity and reduce operational overhead. Operational efficiency is the systematic elimination of inefficiencies, redundancies, and bottlenecks in organizational processes⁷⁷. Operational efficiency is the result of effective resource allocation, ensuring that resources are utilized in the most productive manner. Operational efficiency involves leveraging technology and automation to improve the speed and accuracy of routine tasks and activities⁷⁷.

Operational efficiency is the continuous improvement of processes through the adoption of best practices and innovative solutions. Operational efficiency is the measurement of how well an organization utilizes its resources to meet its goals and objectives. Operational efficiency is the alignment of organizational goals with operational processes to achieve optimal performance. Operational efficiency is the ability to deliver high-quality products or services consistently and predictably. Operational efficiency is the

reduction of waste, errors, and rework in operational processes, leading to cost savings and improved quality. Operational efficiency is a key element of organizational effectiveness, ensuring that resources are used to their full potential⁷⁸.

Operational efficiency is the strategic management of time, materials, and labor to maximize output and minimize costs. Operational efficiency is the ability to adapt quickly to changing market conditions and customer demands without sacrificing quality. Operational efficiency is the pursuit of excellence in every aspect of organizational operations, from production to customer service. Operational efficiency involves the adoption of lean principles, eliminating non-value-added activities, and focusing on customer value. Operational efficiency is the result of effective communication, collaboration, and coordination among different departments and teams⁷⁹.

Operational efficiency is the measurement of cycle times, lead times, and throughput in organizational processes. Operational efficiency is the proactive identification and resolution of operational challenges to prevent disruptions. Operational efficiency is the strategic utilization of technology to streamline workflows and enhance decision-making. Operational efficiency is the creation of standardized processes that reduce variability and enhance predictability⁸⁰. Operational efficiency involves the ongoing training and development of employees to enhance their skills and productivity. Operational efficiency is the ability to scale operations seamlessly to accommodate growth without sacrificing performance⁸⁰.

Operational efficiency is the reduction of excess inventory and stockouts through effective demand forecasting and inventory management⁸¹. Operational efficiency is the pursuit of operational excellence as a continuous improvement journey rather than a one-time achievement. Operational efficiency is the creation of a culture that values efficiency,

innovation, and continuous improvement at all levels of the organization. Operational efficiency is the ability to deliver products or services at a competitive price while maintaining profitability. Operational efficiency is the strategic analysis of key performance indicators (KPIs) to identify areas for improvement and optimization⁸².

Operational efficiency is the proactive identification and adoption of industry best practices to enhance operational performance. Operational efficiency is the strategic outsourcing of non-core activities to specialized partners to enhance overall efficiency. Operational efficiency involves the development and implementation of effective risk management strategies to prevent operational disruptions. Operational efficiency is the reduction of lead times and time-to-market through efficient production and supply chain processes⁸³.

Operational efficiency is the systematic monitoring and analysis of operational data to drive data-driven decision-making. Operational efficiency is the strategic alignment of organizational structure and processes to support business objectives. Operational efficiency is the enhancement of customer satisfaction through the timely and accurate delivery of products or services. Operational efficiency involves the implementation of cross-functional teams and collaboration to address organizational challenges⁸⁴. Operational efficiency is the implementation of flexible and adaptive operational processes that can respond to changing market conditions. Operational efficiency is the creation of a culture that encourages and rewards employees for contributing to operational improvement.

Operational efficiency is the integration of technology solutions, such as enterprise resource planning (ERP) systems, to streamline operations⁸⁵. Operational efficiency involves the strategic outsourcing of specific business processes to specialized service

providers. Operational efficiency is the reduction of energy consumption and environmental impact through sustainable operational practices. Operational efficiency is the ability to balance cost savings with quality improvements in organizational processes. Operational efficiency is the adoption of agile methodologies and principles to enhance flexibility and responsiveness⁸⁶.

Operational efficiency involves the creation of performance metrics and key performance indicators to measure and track efficiency. Operational efficiency is the strategic deployment of resources based on demand forecasts and market trends⁸⁷. Operational efficiency is the strategic alignment of technology infrastructure with organizational objectives to enhance efficiency. Operational efficiency is the creation of a culture that encourages and rewards employees for proposing and implementing efficiency improvements⁸⁸. Operational efficiency is the pursuit of operational excellence as a core organizational value, supported by leadership commitment. Operational efficiency is the achievement of a balance between cost-effectiveness, customer satisfaction, and overall organizational effectiveness⁸⁹.

2.1.1.4 Competitive Advantage

Competitive advantage is the unique set of attributes or capabilities that allows a business to outperform its rivals and achieve superior performance⁹⁰. Competitive advantage is the edge a company has over its competitors, enabling it to attract and retain customers and achieve higher profitability⁹¹. Competitive advantage is the result of creating more value for customers than competitors, either through differentiation or cost leadership⁹². Competitive advantage is the ability of a business to create and sustain a unique market position that is difficult for competitors to replicate⁹³. Competitive advantage is the

strategic superiority that enables a company to stay ahead in the market and respond effectively to industry changes. Competitive advantage is the outcome of leveraging resources, capabilities, and strategic positioning to achieve a stronger market position. Competitive advantage is the distinctive competence that sets a business apart, allowing it to command a premium in the market⁹⁴.

Competitive advantage is the result of continuous innovation, efficiency, and customer focus that creates a barrier to entry for competitors. Competitive advantage is the ability to deliver superior value to customers in terms of quality, features, or price compared to competitors. Competitive advantage is the sustained ability to outperform rivals and gain a larger share of the market over the long term. Competitive advantage is the strategic alignment of organizational activities to create a unique and valuable position in the market. Competitive advantage is the outcome of effective strategic planning, execution, and the ability to adapt to changing market conditions⁹⁵. Competitive advantage is the result of superior market intelligence, customer insights, and the ability to anticipate and respond to trends⁹⁶.

Competitive advantage is the creation of a strong brand identity and reputation that differentiates a business from its competitors. Competitive advantage is the ability to offer a unique value proposition that resonates with the target audience and meets their needs better than alternatives. Competitive advantage is the result of efficient supply chain management, which allows a business to deliver products or services more effectively than competitors⁹⁷.

Competitive advantage is the strategic use of technology to enhance processes, improve efficiency, and create innovative solutions. Competitive advantage is the outcome of effective talent management, ensuring the organization has a skilled and motivated

workforce. Competitive advantage is the result of strategic partnerships and alliances that enhance a company's capabilities and market reach. Competitive advantage is the ability to adapt quickly to market changes, giving a business the first-mover advantage in new opportunities. Competitive advantage is the result of effective cost control and operational efficiency that allow a business to offer competitive prices. Competitive advantage is the creation of a unique customer experience that builds loyalty and enhances the perceived value of the brand. Competitive advantage is the strategic allocation of resources to focus on core competencies and key success factors⁹⁸.

Competitive advantage is the ability to leverage intellectual property, patents, or proprietary technology to stay ahead of competitors. Competitive advantage is the strategic management of risk and uncertainties, allowing a business to navigate challenges more effectively. Competitive advantage is the outcome of effective marketing and communication strategies that position a business as a leader in the market. Competitive advantage is the result of a customer-centric approach that prioritizes understanding and meeting customer needs. Competitive advantage is the creation of entry barriers for competitors, making it difficult for them to replicate a business's success. Competitive advantage is the ability to respond to customer feedback and market trends, staying ahead of changing preferences. Competitive advantage is the strategic use of data analytics and business intelligence to inform decision-making and gain insights into market dynamics⁹⁹.

Competitive advantage is the outcome of effective risk management, allowing a business to operate in volatile environments with resilience. Competitive advantage is the ability to create and maintain strong customer relationships, fostering loyalty and repeat business. Competitive advantage is the strategic use of economies of scale or scope to achieve lower costs than competitors. Competitive advantage is the creation of a unique corporate

culture that attracts top talent and fosters innovation. Competitive advantage is the result of effective crisis management, which allows a business to navigate challenges and maintain stability. Competitive advantage is the strategic differentiation of products or services, making them stand out in the market. Competitive advantage is the ability to adapt to changing regulatory environments and compliance requirements. Competitive advantage is the strategic alignment of organizational goals with market demands and customer expectations¹⁰⁰.

Competitive advantage is the outcome of effective customer service that exceeds expectations and builds positive relationships. Competitive advantage is the result of strategic diversification into new markets or product lines. Competitive advantage is the ability to effectively manage and protect the reputation of a brand in the market¹⁰¹. Competitive advantage is the strategic pursuit of sustainable practices that resonate with environmentally conscious consumers. Competitive advantage is the result of effective strategic foresight, allowing a business to anticipate and capitalize on future trends¹⁰². Competitive advantage is the result of the creation of a culture of innovation that drives continuous improvement and adaptation¹⁰³.

Competitive advantage is the strategic use of customer feedback and market research to refine products and services. Competitive advantage is the ability to create and maintain strong distribution channels, ensuring broad market reach. Competitive advantage is the outcome of effective strategic leadership that guides the organization toward success. Competitive advantage is the ability to create and maintain a positive public perception, influencing consumer choices. Competitive advantage is the strategic management of customer information and insights to tailor offerings to specific needs. Competitive

advantage is the result of effective scenario planning, which allows a business to prepare for various future challenges and opportunities¹⁰⁴.

2.1.2 Strategic Adaptability

Strategic adaptability is the organization's capacity to adjust its long-term plans and objectives in response to changing external conditions¹⁰⁵. Strategic adaptability refers to an organization's ability to proactively anticipate and react to shifts in the business environment, market trends, and competitive environment. Strategic adaptability is the capability to modify strategies and tactics swiftly without compromising the overall strategic direction of the organization. Strategic adaptability involves the continuous assessment of internal and external factors to identify opportunities and threats, allowing for timely adjustments¹⁰⁶.

Strategic adaptability is a dynamic approach to strategic planning that emphasizes flexibility and responsiveness over rigid, fixed plans. Strategic adaptability is a proactive mindset that encourages experimentation, learning, and the willingness to embrace change as a constant. Strategic adaptability involves the development of scenario plans to prepare for various future situations and adapt strategies accordingly. Strategic adaptability is a key element of resilience, enabling organizations to navigate uncertainties and disruptions successfully. Strategic adaptability is a strategic imperative for organizations operating in fast-paced industries or those facing rapid technological advancements. Strategic adaptability involves creating a culture that values innovation, openness to new ideas, and the ability to challenge existing norms¹⁰⁷.

Strategic adaptability is the organization's readiness to pivot, scale, or diversify its operations in response to emerging opportunities or challenges¹⁰⁸. Strategic adaptability is a continuous process that requires regular monitoring of the business environment and a

willingness to adjust strategies based on insights gained¹⁰⁹. Strategic adaptability is a balancing act between stability and flexibility, ensuring that an organization is prepared for change without compromising its core values. Strategic adaptability is the ability to learn from both successes and failures, applying those lessons to enhance strategic decision-making. Strategic adaptability involves fostering cross-functional collaboration and communication to facilitate a holistic view of the organization's adaptability¹¹⁰.

Strategic adaptability is reflected in an organization's capacity to leverage technology and data for real-time insights and decision-making. Strategic adaptability considers the organization's ability to adjust its resource allocation, including finances and personnel, based on strategic priorities. Strategic adaptability involves the integration of feedback loops, allowing for continuous refinement of strategies in response to changing conditions. Strategic adaptability is measured through key performance indicators related to the organization's ability to respond to market shifts and capitalize on emerging trends. Strategic adaptability is a leadership trait that involves fostering a culture of change resilience and encouraging innovation at all levels of the organization¹¹¹.

Strategic adaptability is crucial in managing external shocks, such as economic downturns or unforeseen geopolitical events. Strategic adaptability involves the identification of potential disruptors in the industry and the development of strategies to navigate or capitalize on them. Strategic adaptability is a cornerstone of strategic management, emphasizing dynamic capabilities to create and sustain a competitive advantage. Strategic adaptability considers the organization's ability to quickly align its strategies with shifts in consumer behavior, preferences, and expectations. Strategic adaptability involves the development of alternative plans and strategies that can be activated in response to specific triggers or indicators. Strategic adaptability is a proactive response to emerging

technologies, allowing organizations to integrate innovations into their strategic frameworks¹¹².

Strategic adaptability involves the establishment of a responsive supply chain that can adjust to fluctuations in demand and supply¹¹³. Strategic adaptability is reflected in an organization's capacity to navigate changes in regulatory environments and compliance requirements¹¹⁴. Strategic adaptability involves creating a learning organization where employees are empowered to contribute to the adaptation of strategies based on their expertise and insights¹¹⁵. Strategic adaptability is the organization's ability to pivot or diversify its portfolio of products or services to capture new market opportunities. Strategic adaptability is measured through the effectiveness of change management processes and the speed at which strategic adjustments are implemented¹¹⁶.

Strategic adaptability involves anticipating potential disruptions and having contingency plans in place to minimize negative impacts. Strategic adaptability is reflected in the organization's ability to leverage partnerships and collaborations to enhance adaptability and market reach. Strategic adaptability considers the organization's capacity to integrate sustainability practices into its core strategies in response to environmental and societal shifts¹¹⁷. Strategic adaptability is a mindset that encourages a forward-looking approach, preparing the organization for future challenges and opportunities. Strategic adaptability involves the assessment of market dynamics, competitive forces, and emerging trends to inform strategic decision-making. Strategic adaptability is a collaborative effort that involves the engagement of diverse stakeholders in the strategic planning and adaptation process. Strategic adaptability is a balance between proactively shaping the future through strategic initiatives and reacting effectively to unexpected changes¹¹⁸.

Strategic adaptability involves the development of a responsive organizational structure that facilitates quick decision-making and implementation. Strategic adaptability is reflected in an organization's ability to manage and adapt to cultural shifts and changing societal values. Strategic adaptability considers the organization's capacity to leverage customer feedback and market intelligence for strategic adjustments. Strategic adaptability involves the analysis of competitive intelligence to anticipate and respond to moves by competitors. Strategic adaptability is reflected in an organization's ability to balance short-term tactical adjustments with long-term strategic objectives¹¹⁹. Strategic adaptability is crucial for organizations entering new markets or expanding their operations into unfamiliar territories¹²⁰.

Strategic adaptability involves the development of a risk management strategy that accounts for uncertainties in the business environment. Strategic adaptability is a factor in talent management, ensuring the organization has the skills and expertise needed to execute adaptive strategies. Strategic adaptability involves the continuous monitoring of customer sentiment, market trends, and industry disruptions to inform strategic decisions. Strategic adaptability is reflected in an organization's ability to quickly recover from setbacks and adapt its strategies based on lessons learned¹²¹. Strategic adaptability is a forward-thinking approach that positions the organization to thrive in a rapidly changing and unpredictable business environment. In view of the various definition in literature above, the researcher defines strategic adaptability as the agility of an organization to evolve its business model, products, or services in alignment with emerging market demands. For the purpose of this study, strategic adaptability is measured by environmental scanning, strategic flexibility and resource allocation. These variables are discussed below.

2.1.2.1 Environmental Scanning

Environmental scanning is the systematic process of gathering, analyzing, and interpreting information about the external environment to identify opportunities, threats, and trends that may impact an organization¹²². Environmental scanning involves monitoring the political, economic, social, technological, environmental, and legal (PESTEL) factors that could affect an organization's operations and strategic decisions. Environmental scanning is a strategic management tool that helps organizations stay informed about changes in their industry, market, and broader business environment. Environmental scanning is a proactive approach to information gathering, allowing organizations to anticipate changes and adjust their strategies accordingly¹²³.

Environmental scanning encompasses the continuous monitoring of competitors, customers, suppliers, regulatory bodies, and other stakeholders to stay informed about their activities and developments. Environmental scanning is a holistic process that considers both internal and external factors, providing a comprehensive view of the business environment. Environmental scanning involves the collection of both qualitative and quantitative data to assess the current and future state of the external environment. Environmental scanning is a dynamic and ongoing process, recognizing that the business environment is constantly evolving¹²⁴.

Environmental scanning is a key component of strategic planning, helping organizations align their strategies with emerging opportunities and threats. Environmental scanning is conducted through various methods, including market research, trend analysis, scenario

planning, and industry reports. Environmental scanning is a tool for risk management, allowing organizations to identify potential risks and develop strategies to mitigate them. Environmental scanning is essential for organizations operating in industries with rapid technological advancements, as it helps them stay ahead of innovation trends¹²⁵. Environmental scanning involves the monitoring of social and cultural factors to understand shifts in consumer behavior, values, and preferences¹²⁵.

Environmental scanning is a continuous learning process that encourages organizations to adapt and evolve based on new information. Environmental scanning is a strategic capability that enables organizations to detect early signals of change in the external environment¹²⁶. Environmental scanning is a forward-looking process that goes beyond immediate concerns and considers the long-term implications of external factors. Environmental scanning is a collaborative effort involving various departments and stakeholders to ensure a comprehensive and accurate assessment. Environmental scanning is a tool for organizations to identify market gaps, emerging niches, and unmet customer needs¹²⁷.

Environmental scanning involves the analysis of economic indicators, market trends, and financial data to gauge the overall health of the business environment. Environmental scanning is conducted through both formal channels, such as industry reports, and informal channels, like networking and conversations with key stakeholders¹²⁸. Environmental scanning is a strategic foresight process that allows organizations to prepare for and respond to changes in the external environment. Environmental scanning involves the use of technology and data analytics to automate and enhance the efficiency of information gathering and analysis. Environmental scanning is a key input for strategic decision-making, helping organizations allocate resources and prioritize initiatives.

Environmental scanning is the foundation for competitive intelligence, providing insights into the strategies and activities of competitors. Environmental scanning is an integral part of organizational learning, promoting a culture of curiosity and adaptability¹²⁹.

Environmental scanning is conducted at various levels of an organization, from the executive team to individual departments, to ensure alignment with overall strategic goals¹³⁰. Environmental scanning involves the examination of legal and regulatory changes that may impact the organization's operations and compliance requirements. Environmental scanning is a tool for organizations to identify potential collaborators, partners, or acquisition targets. Environmental scanning involves monitoring global trends and events that could have widespread implications for the industry or market. Environmental scanning is a strategic competency that allows organizations to identify weak signals and disruptive forces before they become mainstream¹³¹.

Environmental scanning is a proactive response to the complexity and uncertainty of the business environment, helping organizations build resilience¹³². Environmental scanning involves staying attuned to geopolitical developments that may affect supply chains, markets, and trade agreements¹³³. Environmental scanning is a cyclical process that requires regular reviews and updates to account for changes in the external environment. Environmental scanning is a tool for organizations to assess the impact of environmental sustainability trends and regulations on their operations. Environmental scanning is a foundational step in the strategic management process, informing the formulation and execution of organizational strategies. Environmental scanning involves considering demographic shifts, population trends, and cultural changes that may influence the market¹³⁴.

Environmental scanning is a preventive measure against strategic drift, ensuring that organizations remain aligned with their intended direction. Environmental scanning involves the identification of potential disruptors, such as emerging technologies or shifts in consumer behavior. Environmental scanning is a driver of innovation, as it helps organizations identify new opportunities for product or service development. Environmental scanning is a systematic approach to gathering competitive intelligence, enabling organizations to benchmark themselves against industry peers. Environmental scanning involves the analysis of customer feedback, reviews, and sentiment to understand changing preferences and expectations¹³⁵. Environmental scanning is a tool for organizations to evaluate the impact of macroeconomic factors, such as inflation, interest rates, and currency fluctuations¹³⁶.

Environmental scanning is a preventative measure against strategic surprises, allowing organizations to be better prepared for sudden shifts in the business environment. Environmental scanning is conducted through the use of data visualization tools, dashboards, and analytics platforms to enhance information interpretation. Environmental scanning is a key element in the development of scenario planning exercises to explore alternative futures. Environmental scanning is a strategic capability that helps organizations identify opportunities for international expansion or assess global market conditions. Environmental scanning is a continuous improvement process that involves refining information sources, analysis methods, and decision-making based on feedback and outcomes. Environmental scanning is a factor in strategic innovation, as it helps organizations identify emerging trends that may shape the future business environment¹³⁷. Environmental scanning involves the assessment of supply chain vulnerabilities, geopolitical risks, and global economic conditions to inform risk mitigation strategies.

Environmental scanning is an integral part of the organizational culture, fostering a proactive and informed mindset among employees at all levels¹³⁸.

2.1.2.2 Strategic Flexibility

Strategic flexibility is the capacity of an organization to adjust its strategic course quickly and effectively in response to changing external conditions. Strategic flexibility involves the ability to adopt new strategies, modify existing ones, or abandon outdated approaches to navigate uncertainties and seize opportunities. Strategic flexibility is the organizational agility to adapt to unforeseen circumstances without compromising long-term objectives. Strategic flexibility is a dynamic capability that allows an organization to proactively shape its strategies based on emerging trends and market shifts. Strategic flexibility is the balance between stability and adaptability, enabling organizations to remain resilient in the face of evolving challenges. Strategic flexibility involves creating strategic options and maintaining a portfolio of alternatives to respond to changing business environments¹³⁹.

Strategic flexibility is the recognition that strategic plans are not fixed but rather should be continuously refined and adjusted to stay relevant. Strategic flexibility is a proactive mindset that values experimentation, learning, and the ability to pivot in response to new information. Strategic flexibility is essential in industries with rapid technological advancements, market disruptions, or unpredictable competitive environments. Strategic flexibility involves the readiness to reconsider assumptions, revisit goals, and embrace innovative approaches to achieve strategic objectives. Strategic flexibility is a key component of strategic resilience, allowing organizations to withstand shocks and recover quickly from setbacks. Strategic flexibility is reflected in an organization's capacity to balance short-term responsiveness with long-term strategic vision¹⁴⁰.

Strategic flexibility involves the systematic monitoring of external and internal factors to identify triggers for strategic adjustments. Strategic flexibility is the willingness to challenge the status quo, fostering a culture that encourages employees to propose and implement strategic changes. Strategic flexibility requires leadership to foster a climate that values adaptability, creativity, and a willingness to embrace calculated risks. Strategic flexibility is a strategic competency that positions an organization to capitalize on emerging opportunities and navigate unexpected challenges. Strategic flexibility involves the development of a strategic planning process that allows for continuous reassessment and adjustment¹⁴¹. Strategic flexibility is crucial for organizations entering new markets, facing regulatory changes, or experiencing shifts in consumer behavior. Strategic flexibility involves scenario planning, enabling organizations to anticipate multiple future scenarios and prepare accordingly. Strategic flexibility is reflected in the organization's ability to learn from both successes and failures, applying lessons to refine strategies¹⁴².

Strategic flexibility is a proactive response to external shocks, such as economic downturns, geopolitical events, or global crises. Strategic flexibility involves the creation of strategic options that can be activated based on specific triggers or changes in the business environment. Strategic flexibility requires a mindset that views change as an opportunity rather than a threat, fostering adaptability throughout the organization. Strategic flexibility is the organizational capacity to pivot its business model, product offerings, or market focus to align with emerging trends. Strategic flexibility is reflected in the organization's ability to mobilize resources quickly and reallocate them based on strategic priorities. Strategic flexibility involves the integration of technology solutions that facilitate real-time data analysis and support quick decision-making¹⁴³. Strategic

flexibility is a key element in strategic innovation, allowing organizations to experiment with new ideas and approaches.

Strategic flexibility is essential for organizations operating in global markets, where geopolitical, cultural, and economic factors may rapidly change. Strategic flexibility is a competitive advantage, as it positions organizations to respond more effectively to changes than less flexible competitors. Strategic flexibility requires organizations to be receptive to feedback, market signals, and customer preferences, adapting strategies accordingly. Strategic flexibility is a factor in talent management, encouraging the development of a workforce that is adaptable, innovative, and open to change. Strategic flexibility involves the proactive identification of potential disruptors and the development of strategies to address or capitalize on them. Strategic flexibility is reflected in an organization's capacity to navigate changes in regulations, compliance requirements, and industry standards. Strategic flexibility requires a holistic approach, considering not only external factors but also internal capabilities and resources. Strategic flexibility is a driver of organizational learning, fostering a culture of continuous improvement and adaptation¹⁴². Strategic flexibility involves the development of a risk management strategy that accounts for uncertainties in the business environment.

Strategic flexibility is reflected in the organization's ability to balance the pursuit of short-term opportunities with the preservation of long-term sustainability. Strategic flexibility requires the establishment of clear decision-making processes that facilitate quick and informed responses to changing conditions. Strategic flexibility involves the integration of flexibility measures into organizational structures, systems, and processes. Strategic flexibility is crucial for organizations operating in dynamic markets or facing technological disruptions. Strategic flexibility is reflected in an organization's capacity to

adapt its supply chain, distribution channels, and logistics strategies to meet changing demands. Strategic flexibility involves the development of a culture that encourages employees to think creatively, take calculated risks, and challenge the status quo¹⁴³. Strategic flexibility is the organizational capability to leverage emerging technologies and innovation trends for strategic advantage¹⁴⁴.

Strategic flexibility is a factor in strategic alliances and partnerships, allowing organizations to adapt collaborative efforts based on evolving needs. Strategic flexibility requires the integration of sustainability considerations into strategic planning, as environmental and societal shifts may impact the business. Strategic flexibility is a proactive response to changes in consumer preferences, market dynamics, and the competitive environment. Strategic flexibility is reflected in the organization's capacity to respond to emerging cybersecurity threats and technological vulnerabilities. Strategic flexibility is a factor in the evaluation and selection of technology solutions that enhance organizational agility and adaptability. Strategic flexibility involves the development of metrics and key performance indicators (KPIs) to assess the effectiveness of adaptive strategies. Strategic flexibility is a strategic mindset that encourages organizations to be forward-thinking, agile, and responsive to both internal and external dynamics¹⁴⁵.

2.1.2.3 Resource Allocation

Resource allocation is the strategic process of distributing an organization's assets, including financial, human, and technological resources, to various projects, activities, or departments. Resource allocation involves prioritizing and assigning resources based on the organization's goals, objectives, and expected return on investment. Resource allocation is the optimization of resource utilization to ensure that the right resources are allocated to the right tasks at the right time. Resource allocation is a dynamic decision-

making process that adapts to changing organizational priorities, market conditions, and project requirements. Resource allocation is the alignment of resources with strategic priorities, allowing organizations to achieve maximum efficiency and effectiveness¹⁴⁶.

Resource allocation involves balancing short-term needs with long-term goals to sustain organizational growth and competitiveness. Resource allocation is a key element of project management, ensuring that projects receive the necessary resources to be completed successfully. Resource allocation is the identification and allocation of financial resources to various departments, projects, or initiatives based on their strategic importance. Resource allocation involves the assessment of resource availability, considering factors such as budget constraints, personnel capacity, and equipment availability¹⁴⁷. Resource allocation is a process that requires ongoing monitoring and adjustment to address unexpected challenges, bottlenecks, or changes in project scope.

Resource allocation is the distribution of human capital, considering skills, expertise, and availability, to meet the demands of different tasks and projects. Resource allocation is a proactive approach to avoid overcommitting resources to specific projects and to prevent resource shortages. Resource allocation involves the strategic allocation of technology and IT resources to support business operations, innovation, and digital transformation. Resource allocation is a critical component of financial management, ensuring that resources are allocated in a manner that maximizes return on investment¹⁴⁸. Resource allocation involves the strategic alignment of resources with organizational priorities to enhance overall performance and competitiveness.

Resource allocation is the assignment of physical resources, such as facilities, equipment, and materials, to support operational activities. Resource allocation is a key consideration in organizational planning, influencing decision-making at both the strategic and

operational levels¹⁴⁹. Resource allocation involves the equitable distribution of resources among various departments or business units to foster collaboration and synergy. Resource allocation is a strategic capability that enables organizations to adapt to changes in market demand, industry trends, and competitive environments. Resource allocation is the development of contingency plans to address resource shortages, unexpected events, or changes in project scope. Resource allocation is a factor in capacity planning, ensuring that organizations have the necessary resources to meet current and future demands¹⁵⁰.

Resource allocation involves the evaluation of opportunity costs, considering the potential benefits of allocating resources to different projects or initiatives. Resource allocation is a critical aspect of portfolio management, optimizing the allocation of resources across a portfolio of projects or business units. Resource allocation is the establishment of clear criteria for resource allocation decisions, considering factors such as strategic alignment, risk, and urgency. Resource allocation is a cross-functional process that requires collaboration and communication among different departments and teams¹⁵¹. Resource allocation involves the identification of resource constraints and the development of strategies to mitigate their impact on organizational performance.

Resource allocation is the development of a resource allocation plan that outlines how resources will be distributed and managed over a specific time frame. Resource allocation is a continuous improvement process, with organizations regularly reviewing and adjusting resource allocation strategies based on performance metrics. Resource allocation is the strategic allocation of marketing resources to campaigns, channels, and initiatives that align with organizational objectives. Resource allocation involves the consideration of external factors, such as market competition and economic conditions, in making resource allocation decisions. Resource allocation is the identification of resource

dependencies, ensuring that projects or activities have the necessary prerequisites to succeed¹⁵².

Resource allocation is a factor in organizational scalability, allowing organizations to efficiently expand operations or enter new markets. Resource allocation involves the assessment of employee workload, skills, and availability to ensure the right people are assigned to the right tasks. Resource allocation is a strategic decision-making process that considers both short-term tactical needs and long-term strategic goals¹⁵³. Resource allocation involves the development of resource forecasting models to predict future resource needs based on organizational growth and changes. Resource allocation is a factor in risk management, as organizations allocate resources to mitigate potential risks and uncertainties¹⁵⁴.

Resource allocation is the consideration of ethical and social responsibility factors in distributing resources to ensure fairness and transparency. Resource allocation is a factor in strategic outsourcing decisions, determining which functions or activities are best handled internally or externally. Resource allocation involves the development of a resource allocation framework that guides decision-making and prioritization. Resource allocation is a critical component of business continuity planning, ensuring that organizations can allocate resources effectively during crises. Resource allocation is a factor in organizational restructuring, determining how resources will be reallocated during periods of change¹⁵⁵. Resource allocation involves the assessment of resource utilization and efficiency and identifying areas for improvement and optimization.

Resource allocation is a strategic consideration in mergers and acquisitions, determining how resources will be integrated or reallocated post-transaction. Resource allocation involves the analysis of historical resource allocation data to identify patterns, trends, and

areas for improvement¹⁵⁶. Resource allocation is the development of a resource allocation strategy that aligns with the organization's overall strategic plan. Resource allocation involves the consideration of environmental sustainability, ensuring that resource allocation practices align with eco-friendly principles¹⁵⁷. Resource allocation is a factor in innovation management, determining how resources will be allocated to support research and development initiatives¹⁵⁸. Resource allocation is the development of key performance indicators (KPIs) to assess the effectiveness of resource allocation strategies. Resource allocation involves considering customer needs and expectations when allocating resources to enhance customer satisfaction. Resource allocation is a strategic discipline that requires organizations to be responsive to changes in the external environment, competitive dynamics, and internal capabilities¹⁵⁹.

2.1.2.4 Knowledge Acquisition

Knowledge acquisition is the process of obtaining new information, insights, or skills through learning, study, or experience. Knowledge acquisition involves the systematic gathering and assimilation of information to expand one's understanding and expertise. Knowledge acquisition is the conscious effort to acquire knowledge, either through formal education, informal learning, or experiential means. Knowledge acquisition encompasses the collection and integration of data, facts, and concepts to build a deeper understanding of a subject. Knowledge acquisition is the foundation of personal and professional development, allowing individuals to stay informed and adapt to changing circumstances¹⁷¹.

Knowledge acquisition involves both explicit learning, where information is consciously sought, and implicit learning, where knowledge is acquired unintentionally. Knowledge acquisition is a lifelong process that continues beyond formal education, involving

continuous learning and skill development. Knowledge acquisition is the first step in the knowledge management cycle, where information is gathered for organizational use. Knowledge acquisition involves the exploration of various sources, including books, articles, mentors, experiences, and technology, to gain diverse perspectives. Knowledge acquisition is an active process that requires curiosity, critical thinking, and a willingness to explore new ideas. Knowledge acquisition is essential for innovation, as it provides the raw material for generating creative solutions and novel insights¹⁷².

Knowledge acquisition involves the identification and extraction of relevant information from both internal and external sources. Knowledge acquisition is facilitated by effective information-seeking behaviors, such as asking questions, conducting research, and seeking out subject matter experts. Knowledge acquisition involves the development of cognitive skills, memory, and mental models to retain and apply acquired knowledge. Knowledge acquisition is the basis for building expertise in specific domains, industries, or disciplines. Knowledge acquisition includes the ability to discern credible and reliable information from various sources to ensure the quality of acquired knowledge. Knowledge acquisition is influenced by individual learning styles, preferences, and the availability of resources for information gathering¹⁷³.

Knowledge acquisition is a dynamic process that adapts to changes in technology, industry trends, and societal developments. Knowledge acquisition is a key element in problem-solving, as it provides the information needed to analyze and address challenges. Knowledge acquisition is not limited to theoretical knowledge; it also involves practical skills gained through hands-on experience. Knowledge acquisition is facilitated by effective communication and collaboration, as individuals share and exchange information to enhance collective learning. Knowledge acquisition involves the

integration of tacit knowledge, gained through personal experience, with explicit knowledge acquired from formal sources. Knowledge acquisition is facilitated by leveraging technology tools, online platforms, and digital resources to access information efficiently¹⁷⁴.

Knowledge acquisition involves recognizing gaps in one's understanding and actively seeking information to fill those gaps¹⁷⁵. Knowledge acquisition is influenced by an individual's ability to synthesize and connect disparate pieces of information into a coherent understanding¹⁷⁶. Knowledge acquisition is the process of converting information into actionable knowledge that can be applied to real-world situations. Knowledge acquisition is essential for decision-making, as it provides the information needed to make informed and effective choices. Knowledge acquisition involves recognizing the limitations of one's current knowledge and being open to updating and expanding it. Knowledge acquisition is the foundation for continuous improvement as individuals strive to enhance their skills and knowledge over time¹⁷⁷.

Knowledge acquisition is a strategic capability for organizations, as it enables them to stay competitive and adapt to a rapidly changing business environment. Knowledge acquisition involves recognizing the context and relevance of acquired information to ensure its applicability in specific situations. Knowledge acquisition is a self-directed process where individuals take responsibility for their own learning and development¹⁷⁸. Knowledge acquisition is influenced by the cultivation of a growth mindset, fostering a positive attitude toward learning, and embracing challenges. Knowledge acquisition involves recognizing the diversity of learning opportunities and being open to unconventional sources of information¹⁷⁹.

Knowledge acquisition is a foundation for critical thinking, enabling individuals to analyze, evaluate, and apply information effectively. Knowledge acquisition is facilitated by effective time management and organizational skills to allocate sufficient time for learning activities. Knowledge acquisition involves recognizing the importance of reflective learning, where individuals evaluate and internalize their acquired knowledge. Knowledge acquisition is a precursor to knowledge sharing, as individuals contribute to collective learning through the dissemination of acquired information¹⁸⁰. Knowledge acquisition is influenced by the quality of educational resources, training programs, and learning environments available to individuals.

Knowledge acquisition involves recognizing the ethical dimensions of information use and ensuring responsible and principled knowledge acquisition. Knowledge acquisition is a collaborative process, as individuals learn from peers, mentors, and collaborative projects¹⁸¹. Knowledge acquisition involves recognizing the interdisciplinary nature of knowledge and integrating insights from various fields to gain a holistic understanding¹⁸². Knowledge acquisition is facilitated by feedback mechanisms, allowing individuals to assess the effectiveness of their learning strategies. Knowledge acquisition involves recognizing the role of metacognition, where individuals monitor and regulate their own learning processes.

Knowledge acquisition is a continuous feedback loop where individuals apply their acquired knowledge, learn from experiences, and iterate their understanding. Knowledge acquisition is influenced by cultural factors, as different cultures may have unique approaches to learning and knowledge acquisition. Knowledge acquisition involves recognizing the value of continuous learning and adapting to changes in work environments and professional requirements. Knowledge acquisition is facilitated by

creating a supportive learning environment that encourages experimentation, curiosity, and exploration¹⁸³. Knowledge acquisition involves recognizing the importance of adaptability, as the methods and tools for acquiring knowledge evolve over time¹⁸⁴. Knowledge acquisition is a dynamic and multifaceted process, reflecting the ongoing journey of individuals and organizations to expand their understanding and capabilities¹⁸⁴.

2.1.3 Absorptive Capacity

Absorptive capacity is the organization's ability to acquire, assimilate, and apply new knowledge, especially from external sources¹⁶⁰. Absorptive capacity is the capacity of an organization to recognize the value of external information, assimilate it into its existing knowledge base, and apply it for innovation and performance improvement. Absorptive capacity refers to an organization's skill in identifying, understanding, and leveraging external knowledge to enhance its own capabilities and competitive advantage. Absorptive capacity is a key determinant of innovation, representing the organization's ability to absorb and exploit external technological, market, and managerial knowledge¹⁶¹.

Absorptive capacity involves both individual and organizational levels, reflecting the ability of individuals within the organization to acquire and use external knowledge collectively. Absorptive capacity is a strategic asset that distinguishes organizations in their ability to learn from external sources and apply that learning to improve performance¹⁶². Absorptive capacity is the process by which organizations identify, assimilate, and exploit knowledge from the external environment to enhance competitiveness.

Absorptive capacity involves the creation of a culture that encourages openness to external ideas, collaboration, and a willingness to learn from diverse sources¹⁶³. Absorptive capacity is a prerequisite for effective knowledge management, enabling

organizations to capitalize on the vast pool of external knowledge. Absorptive capacity is a continuous learning process that involves staying attuned to changes in technology, market trends, and industry best practices¹⁶⁴. Absorptive capacity is reflected in an organization's ability to overcome knowledge barriers and integrate external knowledge seamlessly into its operations.

Absorptive capacity is the bridge between potential knowledge and its actual utilization within an organization, driving innovation and strategic adaptation. Absorptive capacity involves the development of routines, processes, and structures that facilitate the efficient assimilation and application of new knowledge. Absorptive capacity is a strategic capability that helps organizations respond proactively to disruptions, changes in customer preferences, and competitive challenges¹⁶⁵. Absorptive capacity involves the development of mechanisms for scanning the external environment, identifying relevant knowledge, and integrating it into the organization. Absorptive capacity is a key factor in fostering inter-organizational collaboration, allowing organizations to leverage the knowledge of external partners¹⁶⁶.

Absorptive capacity is crucial for organizations entering new markets, as it enables them to understand and adapt to the local business environment. Absorptive capacity involves the development of feedback loops to ensure that learning from external sources is integrated into ongoing organizational activities. Absorptive capacity is an essential component of dynamic capabilities, as it enables organizations to adapt their resource base to changing circumstances. Absorptive capacity is a strategic tool for managing alliances and partnerships, allowing organizations to benefit from the knowledge of their collaborators. Absorptive capacity is reflected in the organization's ability to filter and prioritize external information based on its relevance and potential impact¹⁶⁷.

Absorptive capacity is a factor in organizational ambidexterity, allowing organizations to balance the exploitation of existing knowledge and the exploration of new knowledge. Absorptive capacity involves the creation of structures that facilitate knowledge sharing, such as communities of practice, mentorship programs, and collaborative platforms. Absorptive capacity is a key enabler of strategic foresight, helping organizations anticipate industry trends and emerging opportunities. Absorptive capacity is the organization's ability to discern between valuable knowledge and noise in the external environment. Absorptive capacity is a predictor of organizational resilience, allowing organizations to adapt to unexpected challenges and bounce back from setbacks. Absorptive capacity involves the creation of mechanisms for storing and retrieving acquired knowledge, ensuring its accessibility for future use¹⁶⁸.

Absorptive capacity is a factor in strategic decision-making, as it enhances the quality and depth of information available to decision-makers. Absorptive capacity is a driver of organizational agility, allowing organizations to respond quickly to changes in the external environment. Absorptive capacity is reflected in the organization's ability to translate external knowledge into practical actions that drive performance improvement. Absorptive capacity involves the development of cognitive capabilities, such as attention, interpretation, and memory, to facilitate knowledge absorption¹⁶⁹. Absorptive capacity is a source of competitive advantage, as it allows organizations to leverage external knowledge in unique and innovative ways. Absorptive capacity is a critical success factor in industries characterized by rapid technological advancements, globalization, and market uncertainties. Absorptive capacity is the foundation for building a learning organization where continuous learning and knowledge sharing are embedded in the culture¹⁷⁰.

Absorptive capacity involves the development of boundary-spanning roles and positions to facilitate the flow of knowledge across organizational borders. Absorptive capacity is a factor in strategic alignment, ensuring that external knowledge is integrated in a way that supports the organization's mission and goals. Absorptive capacity involves the creation of incentives and recognition systems to encourage employees to seek, share, and apply external knowledge. Absorptive capacity is a prerequisite for effective innovation ecosystems, where organizations collaborate to create and share knowledge. Absorptive capacity is reflected in the organization's ability to adapt its products, services, and processes based on insights gained from external knowledge.

Absorptive capacity is a factor in the development of intellectual capital, contributing to the organization's overall knowledge assets. Absorptive capacity involves the development of cross-functional teams that facilitate the integration of knowledge from diverse sources. Absorptive capacity is reflected in the organization's ability to connect seemingly unrelated pieces of knowledge to generate innovative solutions. Absorptive capacity is a key driver of knowledge transfer within the organization, ensuring that knowledge flows efficiently across different departments. Absorptive capacity involves the evaluation of the organization's absorptive capacity maturity and the development of strategies for improvement¹⁷¹.

Absorptive capacity is a factor in organizational memory, influencing how past experiences and knowledge are utilized in present decision-making. Absorptive capacity is reflected in the organization's ability to adapt its business models and strategies based on insights gained from external sources. Absorptive capacity involves the measurement and monitoring of key performance indicators related to knowledge acquisition, assimilation, and application. Absorptive capacity is a factor in strategic renewal,

allowing organizations to continuously evolve and reinvent themselves. Absorptive capacity is the development of a strategic orientation that recognizes the importance of learning from external environments and leveraging that learning for sustained success.

In view of the various definition in literature above, the researcher defines absorptive capacity as the dynamic capability that enables organizations to adapt to changing environments by effectively integrating new information into their existing knowledge base. For the purpose of this study, strategic adaptability is measured by knowledge acquisition, knowledge assimilation, knowledge exploitation. These variables are discussed below.

2.1.3.1 Knowledge Assimilation

Knowledge assimilation is the process of incorporating new information into existing cognitive structures, frameworks, or mental models. Knowledge assimilation involves integrating acquired knowledge into one's existing understanding, making it a seamless part of one's cognitive repertoire. Knowledge assimilation is the cognitive activity of connecting new information with previously acquired knowledge to build a more comprehensive and nuanced understanding¹⁸⁵. Knowledge assimilation is the ability to recognize patterns, relationships, and connections between new and existing pieces of information. Knowledge assimilation involves making sense of diverse information by aligning it with pre-existing mental schemas and organizational frameworks¹⁸⁶.

Knowledge assimilation is a mental process that transforms information from an external source into internalized knowledge that is readily accessible and applicable. Knowledge assimilation is the cognitive act of updating and refining one's mental models based on newly acquired insights and information. Knowledge assimilation is the mechanism by which individuals incorporate external knowledge into their cognitive structures, allowing

for a more nuanced and interconnected understanding. Knowledge assimilation is the conscious effort to reconcile new information with existing beliefs, fostering a more adaptive and informed perspective¹⁸⁷. Knowledge assimilation involves the synthesis of diverse information sources to create a unified and coherent mental representation. Knowledge assimilation is the cognitive process of fitting new information into the existing fabric of one's understanding, promoting a more holistic worldview¹⁸⁸.

Knowledge assimilation is the mental process that occurs when individuals actively engage with new information, seeking to make it meaningful and applicable within their existing knowledge framework¹⁸⁹. Knowledge assimilation is the cognitive activity of structuring and organizing new knowledge in a way that aligns with pre-existing mental frameworks. Knowledge assimilation is the ongoing refinement of mental schemas and cognitive structures through the incorporation of novel information and experiences. Knowledge assimilation involves the creation of mental connections between new and existing knowledge, fostering a more integrated and coherent mental environment. Knowledge assimilation is the cognitive flexibility to adapt existing mental models in response to new information, promoting a dynamic and evolving understanding¹⁹⁰.

Knowledge assimilation is the process by which individuals internalize external knowledge, transforming it into a usable and meaningful part of their cognitive toolkit. Knowledge assimilation involves actively seeking relationships and linkages between newly acquired knowledge and the existing cognitive architecture. Knowledge assimilation is the cognitive agility to reconcile and harmonize conflicting or contradictory information within one's mental framework. Knowledge assimilation is the process of refining and enriching one's mental representations by incorporating insights gained from diverse sources.

Knowledge assimilation is the cognitive synergy that occurs when new information seamlessly merges with existing knowledge, creating a unified and coherent understanding¹⁹¹. Knowledge assimilation is the mental process of adapting and expanding cognitive frameworks to accommodate the breadth and depth of newly acquired knowledge. Knowledge assimilation is the cognitive capability to discern the relevance and significance of new information and integrate it effectively into one's existing knowledge base. Knowledge assimilation involves the refinement of mental models through a reflective and iterative process of engaging with and internalizing new information¹⁹². Knowledge assimilation is the continuous adjustment and enhancement of mental schemas to accommodate the evolving environment of information and understanding.

Knowledge assimilation is the cognitive act of translating abstract or complex information into familiar concepts within one's existing mental framework. Knowledge assimilation is the cognitive adaptability that allows individuals to incorporate diverse perspectives and insights into their existing knowledge structures. Knowledge assimilation is the conscious effort to align new information with existing beliefs, fostering a more interconnected and unified mental representation. Knowledge assimilation is the cognitive process of adapting existing mental models to accommodate the nuances and intricacies of newly acquired knowledge. Knowledge assimilation involves the dynamic interaction between new and existing knowledge, resulting in a continuously evolving and refined cognitive architecture¹⁹³.

Knowledge assimilation is the cognitive skill of recognizing the limitations of one's existing knowledge and actively seeking to expand and enrich it¹⁹⁴. Knowledge assimilation is the conscious effort to overcome cognitive biases and preconceptions,

allowing for a more objective and comprehensive understanding of new information. Knowledge assimilation is the process of internalizing and embodying new knowledge, transforming it into an integral part of an individual's cognitive identity. Knowledge assimilation involves the cognitive process of adapting one's mental frameworks to accommodate the complexity and richness of new information. Knowledge assimilation is the cognitive flexibility that allows individuals to synthesize information from diverse sources, integrating it seamlessly into their existing knowledge structures¹⁹⁵.

Knowledge assimilation is the cognitive dexterity to navigate and reconcile contradictions or inconsistencies within the acquired information, promoting a more nuanced understanding. Knowledge assimilation involves the recognition and integration of tacit knowledge, enriching explicit knowledge with practical insights gained through experience¹⁹⁶. Knowledge assimilation is the dynamic and iterative process of revisiting and revising mental models in light of new insights and perspectives. Knowledge assimilation is the cognitive act of constructing bridges between disparate pieces of information, creating a cohesive and interconnected mental environment. Knowledge assimilation is the cognitive resilience to adapt existing mental models in the face of evolving information and changing circumstances. Knowledge assimilation involves recognizing the interrelatedness of various knowledge domains and actively seeking connections to foster a holistic understanding¹⁹⁷.

Knowledge assimilation is the continuous refinement of mental representations through an iterative process of inquiry, exploration, and synthesis¹⁹⁸. Knowledge assimilation is the cognitive process of discerning the relevance and significance of new information and embedding it meaningfully within one's cognitive framework¹⁹⁹. Knowledge assimilation is the cognitive act of balancing openness to new ideas with a critical evaluation of their

alignment with existing knowledge. Knowledge assimilation involves the cognitive recognition that learning is a dynamic and ongoing process, necessitating continuous adjustments to one's mental models. Knowledge assimilation is the active engagement with new information, fostering the deliberate and intentional integration of insights into existing cognitive structures.

Knowledge assimilation is the cognitive adaptability to navigate and reconcile paradoxes or ambiguities within newly acquired information. Knowledge assimilation involves recognizing the multidimensionality of information and actively seeking to incorporate diverse perspectives into one's cognitive environment. Knowledge assimilation is the cognitive resilience to embrace the ambiguity and uncertainty inherent in new information, fostering a more agile and adaptable mindset. Knowledge assimilation is the ongoing and dynamic process by which individuals cultivate a deeper and more nuanced understanding by actively integrating new knowledge into their existing cognitive frameworks²⁰⁰.

2.1.3.2 Knowledge Exploitation

Knowledge exploitation is the strategic utilization of existing knowledge assets to create value, generate insights, and drive innovation within an organization. Knowledge exploitation involves the practical application of knowledge to achieve tangible outcomes, such as improved processes, products, or services. Knowledge exploitation is the process of leveraging intellectual capital, skills, and expertise to capitalize on opportunities and address challenges effectively. Knowledge exploitation is the intentional extraction of

value from accumulated knowledge resources, transforming them into competitive advantages²⁰¹. Knowledge exploitation is the active pursuit of using knowledge for strategic decision-making, problem-solving, and organizational growth.

Knowledge exploitation involves the development of capabilities to maximize the commercial, operational, or strategic benefits derived from organizational knowledge. Knowledge exploitation is the systematic integration of knowledge into organizational processes to enhance efficiency, effectiveness, and overall performance. Knowledge exploitation is the disciplined and purposeful action of converting theoretical knowledge into practical applications for business success. Knowledge exploitation is the dynamic process of identifying, harnessing, and deploying knowledge assets to gain a competitive edge in the marketplace²⁰². Knowledge exploitation is the conscious effort to extract value from intellectual and informational resources, turning them into actionable insights.

Knowledge exploitation involves transforming tacit and explicit knowledge into products, services, or solutions that meet organizational objectives. Knowledge exploitation is the organizational capability to effectively use knowledge as a catalyst for innovation, growth, and strategic advantage²⁰². Knowledge exploitation is the proactive pursuit of opportunities for applying knowledge to address business challenges and achieve organizational goals. Knowledge exploitation is the systematic process of turning information and expertise into tangible outcomes that contribute to organizational success. Knowledge exploitation involves the identification of underutilized knowledge assets and their strategic deployment for maximum impact²⁰³. Knowledge exploitation is the transformative process of converting intellectual resources into practical and valuable applications for the benefit of the organization²⁰⁴.

Knowledge exploitation is the organizational capability to convert information into actionable strategies, tactics, and solutions. Knowledge exploitation involves the creation of mechanisms and systems to capture, disseminate, and apply knowledge effectively across the organization. Knowledge exploitation is the purposeful integration of knowledge into business processes to enhance decision-making and performance. Knowledge exploitation is the active pursuit of innovation and value creation through the practical application of organizational knowledge²⁰⁵. Knowledge exploitation involves leveraging knowledge for continuous improvement, enabling organizations to adapt to changing conditions. Knowledge exploitation is the intentional use of knowledge to gain a competitive advantage, drive revenue, and improve overall organizational success²⁰⁶.

Knowledge exploitation is the conversion of intellectual assets into marketable products, services, or solutions that meet customer needs. Knowledge exploitation is the intentional alignment of knowledge assets with organizational objectives to achieve desired outcomes. Knowledge exploitation involves the identification and capitalization of opportunities to use knowledge strategically in organizational endeavors. Knowledge exploitation is the strategic deployment of knowledge resources to enhance organizational resilience and responsiveness²⁰⁷. Knowledge exploitation is the ongoing process of transforming information and expertise into practical applications that contribute to organizational goals. Knowledge exploitation is the intentional effort to extract value from intellectual property, research, and accumulated organizational know-how²⁰⁸.

Knowledge exploitation involves the translation of theoretical knowledge into practical solutions that drive operational efficiency and effectiveness²⁰⁹. Knowledge exploitation is the dynamic process of turning insights gained from organizational knowledge into competitive advantages. Knowledge exploitation is the disciplined use of knowledge to

generate economic value, foster innovation, and enhance organizational performance. Knowledge exploitation is the organizational capacity to effectively leverage intellectual assets for strategic advantage and market differentiation²¹⁰. Knowledge exploitation involves the identification and optimization of knowledge-based opportunities to achieve business goals²⁰⁹.

Knowledge exploitation is the purposeful use of organizational knowledge to enhance decision-making, problem-solving, and value creation. Knowledge exploitation is the dynamic and iterative process of applying organizational knowledge to generate new opportunities and overcome challenges. Knowledge exploitation is the strategic deployment of knowledge assets to create a sustainable competitive advantage in the marketplace. Knowledge exploitation involves the intentional conversion of intellectual assets into practical and tangible outcomes for organizational benefit. Knowledge exploitation is the organizational capability to effectively translate knowledge into innovative products, services, or processes. Knowledge exploitation is the strategic application of knowledge to drive organizational growth, profitability, and competitive success²¹⁰. Knowledge exploitation is the continuous and systematic effort to derive value from intellectual capital, expertise, and information resources.

Knowledge exploitation involves the intentional use of knowledge to enhance organizational agility, responsiveness, and adaptability. Knowledge exploitation is the process of transforming organizational knowledge into actionable strategies that contribute to business success. Knowledge exploitation is the organizational competency to harness intellectual assets for creating and sustaining a competitive edge. Knowledge exploitation involves the systematic translation of knowledge into practical applications that contribute to organizational success²¹¹. Knowledge exploitation is the purposeful

utilization of organizational knowledge to create, capture, and deliver value to stakeholders. Knowledge exploitation is the strategic application of knowledge assets to drive organizational excellence and competitive advantage²¹².

Knowledge exploitation is the intentional and systematic use of knowledge to innovate, differentiate, and excel in the marketplace. Knowledge exploitation involves the ongoing process of turning intellectual capital into practical solutions that address business needs²¹³. Knowledge exploitation is the organizational discipline of converting intellectual assets into concrete actions that drive success. Knowledge exploitation is the deliberate and effective use of knowledge to optimize organizational performance, foster innovation, and achieve strategic goals²¹⁴.

2.2 Theoretical Framework

This section provides basic theoretical assumptions for this study. It focused on relevant theories that can be applied to the variables and concepts to come up with a logical interaction between the variables. An extensive number of theories that help to explain the interactions and dynamics between variables in this study include Dynamic Capabilities Theory, Organizational Learning Theory, Resource-Based View (RBV) Theory, and Institutional Theory.

2.2.1 Dynamic Capabilities Theory

Dynamic Capabilities Theory (DCT) was founded by several proponents, such as David Teece, in 1997 and expanded by Pisano and Shuen in 1998. Dynamic capabilities theory assumes that the business environment is dynamic and constantly evolving. It posits that change is not only inevitable but also a central characteristic of the competitive environment²¹⁵. The theory assumes that resources within organizations are diverse and

heterogeneous. It suggests that the possession of unique and peculiar resources is a source of competitive advantage²¹⁶.

Dynamic capabilities theory further assumes that organizations have the ability to learn from experiences, both internal and external, and to adapt their resource base and strategic actions accordingly²¹⁷. The theory posits that dynamic capabilities, defined as the ability to integrate, build, and reconfigure internal and external competencies, are strategically crucial for achieving and sustaining competitive advantage. Dynamic capabilities theory (DCT) assumes that firms are forward-looking and engage in activities to anticipate and proactively respond to changes in the external environment²¹⁸.

Dynamic capabilities theory has gained support and recognition from various scholars, academics, and practitioners in the fields of marketing, service management, and business. Some scholars are vocal supporters of dynamic capabilities theory. Some scholars argued that dynamic capabilities are crucial for entrepreneurial success, enabling new ventures to quickly adapt to market uncertainties and seize emerging opportunities. This emphasis on agility and resourcefulness distinguishes entrepreneurial DCT from its application in established firms²¹⁹. Some scholars developed a framework for identifying and measuring dynamic capabilities, focusing on organizational routines and processes. This practical framework provides researchers and practitioners with tools to assess and enhance dynamic capabilities within their organizations. Additionally, a scholar proposed an evolutionary perspective on DCT, arguing that dynamic capabilities arise and evolve through processes similar to biological evolution²²⁰. This theoretical extension adds depth and complexity to the theory, emphasizing the continual adaptation and refinement of capabilities. A scholar argued that firms like Nokia and Samsung excelled due to their superior dynamic capabilities, enabling them to navigate rapid technological

advancements and changing market preferences. This empirical evidence strengthened the real-world relevance of DCT²²¹.

Some scholars raised several concerns and limitations regarding the theory's concept, which lacks precision, making it challenging to apply and measure consistently. Some scholars further argued that DCT lacks a clear and consistent definition, leading to confusion and inconsistent interpretations. Some scholars criticized the tautological nature of the theory, suggesting that firms with stronger performance are often defined as having better dynamic capabilities, creating a circular argument. A scholar argued that DCT focuses too much on internal firm capabilities and neglects the influence of external power structures and market forces on organizational adaptability²²². Furthermore, some scholars criticized the lack of attention to initial conditions and contextual factors, making it difficult to apply DCT across different firms and environments²²³. Some scholars criticized the theory's underemphasis on political processes and power struggles within organizations, which can hinder the development and deployment of dynamic capabilities⁹. A scholar argued that the potential association of DCT with increased efficiency and optimization raises concerns about environmental sustainability and ethical implications⁵⁶.

The dynamic capabilities theory holds profound relevance in a study focused on investigating the nexus between strategic adaptability, absorptive capacity, and the performance of small and medium-sized enterprises (SMEs). In the dynamic and often resource-constrained environment that characterizes SMEs, understanding how these organizations develop the ability to strategically adapt to changes and effectively absorb external knowledge is paramount. The theory provides a comprehensive framework for examining how SMEs configure and reconfigure their resources to meet evolving market

demands, ensuring their performance and success in a dynamic environment. Exploring the role of absorptive capacity within SMEs becomes particularly crucial as it elucidates their capacity to learn from external sources and innovate, directly impacting competitiveness. The study, rooted in Dynamic Capabilities Theory, not only contributes to academic understanding but also offers practical insights for policymakers and practitioners seeking to enhance the performance and resilience of SMEs by fostering strategic adaptability and absorptive capacity^{224,225}.

2.2.2 Organizational Learning Theory

Organizational learning theory (OLT) was formalized by Donald A. Schön and Chris P. Argyris in 1978. Organizational learning theory assumes that organizations can be viewed as adaptive systems capable of acquiring and applying knowledge. This assumption suggests that organizations can change and learn from their experiences²²⁶. OLT theory assumes that learning is not limited to individual employees but is a collective process that involves the organization as a whole. Learning is seen as occurring at multiple levels, including individual, group, and organizational levels²²⁷.

OLT further assumes that the ability of an organization to learn and adapt positively influences its overall effectiveness and performance. Learning is viewed as a means of achieving a competitive advantage and sustaining success²²⁸. Organizational learning theory assumes that organizations possess a form of memory or knowledge retention. This memory can be in the form of routines, procedures, or shared understandings that influence future behavior and decision-making. OLT theory incorporates the idea of double-loop learning, which involves questioning and challenging underlying assumptions and values. This assumes that organizations can engage in a deeper form of learning that goes beyond merely adjusting strategies and tactics²²⁹.

Supporters argued that organizational learning plays a vital role in marketing, service management, and business. A scholar emphasizes that organizations should transform into learning organizations to adapt to and thrive in complex environments²³⁰. Some scholars argued for a dynamic model of organizational learning that encompasses both individual and collective learning processes. Some scholars highlighted a multi-level perspective on organizational learning, emphasizing learning at the individual, group, and organizational levels. Some scholars argued for the critical role of knowledge transfer in organizational learning and its impact on competitive advantage²³¹. Some scholars underscored the importance of knowledge transfer in organizational learning, emphasizing its role in gaining a competitive advantage. Supporters of the organizational learning theory have contributed to a nuanced understanding of how organizations learn, adapt, and ultimately enhance their performance²³².

Some scholars expressed concerns about the limited empirical support for organizational learning theory. They argued that much of the literature lacked rigorous empirical validation⁵⁴. A scholar criticized the tendency of OLT to focus on positive learning for organizational improvement, overlooking how learning processes can also reinforce existing power structures and inequalities⁹⁸. Some scholars argued that OLT often neglects the influence of power dynamics and social hierarchies within organizations, which can hinder participation, knowledge sharing, and genuine learning for all members²². Some scholars criticized the oversimplification of learning processes within OLT, arguing that learning is often messy, context-dependent, and does not always follow neatly defined stages^{75,99,201,233}. A scholar pointed out the practical difficulties of implementing OLT principles in complex organizations, highlighting the challenges of changing deeply ingrained cultures and overcoming resistance to change²³⁴. Some scholars argued that OLT often overlooks the importance of informal learning and

communities of practice within organizations, focusing primarily on formal learning programs and top-down initiatives³³. A scholar criticized the lack of attention to emotion and subjectivity in OLT, arguing that these factors significantly influence how individuals and organizations learn and adapt⁴⁶.

The relevance of organizational learning theory in a study on strategic adaptability and absorptive capacity concerning the performance of small and medium-sized enterprises (SMEs) is paramount. Organizational learning theory offers a robust conceptual framework for examining how these enterprises navigate their dynamic business environments. In understanding strategic adaptability, the theory guides researchers to explore how SMEs, through learning processes, can effectively adjust their strategies to respond to external changes. Additionally, when investigating absorptive capacity, organizational learning theory illuminates the mechanisms by which SMEs acquire, assimilate, and leverage external knowledge to enhance their competitiveness. By incorporating this theory into the study, researchers gain a nuanced understanding of how learning processes contribute to the absorptive capacity of SMEs, impacting their ability to stay abreast of industry advancements and market dynamics. Ultimately, organizational learning theory proves instrumental in comprehending how strategic adaptability and absorptive capacity collectively influence the overall performance and success of small and medium-sized enterprises in today's dynamic and competitive business environment²³⁵.

2.2.3 Resource-Based View (RBV) Theory

Resource-based view (RBV) theory was developed by Edith E. Penrose in 1959. Resource-based view theory posits that resources and capabilities among firms are heterogeneous, meaning they differ in terms of type, nature, and strategic value. This

assumption emphasizes the uniqueness of resources across organizations²³⁶. RBV assumes that resources are not easily transferable or replicable between firms. This assumption underscores the idea that certain resources provide a competitive advantage because they are difficult for competitors to imitate.

Resource-based view theory further assumes that not all resources are equally valuable. Resources must possess inherent value or potential to contribute to sustained competitive advantage. This value is context-specific and depends on how well a firm can exploit its resources. The theory assumes that the combination of heterogeneous and immobile resources enables firms to achieve a sustained competitive advantage. This advantage results from possessing unique resources that competitors find challenging to duplicate. RBV assumes that strategic decisions should be primarily driven by a firm's unique resources and capabilities. It advocates for aligning the organization's strategy with its resource base to maximize competitive advantage²³⁷.

Resource-based view (RBV) theory supporters argued that firm resources must be valuable, rare, inimitable, and non-substitutable to provide a sustained competitive advantage²³⁸. Some scholars emphasized the strategic importance of core competencies, aligning with the RBV perspective by highlighting the value of unique organizational capabilities. A scholar emphasized that firm-specific resources play a crucial role in driving the growth of a firm. Some scholars argue that firm-specific resources are essential for achieving and sustaining a competitive advantage²³⁹. Some scholars argued that leveraging social networks and relationships can enhance the value and rent-generating potential of resources²⁴⁰. A scholar argued that leveraging social networks and relationships can enhance the value and rent-generating potential of resources²⁴¹. Some scholars argued that resources play a crucial role within his Five Forces framework,

influencing bargaining power, the threat of substitutes, and other competitive dynamics. This acknowledged the importance of RBV alongside industry analysis²⁴².

Some scholars argue that the RBV lacks a clear framework for understanding how resources lead to competitive advantage. They suggest that RBV does not provide sufficient guidance on the causal relationship between resources and performance. Some scholars critique the RBV for its limited ability to explain competitive dynamics and industry evolution. The scholars argue that the theory is better suited to understanding static situations^{48,89}. Some scholars argue that the RBV lacks guidance on how firms can develop or acquire the necessary resources for competitive advantage. A scholar contends that the RBV is more descriptive than prescriptive. Some scholars argue that the RBV lacks a clear and consistent definition of what constitutes a resource²⁴³. A scholar suggested that this lack of clarity hinders empirical research and testing. A scholar argues that assessing the value and rarity of resources is challenging due to the lack of clear criteria²⁴⁴. Some scholars argue that power dynamics influence knowledge sharing and learning, impacting how resources are developed and applied²⁴⁵.

The resource-based view (RBV) theory holds profound relevance in a study investigating the strategic adaptability, absorptive capacity, and overall performance of small and medium-sized enterprises (SMEs). RBV, as a theoretical framework, underscores the significance of firm-specific resources and capabilities in achieving and sustaining competitive advantage. In the context of SMEs, which often face resource constraints, RBV offers valuable insights into identifying, developing, and leveraging unique resources that contribute to strategic adaptability. It guides researchers in understanding how SMEs can effectively absorb external knowledge, adapt to dynamic market conditions, and enhance their overall performance. By focusing on the internal strengths

and distinctive competencies of SMEs, RBV becomes instrumental in explaining how these enterprises navigate challenges, innovate, and position themselves for sustained success in competitive environments. The theory, therefore, provides a lens through which the strategic dynamics of SMEs can be comprehensively analyzed and offers practical implications for enhancing their strategic adaptability, absorptive capacity, and overall performance²⁴⁶.

2.2.4 Institutional Theory

The institutional theory was propounded by John W. Meyer and Paul J. DiMaggio in 1973. Institutional theory assumes that organizations strive to gain and maintain legitimacy in the eyes of their stakeholders. This involves conforming to societal norms, values, and expectations²⁴⁷. The theory assumes that organizations in a particular field tend to become structurally similar over time, a phenomenon referred to as isomorphism. This similarity results from mimetic, coercive, or normative pressures²⁴⁸.

Institutional theory further assumes that organizations are embedded within and influenced by a broader social, cultural, and institutional environment. This environment shapes organizational behavior and practices. The theory assumes that organizations respond to institutional pressures, including normative, coercive, and mimetic pressures, which shape their structures, practices, and behaviors. Additionally, institutional theory assumes that organizational structures and practices often serve symbolic purposes, creating a façade of rationality and legitimacy rather than solely focusing on efficiency or effectiveness²⁴⁹.

Supporters of institutional theory argue that institutional isomorphism, where organizations in the same field become structurally similar, occurs due to mimetic, coercive, and normative pressures from their institutional environments. Some scholars

argued that organizations adopt and institutionalize certain structures and practices not solely for efficiency but to gain legitimacy in their external environments. Organizations are embedded within broader institutional environments, and their behaviors are influenced by the norms, values, and rules prevalent in these environments²⁵⁰. Some scholars argued that institutional theory provides a valuable framework for understanding how organizations respond to external pressures and acquire legitimacy through conforming to institutional norms²⁵¹. Some scholars applied institutional theory to argue that organizations actively engage in practices and rituals to gain legitimacy, particularly in specialized fields²⁵². Some other scholars applied institutional theory to argue that organizations actively engage in practices and rituals to gain legitimacy, particularly in specialized fields.

Some scholars argued that it lacks a clear ontological and epistemological foundation²⁵³. Some scholars questioned the theory's grounding and its ability to provide a solid basis for understanding organizational behavior²⁵⁴. A scholar criticized institutional theory for oversimplifying the notion of institutional complexity, suggesting that the theory might not adequately capture the diverse and intricate institutional environments organizations navigate²⁵⁵. Some scholars critiqued institutional theory, arguing that it tends to overemphasize the positive role of institutionalization in fostering legitimacy and overlooks instances where institutional pressures may be detrimental to entrepreneurial ventures. Some scholars criticized institutional theory for its limited ability to explain variations in learning processes across organizations operating in the same institutional environment²⁵⁵.

In the study of strategic adaptability, absorptive capacity, and performance within small and medium-sized enterprises (SMEs), institutional theory proves highly relevant in

providing a nuanced understanding of how these enterprises navigate their external environments. Institutional Theory posits that organizations seek legitimacy by conforming to prevailing societal norms, rules, and expectations. In the context of SMEs, understanding and adhering to institutional pressures become crucial for gaining acceptance and support from stakeholders. The theory helps shed light on how SMEs strategically adapt their structures, practices, and capabilities to align with institutional expectations. Additionally, institutional theory emphasizes the importance of absorptive capacity, allowing SMEs to assimilate external knowledge and best practices to enhance their performance. By examining the institutional context in which SMEs operate, the study can leverage institutional theory to explore how these enterprises strategically adapt to external pressures, build absorptive capacity, and ultimately achieve improved performance outcomes in a dynamic and competitive business environment²⁵⁶.

2.3 Review of Empirical Studies

This section focuses on extant studies methodological review and findings review on strategic adaptability, environmental scanning, strategic flexibility, resource allocation, knowledge acquisition, absorptive capacity, and SMEs performance, market share, brand reputation, operational efficiency, and competitive advantage.

2.3.1 Methodological Review

This section undertakes a methodological review to discern the diverse approaches employed by existing studies, thereby guiding the researcher in selecting the most prevalent methodology aligning with related research. In the exploration of strategic adaptability, environmental scanning, strategic flexibility, resource allocation, knowledge acquisition, absorptive capacity, SMEs performance, market share, brand reputation,

operational efficiency, and competitive advantage. A comprehensive analysis of scholarly works reveals a spectrum of methodologies^{18,25,29,35,38,109,210,245}.

Upon evaluating the methodologies applied in analogous studies, the researcher of this study will adopt an informed approach aligned with positivism philosophy, a deductive approach, quantitative research method, stratified sampling, survey research design, and descriptive and inferential statistics. The chosen methodology will culminate in employing the multiple regression method of analysis, providing a robust framework for investigating the effect of strategic adaptability and absorptive capacity on performance of small and medium scale enterprises.

Several studies adopted the positivism philosophy. The positivism philosophy encourages the use of quantitative methods, enabling researchers to establish causal effects and generalizable findings, thereby enhancing the reliability and validity of the research outcomes⁹⁹. Through the use of large sample sizes and statistical analysis, researchers can draw conclusions that apply beyond the specific context of their study thereby contributing to broader theories and frameworks¹³. Positivism encourages analysis of data objectively, minimizing biases and personal interpretations. Statistical methods and data-driven analysis techniques are employed to derive meaningful conclusions from the collected data, reducing the influence of researcher subjectivity¹⁶.

Extant studies employed the deductive approach. The deductive research approach provides a clear focus by guiding researchers to identify specific variables, relationships, and hypotheses to investigate³³. Similarly, the deductive research builds upon existing knowledge and theories, enabling researchers to contribute to the existing body of literature¹⁸⁹. The deductive research approach provides a logical and systematic framework for theory testing, ensuring rigor, generalizability, objectivity, and practical

relevance in the research process and also, several scholars employed the quantitative research method simply because it allows for the collection of large amounts of numerical data from a diverse and representative sample, enabling researchers to generalize their findings to a broader population and it provides a structured and systematic approach to data collection, ensuring consistency and reliability in the research process^{219,251}.

Several studies adopted the descriptive research design because the survey design can gather data from a diverse and representative sample, providing insights that can be generalized to a larger population. Surveys also offer researchers the advantage of efficiency, as they can collect data from a large number of participants in a relatively short period⁶⁵. Several studies employed the stratified sampling. Stratified sampling helps to ensure that the sample is representative of the entire population by including elements from each identified stratum. This ensures that the characteristics of various subgroups are captured accurately, enhancing the generalizability of the research findings. Stratified sampling enables researchers to better understand the variability of research outcomes across different subgroups. Several studies adopted the primary source of data collection due to its advantage of timeliness, promoting originality, cost-saving, enhanced the opinions and perceptions of respondents at the initial stage without probable manipulations or distortions^{14,24,87,98}.

Extant studies employed the descriptive statistics method of data analysis. The application of descriptive statistics plays a crucial role in analyzing large and complex datasets, as it condenses the information into more manageable forms^{243,246}. By calculating essential measures such as central tendency and variability, it offers a meaningful representation of the data, providing insights into its inherent characteristics; other studies employed the inferential statistics method of data analysis¹⁷². Inferential statistics plays a crucial role in

making evidence-based decisions, drawing meaningful conclusions, and advancing knowledge in various fields of research. It provides researchers with valuable tools to extract insights from data and make broader inferences about populations beyond the scope of their sample, while several studies adopted both the descriptive and inferential statistics method of data analysis^{22,88}.

The combination of descriptive and inferential statistics enhances the comprehensiveness and rigor of the data analysis, as it allows for a more comprehensive understanding of the research findings and the integration of both descriptive and inferential statistics ensures a robust and rigorous analysis of the data, facilitating accurate interpretations and contributing to the advancement of knowledge in the field of study⁴³. Based on evidence from past studies, this study will employ the positivism philosophy, deductive approach, quantitative research method, stratified sampling, survey research design, descriptive and inferential statistics, multiple regression method of analysis, and source for data from primary source through administration of questionnaire to the targeted population.

2.3.2 Findings Review

This section focused on several past studies on strategic adaptability, environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition, absorptive capacity, SMEs performance, market share, brand reputation, operational efficiency, and competitive advantage. The findings review is examined.

2.3.2.1 Strategic Adaptability, Absorptive Capacity Dimensions and SMEs Performance

Some scholars found that strategic adaptability had a significant effect on small business performance and success. Some scholars indicated that absorptive capacity in the

performance of SMEs had a positive influence on operational efficiency²⁵⁴. A study discovered that the performance of small and medium-sized businesses had a significant impact on absorptive capability⁶⁰. A study revealed that the development of a strategic resilience framework had a significant influence on small and medium-sized businesses post-Covid-19. A study showed that organizational performance strategies of SMEs had a positive impact on the COVID-19 pandemic: application of SEM and fsQCA^{41,67}.

A study found that the influence of strategic flexibility on SME performance had a significant effect on absorptive capability. A study revealed that strategic adaptability and government support for small and medium-sized enterprises business resilience had a positive influence on market share. A study indicated that organizational performance strategy towards the awakening of micro, small, and medium enterprises (MSMEs) had a significant impact on strategic flexibility. A study showed that network capability and strategic performance in SMEs had a positive effect on the role of strategic flexibility and organizational ambidexterity^{62,63,65}.

A study found that strategic adaptation and performance of small and medium manufacturing enterprises had a significant effect on competitive advantage. A study showed that the impact of absorptive capacity, corporate social innovation, and e-business proactiveness had a significant influence on SMES' organizational performance. A study indicated that absorptive capacity and corporate had a positive effect on entrepreneurship in manufacturing SMEs. A study discovered that brand reputation had a positive impact on absorptive capabilities. A study showed that the organizational performance of small and medium-scale enterprises had a positive influence on resource allocation^{88,102}. A study indicated that absorptive capacity had a significant effect on the performance of small and medium enterprises in Vietnam¹⁰⁷.

2.3.2.2 Strategic Adaptability Dimensions and Market Share

A study discovered that organizational learning in SMEs' internationalization had a significant influence on the mediating effect of absorptive capacity. A study revealed that absorptive capacity and innovation capability had a positive effect on assessing the impact on SMES performance in the new normal era. A study showed that the effect of entrepreneurial orientation on radical innovation performance among manufacturing SMEs had a significant impact on the mediating role of absorptive capacity. A study discovered that competitive advantage and dynamic capability in small and medium-sized enterprises had a positive influence on strategic flexibility^{45,97,220}.

A study found that factors affecting the success and performance of small and medium enterprises had a positive influence on strategic adaptability. Study revealed that competitive intelligence and absorptive capacity had a significant effect on the performance of SMEs. A study indicated that absorptive capacity had a positive influence on organizational performance. Study discovered that the role of government business support services had a significant influence on absorptive capacity and SMES performance. A study showed that the role of absorptive capacity had a positive impact on market share^{237,238,256}.

A study revealed that the influence of absorptive capacity and networking capabilities had a positive impact on the performance of small and medium enterprises. A study discovered that the performance and adaptation of small businesses had a positive effect on competitive advantage. A study indicated that environmental impact analysis of external and internal businesses had a significant effect on the performance of small and medium enterprises^{17,71,75}.

A study showed that strategic flexibility had a significant influence on the performance of small and medium enterprises (SMES) in Makassar city, Indonesia. A study discovered that knowledge absorptive capacity and organizational responsiveness had a positive impact on the economic environment. A study revealed that the effect of absorptive capacity had a significant influence on the competitive advantage of SMEs performance. A study found that strategic capabilities had a positive effect on competitive advantage and small and medium enterprises' performance in Thailand^{33,76,90}.

A study indicated that strategic adaptability affects competitive advantage and SMEs performance in Vietnam. A study revealed that enhancing competitive advantage had a significant impact on the performance of SMEs¹⁰². A study showed that the relationship between strategic flexibility and absorptive capacity had a positive impact on competitive advantage. A study found that the impact of absorptive capacity had a positive influence on SME performance. A study indicated that key drivers of SMEs export performance had a significant effect on competitive advantage^{109,145,148}.

A study revealed that enhancing the innovation performance of SMEs through absorptive capacity had a positive effect on organizational performance. A study indicated that competitive advantage had a positive influence on absorptive capacity. A study discovered that competitive advantage had a significant impact on the performance of small and medium enterprises (SMEs). A study showed that knowledge management in offshoring innovation by SMEs had a significant influence on absorptive capacity and formal knowledge-sharing routines^{89,93}. A study found that chain management practices had a significant effect on the competitive advantage and performance of halal agroindustry SMEs²⁰².

2.3.2.3 Strategic Adaptability Dimensions and Brand Reputation

A study discovered that influencing SMEs' performance had a significant impact on competitive advantage. A study revealed that SMEs performance in adopting e-commerce had a positive impact on absorptive capacity. A study showed that organizational performance relationships and SMEs performance had a positive influence on absorptive capacity. A study found that the absorptive capacity and performance of SME's had a significant effect on brand reputation. A study indicated that strategic orientations and absorptive capacity had a significant impact on competitive advantage among Batik SMEs in Malaysia²⁰³.

A study discovered that absorptive capacity had a positive effect on competitive advantage in SMEs. A study showed that absorptive capacity and strategic adaptability had a positive influence on the operational efficiency and performance of small and medium enterprises. A study revealed that MSMEs performance and competitive advantage had a significant influence on evidence from women's MSMEs in Indonesia. A study found that entrepreneurial orientation and SMEs performance in an emerging economy had a positive impact on absorptive capacity^{204,209,210}.

A study indicated that the impact of digital capability on the competitive advantage and performance of tourism SMEs in Indonesia had a significant effect on strategic adaptability and absorptive capacity. A study showed that SMEs' competitive performance in COVID-19 had a significant impact on brand reputation. A study discovered that the role of supply chain management on competitive advantage and SMEs operational performance had a significant impact on knowledge acquisition. A study revealed that strategic flexibility had a positive impact on the competitive advantage and performance of SMEs. A study showed that absorptive capacity and innovative performance in Jordanian SMEs had a significant effect on market share. A study

discovered that absorptive capacity had a significant effect on competitive advantage^{216,245,247}.

2.3.2.4 Absorptive Capacity Dimensions and Operational Efficiency

A study found that absorptive capacity and strategic adaptability in SMEs had a significant impact on organizational performance. A study revealed that the competitive advantage of small and medium enterprises (SMEs) had a positive effect on entrepreneurial and market orientation. A study showed that enhancing absorptive capacity and relational performance of internationalized SMEs had a positive influence on the economic environment. A study indicated that strategic adaptability had a significant impact on operational efficiency. A study found that the impact of entrepreneurship on the innovation performance of Chinese SMEs had a significant effect on enterprise dynamic capability and organizational innovation environment^{257,258}. A study revealed that knowledge resources, ICT, and their links with SME performance had a positive impact on absorptive capacity. A study showed that the impact of digital capability on the competitive advantage and performance of tourism SMEs in Indonesia had a significant influence on strategic adaptability and absorptive capacity²⁵⁹. A study discovered that the relationship between industry-level dynamic capabilities and competitive advantage had a positive impact on the strategic flexibility of Nigerian SMEs²⁶⁰.

A study indicated that competitive strategy in the relationship between strategic human resource management had a significant effect on the performance of small and medium enterprises in Brunei Darussalam. A study revealed that the effects of relational embeddedness, absorptive capacity, and absorptive capacity on SMEs had a positive impact on competitive advantage. A study showed that the competitive advantages of

SMEs and the role of innovation capability had a positive influence on entrepreneurial orientation and social capital. A study found that the antecedents and consequences of innovation and business strategy had a significant effect on the performance and competitive advantage of SMEs. A study revealed that absorptive capacity had a significant impact on innovative performance frameworks for SMEs. A study indicated that collaborative networks to increase small and medium enterprises (SMEs) performance had a significant effect on strategic adaptability^{261,262}.

A study discovered that export performance in SMEs and the importance of external knowledge search strategies had a positive influence on absorptive capacity. A study revealed that the business sphere had a significant influence on the competitive advantage and business performance of SMEs. A study showed that born-global SMEs performance had a positive impact on absorptive capacity. A study found that strategic adaptability had a significant effect on organizational performance. A study indicated that organizational adaptability, influenced by practice strategy, has a positive effect on absorptive capacity. A study discovered that the performance of the absorptive capacity had a significant influence on small businesses in a developing economy. A study revealed that organizational performance as an outcome of adaptive capability had a significant effect on competitive advantage. A study showed that organizational performance and thrive driving factors had a positive effect on SMES performance in Malaysia. A study indicated that the performance of SMEs in the business environment had a significant influence on financial performance, bank credit, and accounting errors^{215,219,234}. A study discovered that analysing the role of technological innovation in improving had a positive effect on operational efficiency of MSMEs²⁶³.

A study revealed that improving strategic adaptability had a significant impact on market share. A study found that the impact of supply chain management on the Indian SME had a significant influence on operational effectiveness. A study indicated that SMEs operational efficiency had a significant impact on the adoption of management accounting information. A study showed that the operational perspective of SMEs performance had a positive influence on competitive advantage. A study discovered that the operational efficiency of small and medium enterprises had a significant effect on absorptive capability. A study found that small business market share growth had a positive impact on strategic adaptability. A study revealed that the adoption of online resources to improve the marketing performance of SMES had a significant impact on strategic adaptability. A study showed that strategic flexibility had a positive impact on the market share of small and medium-scale enterprises in Nigeria^{237,247}.

2.2.2.5 Absorptive Capacity Dimensions and Competitive Advantage

A study found that assessing the impacts of a firm's reputation had a positive effect on the financial performance of SMEs. A study revealed that innovation practices for the performance of small and medium enterprises (SMEs) had a significant impact on strategic flexibility. A study discovered that absorptive capabilities had a positive influence on small and medium-scale enterprises. A study indicated that absorptive capacity had a positive impact on organizational performance. A study showed that the impact of relational capital on customer performance in the SME B2B sector had a significant effect on absorptive capacity. A study revealed that the impact of dimensions of intellectual capital on small and medium enterprise (SMEs) performance had a significant influence on absorptive capacity. A study found that process innovation in small and medium-sized enterprises had a positive effect on absorptive capacity. A study

showed that absorptive capacity in the development of circular economy business models had a significant effect on small and medium enterprises. A study discovered that absorptive capacity had a positive influence on organizational performance^{255,256}.

A study revealed that the role of absorptive capacity in the adoption of smart manufacturing had a positive impact on operational efficiency. A study indicated that absorptive capacity had a significant influence on small-to-medium-sized enterprise performance. A study showed that absorption capacity and the relationship between employee learning orientation had a positive impact on performance among SMEs in Ghana. A study revealed that absorptive capacity efficacy in SMEs in brand reputation. A study discovered that technological turbulence and innovation performance had a positive effect on absorptive capacity in industrial SMEs. A study discovered that organizational performance had a significant influence on strategic flexibility. A study indicated that the economic environment had a significant effect on market share^{1,7,9,12}.

A study found that the economic environment had a significant influence on competitive advantage. A study showed that competitive advantage had a significant impact on knowledge acquisition. A study discovered that the economic environment performance of SMEs had a positive influence on organizational performance. A study indicated that the economic environment performance of SMEs through social entrepreneurship had a positive impact on market share. A study revealed that the business environment and resource adequacy had a significant effect on SME performance. A study found that strategic adaptability had a significant influence on developing SME performance management practices. A study showed that organizational performance had a positive effect on strategic flexibility. A study discovered that absorptive capability had a positive influence on brand reputation. A study revealed that strategic flexibility had a significant

effect on SME performance. A study indicated that the economic environment performance of SMEs had a significant impact on organizational performance^{264,265}.

2.4 Conceptual Framework

In view of the theories explained above, one out of the four theories discussed in this study was adopted to underpin this study. The adopted theory is the Dynamic Capabilities Theory (DCT). Dynamic capabilities theory is a theoretical framework that delves into an organization's capacity to continuously adapt and reorganize its internal resources and competencies in the face of evolving external circumstances. Particularly pertinent in the realm of small and medium-sized enterprises (SMEs), this theory proves invaluable for unraveling the intricacies of how these enterprises navigate a dynamic business landscape. In the dynamic SME context, Dynamic Capabilities Theory sheds light on the mechanisms through which these businesses proactively modify their strategies, organizational structures, and operational processes. This adaptability is crucial for SMEs to not only seize emerging opportunities but also effectively address and mitigate potential threats. By providing a comprehensive understanding of how SMEs can enhance their strategic adaptability, this theory becomes a guiding framework for organizational leaders seeking to foster resilience and responsiveness within their businesses, ensuring sustained success in the ever-changing marketplace.

The conceptual model thus summarizes the study; Strategic Adaptability, Absorptive Capacity, and Performance of SMEs in South West Nigeria. Strategic Adaptability being the predictor variable is measured by; environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition. SMEs performance is the dependent variable measured by; market share, brand reputation, operational efficiency, and competitive advantage. The moderating variable is absorptive capacity.

2.4 Conceptual Model

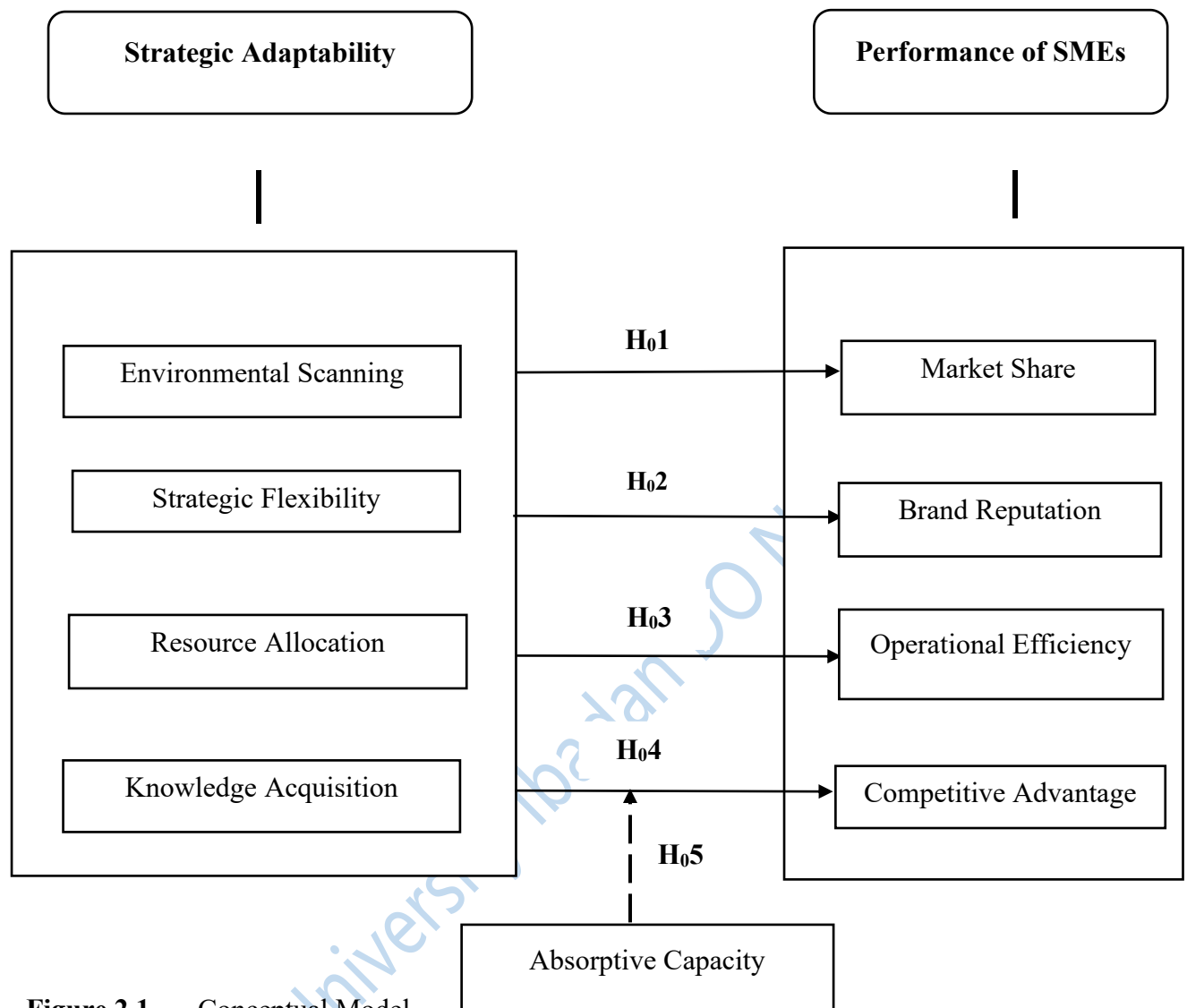


Figure 2.1 Conceptual Model

Source: Researcher's Conceptual Model, 2024

2.5 Summary of Gaps in Literature Reviewed

This part of the study offers a thorough overview of the reviews undertaken in the research, including an analysis of available literature and the identification of any missing information. A thorough examination of existing literature was conducted to clarify the definitions and features connected with each variable being studied. This process resulted in the development of exact definitions for the important concepts that are essential to this research. The empirical analysis included a thorough examination of the results from

many researchers, including the specific details of the setting and the different methods they used. This study aimed to clarify the complex connections and dynamics that determine how the dimensions of strategic flexibility and absorptive capacity impact the performance of small and medium-sized enterprises (SMEs). Particular focus was given to variables including market share, brand reputation, operational efficiency, competitive advantage, strategic adaptability, environmental scanning, strategic flexibility, and knowledge acquisition, absorptive capacity, with a specific emphasis on small and medium-sized enterprises (SMEs). This thorough evaluation aims to provide a detailed insight into the current knowledge gap and identify areas that need more investigation.

The researcher studied relevant existing literature to enhance their grasp of the independent and dependent variables for the investigation. This review was conducted using conceptual, empirical, and theoretical approaches. The text examines the independent factors and their sub-variables, the dependent variable and its sub-variables, as well as the moderating variables in the research. A comprehensive examination of many literatures was conducted to elucidate the definitions and features of each variable.

Theories pertaining to the interaction between the independent and dependent variables were examined. The ideas included in this list are dynamic capacities theory, organizational learning theory, resource-based view (RBV) theory, and institutional theory. The proponents of the different hypotheses and their underlying assumptions were identified. The review also included a critical analysis of the shortcomings of the ideas, while also identifying the merits of the theories based on the proponents' perspectives. The review provides more insight into how each theory is connected to the interaction between the independent and dependent variables in this research.

Existing empirical studies on the combined independent and dependent variables in this study were reviewed. The review was carried out objective by objective. One of the reasons for this review was to examine the findings of previous studies and build upon previous findings, which would be relevant for discussing the findings of this study later. The review was also done methodologically to determine various methods of data analysis employed by previous studies. The review found that the majority of the studies adopted a survey research design using a quantitative method. Also, hypotheses were tested using regression analysis. Furthermore, most of the literature reviewed found the results of empirics inconclusive.

Finally, through the extensive review of extant literature the gaps for the study were adequately established as shown in the conceptual frame for the study.

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Chapter Three

Methodology

This section focuses on the methodology that were used for the study. The methodology covered specific sub-sections such as the research design employed, the sampling technique and size, the method of data collection, an instrument for data collection, pilot testing of the instrument, validity, and reliability of the instrument, method of data analysis, model specification, a-priori expectations, limitations of the methodology, and ethical consideration.

3.1 Research Design

This study adopts the survey research design to determine people's beliefs, opinions, motivations, and behavioral patterns at a particular period. It was also adopted because of its scientific and economic merits over other research designs since it allows the study of representative samples, which permit inferences from the population that would be too expensive to study as a complete unit¹. The intended adoption of the survey research design allowed for the collection of extensive data from a large sample of Small and Medium Enterprises (SMEs) in South-West Nigeria². Administering structured questionnaires to SME owners and managers facilitates the gathering of information on various aspects of strategic adaptability, absorptive capacity, and performance of SMEs.

This approach ensured a thorough examination of the factors influencing SME performance.

The survey research design facilitated quantitative analysis, enabling researchers to explore the relationships between strategic adaptability, absorptive capacity, and SME performance. Through statistical techniques such as regression analysis, researchers assessed the extent to which factors such as environmental scanning, strategic flexibility, knowledge acquisition, and knowledge exploitation contributed to SME resilience and longevity. By quantifying these relationships, the study provided valuable insights into the relative importance of different strategic capabilities for SME performance in the South-West Nigerian context. Conducting a survey allowed the researcher to generalize findings to a larger population of SMEs in South-West Nigeria⁴. Sampling from a diverse range of industries and organizational sizes within the region enhanced the external validity of the findings. This meant that the results were applicable beyond the specific SMEs surveyed, providing insights that informed strategic decision-making and policy formulation aimed at promoting SME sustainability and performance across the region⁵.

3.2 Population of the Study

The population for this research comprised Small and Medium-Sized Enterprises (SMEs) registered with SMEDAN and operating in the South-West states of Nigeria. The study focused on SMEs located in Lagos State, Ogun State, and Oyo State, which are significant economic centers in Nigeria. Lagos served as the commercial capital, Ogun host various industrial zones, and Oyo is a hub of commerce and culture. SMEs in these areas were at the forefront of adapting to changing economic conditions, offering valuable data for studying strategic adaptability and absorptive capacity⁶.

As of 2021, the total number of registered SMEs with SMEDAN in these three states is 104,939⁷. The distribution of the target population of SMEs is provided in Table 3.1.

Table 3.1: Population of the Small and Medium Enterprises (SMEs) in South-West Nigeria

South-West States	Number of SMEs
Lagos	42, 067
Ogun	31, 133
Oyo	31, 739
Total	104,939

Source: Small and Medium Enterprise Development Agency of Nigeria (SMEDAN, 2021)

3.3 Sample and Sampling Techniques

This section focused on the sampling procedure used in collecting the required data efficiently and effectively from the population, enabling the researchers to make valid conclusions concerning the entire population. Thus, the sampling discussed the sampling unit, sampling frame, sample size determination, and sampling technique.

3.3.1 Sampling Unit

The sampling unit of this study comprised the owners/managers of SMEs in South-West Nigeria. The justification for the selection of this group of participants is that they can

know the possible role of strategic adaptability and absorptive capacity on small and medium enterprises (SMEs) performance in South-West Nigeria.

3.3.2 Sampling Frame

The sample frame for this study comprises the SMEs in South-West Nigeria with a focus on owners/managers of businesses. Regarding the number of SMEs in South-West Nigeria, the information was obtained from SMEDAN, a body saddled with the role of facilitating the promotion and development of a structured and efficient Micro, Small, and Medium Enterprises (MSMEs) Sector that will enhance sustainable economic development in Nigeria⁷.

3.3.3 Sample Size Determination

The sample size for this study was determined by applying the Cochran formula. This is the standard method of randomization and it identifies the limits of errors considered as the most essential items in the survey. Cochran sample size is being used because it allows the researcher to calculate an ideal sample size given a desired level of precision, desired confidence level, and the estimated proportion of the attribute present in the population⁸. This helped the researcher to obtain the sample and use the results to make sampling decisions based on the data. The formula and calculation are presented as follow: A total number of registered SMEs with SMEDAN as at 2021 was 104,939 and the total number of samples of SMEs (n) was determined using the below formula.

$$n = \frac{NZ^2pq}{d^2(N-1) + Z^2pq} \dots\dots\dots 3.1$$

Where:

n = Sample size

N = Population size

Z = Standardized normal variable and its value that corresponds to 95 % confidence interval equals 1.96.

P = Degree of variability (0.5)

q = 1-p

d= Degree of accuracy (0.05)

α= level of significance (5%)

$$n = \frac{104,939 (1.96)^2 \times 0.5 \times 0.5}{(0.05)^2 (104,939-1) + (1.96)^2 (0.5 \times 0.5)}$$
$$n = \frac{104,939 \times 3.8416 \times 0.25}{0.0025 \times 104,938 + 0.9604}$$
$$n = \frac{100,783.416}{263.3054}$$

$$n = 383 \dots\dots\dots 3.2$$

Therefore, the expected number of samples to be taken for this study is 383.

However, to compensate for non-response probability, 30% of the sample was added to it, to increase the sample base as suggested by a scholar¹⁰.

Therefore 30% of 383 = 115

Then the appropriate sample size is given as

$$n = 115 + 383 = 498$$

$$n = 498$$

From the calculation above, the total sample size of this study is given as 498 owners-managers in South West, Nigeria.

The sample size of 498 will be distributed in proportions as follows:

$$\frac{\text{Number of SMEs}}{\text{Total number of SMEs}} \times \text{Sample Size.}$$

Table 3.2: Sample Size Distribution

State	Proportionate %age	Proportionate distribution of questionnaire	Number of questionnaires to be distributed across
Lagos	42, 067	40.1%	200
Ogun	31, 133	29.7%	148
Oyo	31, 739	30.2%	150
Total	104,939	100%	498

Source: Researcher's Computation 2024

3.3.4 Sampling Technique

This study adopted simple random sampling technique as it is the most basic form of probability sampling. Hence, each participant in the population have an equal chance of being selected to be part of the sample as a subset. This approach was applied by authors¹¹. This technique was selected by the researcher since it provides unbiased and better estimation parameters for studies with homogenous population. Also, the sample represented the target population and eliminated sampling bias, and each member of the target population stood a chance of being included in the study sample. Likewise, the method is less cumbersome, easy to conduct, and meets the assumptions of many statistical procedures.

3.4 Description of Research Instrument

The research instrument for this study was a structured and validated questionnaire. The questionnaire was applied because it is suitable for obtaining large number of data needed from a large number of people in a short period to study items relating to the independent and dependent variables. The independent variables are strategic adaptability components (environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition) the dependent variable is small and medium enterprises (SMEs) performance (market share, brand reputation, operational efficiency, and competitive advantage), and the moderating variable is absorptive capacity. Therefore, items in the questionnaire was structured by the research, and validated.

The questionnaire was sub-divided into four segments. Section A focused on demographic data, Section B and C focused on the independent variable (strategic adaptability components), Section D focused on the dependent variable (SMEs performance), while Section E focused on the moderator (absorptive capacity). A six-point Likert-type scale was adopted for all item scales, hence on an interval scale of measurement. All item scales was anchored, on a six-point Likert-type scale, ranging from 6 = very high extent/strongly agree, 5 = high extent/agree, 4 = moderately high extent/partially agree, 3 = moderately low extent/partially disagree, 2 = low extent/disagree, and 1 = very low extent/strongly disagree. It was designed for easy and swift responses from potential respondents to complete and approximates an interval scale usually used to evaluate psychometric characteristics in social research¹⁰. Table 3.3 provides the sources of the items in the instrument and the questionnaire structure.

3.5 Validity of Research Instrument

A pilot study was conducted to pre-test the questionnaire on fifty (50) SMEs Owners/Managers (10% of the sample size) randomly selected from sample across three senatorial districts in Abuja, Nigeria that are not part of study area. Conducting a pilot study on SMEs in Abuja, Nigeria was crucial for refining research methodologies, understanding the local business context, and addressing potential challenges before embarking on a comprehensive research project. It enhances the validity, reliability, and overall effectiveness of the main study. The pilot was considered necessary in order to determine the willingness of the respondents to have a foreknowledge of the reactions of the respondents and to ascertain the reliability of the questionnaires when used in a similar environment.

The total number of copies of the questionnaire retrieved from the sample was forty-seven (47). The responses were analyzed in order to determine the reliability of the research instrument. The result of the pilot study indicated that the research instrument is reliable since the Cronbach's alpha of the scale for all the variables were greater than 0.70. Some of the questions were re-constructed while some sections were reframed entirely based on the suggestions of the respondent particularly items on absorptive capacity and strategic flexibility.

In this study, construct validity was ascertained through the determination of convergence validity and discriminant validity. Construct validity is performed mainly to detect if each measurement question precisely represents the meaning of each research variable of the study. Convergence validity was measured through composite reliability and average variance extracted (AVE). AVE measures the proportion of variance that is captured by a construct in relation to the proportion of variance due to measurement error. AVE varies between 0 and 1 and should be >0.5 . A value that is greater than 0.5 indicates that the item of the question reflects the characteristics of each variable of the study. Discriminant

Validity measured the extent to which the constructs or latent variables are independent from one another^{11,12}. The discriminant validity was tested to observe the cross loadings and check whether the indicators had higher factorial loads in their respective latent variables and the Fornell and Larcker criterion compared the square roots of the Average Variance Extracted (AVE) values of each construct with the correlations between the constructs or latent variables. For discriminant validity, this study used Fornell and Larcker criterion¹³.

Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity were used to determine sample adequacy. The threshold is that if the result of the KMO is greater than 0.5, it means that the questions measure the variables in the study. The result of the Bartlett test of Sphericity at 0.000 which is less than 5%, indicate that there is a highly significant relationship among variables of under study. The results of the analysis are summarized as in Table 3.3.

Table 3.3: KMO and Bartlett's Test for each Variable in the Research Instrument

Variables	KMO	Bartlett test of Sphericity	AVE
Environmental Scanning	0.727	84.681 (0.000)	0.653
Strategic Flexibility	0.696	66.535 (0.000)	0.524
Resource Allocation	0.704	85.385 (0.000)	0.604
Knowledge Acquisition	0.770	129.597 (0.000)	0.561
Knowledge Assimilation	0.767	93.741 (0.000)	0.677
Knowledge Exploitation	0.692	57.578 (0.000)	0.748
Market Share	0.785	125.327 (0.000)	0.668
Brand Reputation	0.735	69.326 (0.000)	0.595
Operational Efficiency	0.798	104.062 (0.000)	0.592
Competitive Advantage	0.832	133.309 (0.000)	0.679

Source: Researcher's Computation (2024)

From table 3.3, the results of Kaiser-Meyer-Olkin measures (KMO) for all the variables were found to be greater than 0.5 and not above 1, hence acceptable indices. This shows that the sampling adequacy of the study is acceptable. This indicated that the data was suitable for factor analysis and was in order for us to extract reliable factors. Furthermore, Bartlett's Test of Sphericity had p-values = 0.000 for all the variables which are less than 0.05. Also, the Average Variance Extracted (AVE) was > 0.5 thus confirming convergent validity¹⁴. The discriminant validity was assessed using Fornell and Larcker by comparing the square root of each AVE in the diagonal with the correlation coefficients (off-diagonal) for each construct in the relevant rows and columns¹³.

Table 3.4: Square Root of the Average Variance Extracted (AVE) (in bold) and Correlations between Constructs (off-diagonal)

Latent Construct	ES	SF	RA	KAc	KAs	KE	MS	BR	OE	CA	P E	E E
ES	0.745											
SF	0.628	0.765										
RA	0.731	0.69	0.768									
KAc	0.732	0.769	0.745	0.724								
KAs	0.656	0.681	0.691	0.743	0.762							
KE	0.632	0.595	0.699	0.702	0.702	0.741						
MS	0.614	0.717	0.639	0.652	0.626	0.677	0.722					
BR	0.694	0.707	0.696	0.744	0.809	0.681	0.686	0.745				
OE	0.732	0.714	0.651	0.678	0.822	0.735	0.745	0.681	0.654			
CA	0.69	0.61	0.732	0.722	0.819	0.6	0.6	0.8	0.696	0.6		

6	0	77	54	29	37
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Source: Field Survey Data (2024)

Key: *Environmental Scanning (ES), Strategic Flexibility (SF), Resource Allocation (RA), Knowledge Acquisition (KAc), Knowledge Assimilation (KAs) Knowledge Exploitation (KE), Market Share (MS), Brand Reputation (BR), Operational Efficiency (OE), Competitive Advantage (CA).*

Table 3.4 indicates that discriminant validity was examined based on the correlation matrix. The diagonal elements are the square root of the average variance extracted of all the latent constructs. The discriminant validity is assumed if the diagonal elements are higher than other off-diagonal elements in their rows and columns. The values showed the square roots of AVE which were greater than off-diagonal values, confirmed the result that the discriminant validity was achieved.

3.6. Reliability of Research Instrument

In this study, reliability of the instrument was determined using two tests, Indicator (Exploratory Factor Analysis) and Internal Consistency Reliability. Indicator (Exploratory Factor Analysis) reliability test assesses adequacy of respective indicators (Items) as measures for their respective variables based on the empirical data. The Exploratory Factor Analysis (EFA) is a technique for minimizing and summarizing data to identify sets of variables that are necessary for research. Its standards for testing include factor loading ≥ 0.3 , then its sample size is expected to be at least 350, where factor loading ≥ 0.5 , then sample size should be in the range of 100 to 350, for factor loading ≥ 0.75 , then sample size should be in the range 50 to 100¹⁵. Indicator reliability was adopted because the instrument was self-developed using the appropriate and relevant literature. To test indicator reliability, the indicators must load over 0.5,

according to scholars and be statistically significant ($t > 1.96$ and $p < .05$). First, the indicators were examined to ascertain whether any of the indicators warranted removal due to extremely low loadings¹⁶. Some scholars recommended the removal of any indicators that do not load by a factor of 0.5 or higher on their theoretically assigned construct¹⁷.

The findings revealed that some indicator loadings were below the .50 threshold and were not significant at $t > 1.96$ and $p < .05$, therefore they were removed, therefore, indicator reliability was confirmed. Table 3.4 presents the results of the indicator reliability, showing the number of items before and after their removal from their constructs. Internal consistency reliability test was used to measure the level to which the indicators under each variable were positively correlated to each other and are complimentary measurements for that variable and their constructs items. Cronbach's Alpha was used to test internal consistency. A scholar observed that Cronbach Alpha value of 0.7 is an appropriate threshold for determining reliability. This study adopted Cronbach's Alpha index of at least 0.7 as recommended by a scholar¹⁸. The results of Cronbach's alpha are presented in Table 3.5.

Table 3.5: Reliability Coefficients

Variables	Number of Items Before	Number of Items After	Cronbach's Alpha	Composite Reliability	Comments/ Decision Rule
Environmental Scanning	5	5	0.822	0.882	Reliable
Strategic Flexibility	5	5	0.706	0.812	Reliable
Resource Allocation	5	5	0.786	0.800	Reliable
Knowledge Acquisition	5	5	0.767	0.788	Reliable
Knowledge Assimilation	5	5	0.844	0.893	Reliable
Knowledge Exploitation	5	5	0.832	0.899	Reliable

Market Share	5	5	0.875	0.910	Reliable
Brand Reputation	5	5	0.722	0.834	Reliable
Operational Efficiency	5	5	0.713	0.832	Reliable
Competitive Advantage	5	5	0.880	0.913	Reliable
Overall			0.973	0.979	Reliable

Source: Field Survey Data (2024)

On Table 3.6, the Cronbach's Alpha for the constructs ranged between 0.702 and 0.829 which were all above the 0.6 recommended. The overall reliability coefficient for the instrument was 0.973; hence, the research instrument was judge reliable (there is high internal consistency). Additionally, the composite reliability has also been computed. Also, the overall composite reliability (0.979) shows that all the construct's indicators jointly measure the variables adequately. This confirms a high reliability for items measuring the variables. The variables indicated adequate levels of internal consistency.

3.7. Method of Data Collection

This study adopted the quantitative method by applying primary data as the source through a structured questionnaire. The questionnaire for retrieving data was organized into three segments to deal with the likely scopes of the research problems. Several scholars applied the primary method in their respective studies. The justification for this method is premised on its originality, high degree of accuracy, and precision to produce causality statements through controlled experiments in some cases and to allow for sophisticated analyses. Similarly, the method promotes the systematic creation of a hypothesis, an empirical test, and test theories for more reliability, objectivity, and generalization of a finding. Primary data was preferred since it helped the researchers to obtain first-hand information from the selected respondents.

3.8 Method of Data Analysis

The data to be collected in the course of the study was analyzed using both descriptive statistics and inferential statistics.

3.8.1 Descriptive Statistics

Descriptive statistics is adopted to summarize and describe the main characteristics of the data. Measures such as mean, was calculated to provide a concise summary of the data. Frequency distributions was also employed to visually represent the data and identify patterns or trends. Descriptive statistics plays a crucial role in the analysis of large and intricate data sets by facilitating their summarization into more manageable forms¹⁸.

Some scholars further stated that descriptive statistics aids in the exploration of the distribution and patterns within a given data set. By utilizing graphical representations such as histograms, box plots, and scatter plots, it enables researchers to visually comprehend the shape, spread, and interrelationships among variables. This exploration phase often uncovers outliers, identifies trends, and guides subsequent analysis. Additionally, descriptive statistics provides a framework for the comparative analysis of different data sets or subsets. By calculating summary statistics, such as mean scores or proportions, it facilitates the comparison of various groups, thereby enabling the identification of significant differences or similarities between them¹⁹.

3.8.2 Inferential Statistics

Inferential statistics, on the other hand, was used to make inferences or draw conclusions about the population based on the sample data. Techniques such as hypothesis testing, confidence intervals, and regression analysis was utilized to examine the effect, test hypotheses, and estimate population parameters. Multiple regression analysis is adopted

specifically in a study when the researcher has one dependent variable which is presumed to be a function of two or more independent variables. Likewise, a scholar argued that multiple regression analysis is the most widely used method in social and management sciences to determine the nexus among variables and to test hypotheses²⁰.

The application of multiple analyses in this study was guided by the formulated hypotheses, which aimed to determine the effect of strategic adaptability and absorptive capacity on SME performance in Southwest Nigeria. Specifically, simple linear regression analysis was employed to test hypotheses one to four, while hypothesis five was tested using hierarchical regression. The t-test was used to check the significance of regression coefficients in the multiple linear regression models. The F-test was also used in the context of Analysis of Variance (ANOVA) to test the significance of the regression models in this study. The Durbin-Watson test was used to check for serial correlation in the model, and R-squared and adjusted R-squared were calculated to measure the goodness of fit of the structural models.

Hypothesis testing allowed for the assessment of significant differences between variables. Confidence intervals provided estimates of the population parameters with a certain level of confidence. Regression analysis examined the relationships between the independent and dependent variables and allowed for the prediction of outcomes based on the observed data. By employing both descriptive and inferential statistics, the researcher gained a comprehensive understanding of the data, described its characteristics, and drew meaningful conclusions and inferences from the sample to the population. The data analysis for different sections of the questionnaire to address each research objective was presented in Table 3.6.

Table 3.7: Method of Data Analysis of Objectives in the Research

S/N	Hypotheses	Method of Data Analysis
H ₀₁	Environmental scanning has no significant effect on the market share of SMEs in Southwest Nigeria.	Simple Linear Regression analysis
H ₀₂	Strategic flexibility has no significant effect on the brand reputation of SMEs in Southwest Nigeria.	Simple Linear Regression analysis
H ₀₃	Resource allocation has no significant effect on the operational efficiency of SMEs in Southwest Nigeria.	Simple Linear Regression analysis
H ₀₄	Knowledge acquisition has no significant effect on the competitive advantage of SMEs in Southwest Nigeria.	Simple Linear Regression analysis
H ₀₅	Absorptive capacity has no significant moderating effect on the interaction between strategic adaptability factors and the performance of SMEs in Southwest Nigeria.	Hierarchical Regression analysis

Source: Researcher's Work (2024)

3.8.3 Model Specification

The fundamental process to express a model is through a linear mathematical function, consequently, from the foregoing, the model to be utilized in the results of this study will be specified as presented statistically:

Dependent variable: X = Strategic Adaptability

x_1 = Environmental Scanning

x_2 = Strategic Flexibility

x_3 = Resource Allocation

x_4 = Knowledge Acquisition

Independent variable: Y = SMEs Performance

y_1 = Market Share

y_2 = Brand Reputation

y_3 = Operational Efficiency

y_4 = Competitive Advantage

Z = Moderating variable. Z= Absorptive Capacity

3.9 Ethical Consideration

Ethical practices concerning research was strictly adhered to as approved by Lead City University Research Ethic Committee. Subsequently, an introduction letter was obtained from the Department of Management and Accounting Lead City University, Ibadan Oyo State, and an application to conduct the study was made known to Lead City University Research Ethic Committee. A written informed consent approved by the supervisor was given to operators/owners of SMEs who volunteered to participate upon administration of the questionnaire, and appropriate permission was ensured for use of the participant's data.

Participants was guaranteed confidentiality as the information made available by respondents involved in the study will purely be for academic purposes towards contributing to knowledge and best practices regarding enhancing strategic adaptability and absorptive capacity to boost SMEs performance. The researcher ensured no conflict of interest, and respondents were not paid or offered any other material rewards in exchange for completing the questionnaire or cooperating with the researcher on the study. More so, any respondents can voluntarily withdraw from participating at any point in this study with no consequences. Further, to support efficient decision-making by operators/owners of SMEs, the researcher ensured that the findings from this study are available to SMEs upon request.

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Chapter Four

Results and Discussion of Findings

The chapter provides empirical information concerning the result of the data analysis with respect to data description, interpretation of the result of the hypotheses tested and the discussion of the study's implications within existing literature. The aim of this study is to investigate the effect of strategic adaptability and absorptive capacity on the performance of SMEs in South-West, Nigeria. This research was carried out via questionnaire in order to acquire the necessary information for this purpose. The study analyzed the data set using SPSS version 25 for the descriptive and the inferential statistics.

A total of four hundred and ninety-eight (498) copies of the questionnaire were administered, and four hundred and seventy-eight (478) copies were returned. After sorting the questionnaires, only eleven (11) copies were considered improperly filled, leaving four hundred and sixty-seven (467) copies certified as duly filled and usable. The usable questionnaires represented a 93.77% response rate. The response results are presented in Table 4.1.

Table 4.1: Response Rate

Responses	Frequency	Percent
Completed usable copies of questionnaire	467	93.77%
Unusable, unreturned and disqualified questionnaires	31	6.23%
Total	498	100%

Source: Researcher's Field Survey Results, 2024

4.1 Demographic Data Analysis

Table 4.2 Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage
Age Group	18–25 years	83	17.8%
	26–35 years	151	32.3%
	36–45 years	116	24.8%
	46–55 years	77	16.5%
	56 years and above	40	8.6%
Gender	Male	249	53.3%
	Female	218	46.7%
Educational Qualification	Primary Education	38	8.1%
	Secondary Education	79	16.9%
	Diploma/OND	92	19.7%
	Bachelor's Degree	161	34.5%
	Master's Degree	59	12.6%
	Doctorate Degree	24	5.1%
	Other (Specify)	14	3.0%
Position in the Business	Owner/Founder	101	21.6%
	Manager	131	28.1%
	Senior Staff	86	18.4%
	Junior Staff	149	31.9%
Business Sector	Manufacturing	99	21.2%
	Retail	84	18.0%
	Wholesale	62	13.3%
	Services	114	24.4%
	Agriculture	53	11.3%
	Technology	51	10.9%
	Other (Specify)	4	0.9%
Years of Business Operation	Less than 1 year	52	11.1%

	1–5 years	147	31.5%
	6–10 years	118	25.3%
	11–15 years	86	18.4%
	Over 15 years	64	13.7%
Annual Revenue of the Business	Less than ₦1 million	102	21.8%
	₦1 million – ₦5 million	119	25.5%
	₦6 million – ₦10 million	83	17.8%
	₦11 million – ₦20 million	66	14.1%
	Over ₦20 million	57	12.2%
Number of Employees	1–5 employees	120	25.7%
	6–10 employees	141	30.2%
	11–20 employees	77	16.5%
	21–50 employees	86	18.4%
	Over 50 employees	43	9.2%

Source: Field Survey Results, 2024

Table 4.2 presents the background and demographic information of respondents, covering characteristics such as gender, age, position in the business, and educational qualifications. Regarding gender, the data reveals a near-balanced distribution, with 249 respondents (53.3%) identified as male and 218 respondents (46.7%) as female, resulting in a slight male-dominant sample with a near 3:2 male-to-female ratio. In terms of age distribution, the majority of respondents fell within the 26–35 years age range, with 151 respondents (32.3%), followed by 116 respondents (24.8%) aged between 36–45 years. Additionally, 83 respondents (17.8%) were aged 18–25 years, 77 respondents (16.5%) were between 46–55 years, and 40 respondents (8.6%) were 56 years and above. The spread of ages suggests that the sample includes a mix of younger and more experienced participants. Concerning the respondents' positions in their respective businesses, a large portion were junior staff, totaling 149 respondents (31.9%). Following this, 131 respondents (28.1%)

identified as managers, 101 respondents (21.6%) as owners or founders, and 86 respondents (18.4%) as senior staff.

Respondents were drawn from diverse business sectors, with the services sector being the most represented, accounting for 114 respondents (24.4%). Manufacturing followed closely with 99 respondents (21.2%), while 84 respondents (18.0%) worked in retail, and 62 respondents (13.3%) in wholesale. Other sectors, including agriculture and technology, accounted for smaller proportions, with 53 respondents (11.3%) in agriculture, 51 respondents (10.9%) in technology, and 4 respondents (0.9%) in other industries. This variety shows the data is representative of different industries and allows for a broader analysis of responses. Regarding years of business operation, the highest proportion of respondents, 147 (31.5%), had been in business for 1–5 years, indicating a relatively young business demographic. This was followed by 118 respondents (25.3%) who had been in operation for 6–10 years, 86 respondents (18.4%) for 11–15 years, and 64 respondents (13.7%) for over 15 years. The annual revenue distribution shows that 119 respondents (25.5%) generated between ₦1 million and ₦5 million annually, while 102 respondents (21.8%) earned less than ₦1 million. Additionally, 83 respondents (17.8%) reported revenue between ₦6 million and ₦10 million, 66 respondents (14.1%) between ₦11 million and ₦20 million, and 57 respondents (12.2%) over ₦20 million.

Lastly, when looking at the number of employees, the most common category was 6–10 employees, with 141 respondents (30.2%) falling in this range. Following this, 120 respondents (25.7%) had between 1–5 employees, while 77 respondents (16.5%) reported having 11–20 employees, 86 respondents (18.4%) between 21–50 employees, and 43 respondents (9.2%) had over 50 employees. This workforce variation contributes to an understanding of the scale of operations within these businesses.

4.2 Presentation of Data

Table 4.3: Descriptive Analysis of the Responses on Environmental Scanning

Environmental Scanning	VHE	HE	MHE	MLE	LE	VLE	Mean
	6	5	4	3	2	1	
We frequently check market trends to understand what customers want.	142 (30.4%)	118 (25.3%)	93 (19.9%)	75 (16.1%)	31 (6.6%)	8 (1.7%)	4.52
We keep track of what our competitors are doing.	104 (22.3%)	138 (29.6%)	118 (25.3%)	69 (14.8%)	22 (4.7%)	16 (3.4%)	4.40
Our business monitors changes in our industry to stay updated.	112 (24.0%)	125 (26.8%)	107 (22.9%)	92 (19.7%)	28 (6.0%)	3 (0.6%)	4.41
We gather information about customer needs to guide our decisions.	185 (39.6%)	137 (29.3%)	57 (12.2%)	68 (14.6%)	13 (2.8%)	7 (1.5%)	4.84
We analyze feedback from customers to improve our business.	119 (25.5%)	153 (32.8%)	80 (17.1%)	65 (13.9%)	36 (7.7%)	14 (3.0%)	4.45
Grand Mean= 4.52							

Note: VHE = Very High Extent, HE = High Extent, MHE = Moderately High Extent, MLE = Moderately Low Extent, LE = Low Extent, VLE = Very Low Extent

Source: Field Survey Results, 2024

According to the results in Table 4.3, 30.4% of respondents rated to a very high extent that they frequently check market trends to understand what customers want, 25.3% to a high extent, 19.9% to a moderately high extent, 16.1% to a moderately low extent, 6.6% to a low extent, and 1.7% to a very low extent. On average, respondents indicated a mean of 4.52 for this activity. Results also show that 22.3% of respondents rated to a very high extent that they keep track of what competitors are doing, 29.6% to a high extent, 25.3%

to a moderately high extent, 14.8% to a moderately low extent, 4.7% to a low extent, and 3.4% to a very low extent. This item has a mean score of 4.40.

For monitoring changes in the industry to stay updated, 24.0% of respondents rated it to a very high extent, 26.8% to a high extent, 22.9% to a moderately high extent, 19.7% to a moderately low extent, 6.0% to a low extent, and 0.6% to a very low extent. This item has a mean score of 4.41. Regarding gathering information about customer needs to guide business decisions, 39.6% rated it to a very high extent, 29.3% to a high extent, 12.2% to a moderately high extent, 14.6% to a moderately low extent, 2.8% to a low extent, and 1.5% to a very low extent, with a mean of 4.84. In terms of analyzing customer feedback to improve the business, 25.5% of respondents rated it to a very high extent, 32.8% to a high extent, 17.1% to a moderately high extent, 13.9% to a moderately low extent, 7.7% to a low extent, and 3.0% to a very low extent. This item has a mean score of 4.45.

The Grand Mean for environmental scanning items is 4.52, showing that respondents largely agree on the importance of environmental scanning for business operations in Southwest Nigeria.

Table 4.4: Descriptive Analysis of the Responses on Strategic Flexibility

Strategic Flexibility	VHE	HE	MHE	MLE	LE	VLE	Mean
	6	5	4	3	2	1	
Our business can quickly adjust its strategies when needed.	208 (44.5%)	116 (24.8%)	65 (13.9%)	50 (10.7%)	23 (4.9%)	5 (1.1%)	4.90
We can change our goals easily when new opportunities appear.	98 (21.0%)	143 (30.6%)	105 (22.5%)	67 (14.3%)	32 (6.9%)	22 (4.7%)	4.30
Our business structure allows us to	102	125	97	105	20	18	4.28

respond to changes in the market.	(21.8%)	(26.8%)	(20.8%)	(22.5%)	(4.3%)	(3.9%)	
We are open to trying new business models to stay relevant.	156 (33.4%)	121 (25.9%)	72 (15.4%)	63 (13.5%)	38 (8.1%)	17 (3.6%)	4.52
Our business is flexible in dealing with unexpected market changes.	118 (25.3%)	130 (27.8%)	86 (18.4%)	70 (15.0%)	38 (8.1%)	25 (5.4%)	4.31
Grand Mean= 4.46							

Note: VHE = Very High Extent, HE = High Extent, MHE = Moderately High Extent, MLE = Moderately Low Extent, LE = Low Extent, VLE = Very Low Extent
Source: Field Survey Results, 2024

According to the results in Table 4.4, 44.5% of respondents rated to a very high extent that their business can quickly adjust its strategies when needed, 24.8% to a high extent, 13.9% to a moderately high extent, 10.7% to a moderately low extent, 4.9% to a low extent, and 1.1% to a very low extent. The mean score for this item is 4.90. Results also indicate that 21.0% of respondents rated to a very high extent that they can change their goals easily when new opportunities appear, 30.6% to a high extent, 22.5% to a moderately high extent, 14.3% to a moderately low extent, 6.9% to a low extent, and 4.7% to a very low extent, with a mean score of 4.30.

Regarding whether the business structure allows response to changes in the market, 21.8% rated it to a very high extent, 26.8% to a high extent, 20.8% to a moderately high extent, 22.5% to a moderately low extent, 4.3% to a low extent, and 3.9% to a very low extent. This item has a mean score of 4.28. For openness to trying new business models to stay relevant, 33.4% of respondents rated this to a very high extent, 25.9% to a high extent, 15.4% to a moderately high extent, 13.5% to a moderately low extent, 8.1% to a low extent, and 3.6% to a very low extent. The mean score for this item is 4.52. Lastly, 25.3% of respondents rated to a very high extent that their business is flexible in dealing

with unexpected market changes, 27.8% to a high extent, 18.4% to a moderately high extent, 15.0% to a moderately low extent, 8.1% to a low extent, and 5.4% to a very low extent. This item has a mean score of 4.31.

The Grand Mean for strategic flexibility items is 4.46, indicating that respondents generally agree on the importance of strategic flexibility for business operations in Southwest Nigeria.

Table 4.5: Descriptive Analysis of the Responses on Resource Allocation

Resource Allocation	VHE	HE	MHE	MLE	LE	VLE	Mean
	6	5	4	3	2	1	
We are willing to move resources to support new business ideas.	127 (27.2%)	143 (30.6%)	97 (20.8%)	67 (14.3%)	24 (5.1%)	9 (1.9%)	4.55
Our business invests in technology to improve our flexibility.	228 (48.8%)	109 (23.3%)	67 (14.3%)	43 (9.2%)	14 (3.0%)	6 (1.3%)	5.02
We allocate resources to areas that help us grow and adapt.	141 (30.2%)	116 (24.8%)	116 (24.8%)	61 (13.1%)	19 (4.1%)	14 (3.0%)	4.55
Our financial resources allow us to make necessary changes.	91 (19.5%)	137 (29.3%)	112 (24.0%)	74 (15.8%)	36 (7.7%)	17 (3.6%)	4.26
We invest in tools and equipment to stay competitive.	183 (39.2%)	133 (28.5%)	79 (16.9%)	48 (10.3%)	21 (4.5%)	3 (0.6%)	4.86
Grand Mean= 4.65							

Note: VHE = Very High Extent, HE = High Extent, MHE = Moderately High Extent, MLE = Moderately Low Extent, LE = Low Extent, VLE = Very Low Extent

Source: Field Survey Results, 2024

According to the results in Table 4.5, 27.2% of respondents rated to a very high extent that they are willing to move resources to support new business ideas, 30.6% to a high

extent, 20.8% to a moderately high extent, 14.3% to a moderately low extent, 5.1% to a low extent, and 1.9% to a very low extent. The mean score for this item is 4.55. Results also indicate that 48.8% of respondents rated to a very high extent that their business invests in technology to improve flexibility, 23.3% to a high extent, 14.3% to a moderately high extent, 9.2% to a moderately low extent, 3.0% to a low extent, and 1.3% to a very low extent. This item has a mean score of 5.02.

Regarding allocating resources to areas that help the business grow and adapt, 30.2% of respondents rated this to a very high extent, 24.8% to a high extent, 24.8% to a moderately high extent, 13.1% to a moderately low extent, 4.1% to a low extent, and 3.0% to a very low extent. The mean score for this item is 4.55. In terms of financial resources allowing businesses to make necessary changes, 19.5% of respondents rated it to a very high extent, 29.3% to a high extent, 24.0% to a moderately high extent, 15.8% to a moderately low extent, 7.7% to a low extent, and 3.6% to a very low extent. This item has a mean score of 4.26. Lastly, 39.2% of respondents rated to a very high extent that they invest in tools and equipment to stay competitive, 28.5% to a high extent, 16.9% to a moderately high extent, 10.3% to a moderately low extent, 4.5% to a low extent, and 0.6% to a very low extent. The mean score for this item is 4.86.

The Grand Mean for resource allocation items is 4.65, indicating that respondents largely agree on the importance of resource allocation for business adaptability and competitiveness in Southwest Nigeria.

Table 4.6: Descriptive Analysis of the Responses on Knowledge Acquisition

Knowledge Acquisition	VHE	HE	MHE	MLE	LE	VLE	Mean
	6	5	4	3	2	1	
We encourage employees to learn skills that help our business grow.	282 (60.4%)	112 (24.0%)	28 (6.0%)	22 (4.7%)	16 (3.4%)	7 (1.5%)	5.29
Our business provides training to help employees improve their skills.	134 (28.7%)	198 (42.4%)	62 (13.3%)	38 (8.1%)	26 (5.6%)	9 (1.9%)	4.75
We look for advice from experts to stay updated on industry changes.	179 (38.3%)	123 (26.3%)	58 (12.4%)	41 (8.8%)	43 (9.2%)	23 (4.9%)	4.61
We make sure our employees have access to useful information.	166 (35.5%)	109 (23.3%)	72 (15.4%)	58 (12.4%)	39 (8.4%)	23 (4.9%)	4.51
We encourage employees to share what they learn with others.	263 (56.3%)	113 (24.2%)	35 (7.5%)	28 (6.0%)	13 (2.8%)	15 (3.2%)	5.16
Grand Mean=4.86							

Note: VHE = Very High Extent, HE = High Extent, MHE = Moderately High Extent, MLE = Moderately Low Extent, LE = Low Extent, VLE = Very Low Extent

Source: Field Survey Results, 2024

According to the results in Table 4.6, 60.4% of respondents rated to a very high extent that they encourage employees to learn skills that help the business grow, 24.0% to a high extent, 6.0% to a moderately high extent, 4.7% to a moderately low extent, 3.4% to a low extent, and 1.5% to a very low extent. This item has a mean score of 5.29. Results also indicate that 28.7% of respondents rated to a very high extent that their business provides training to help employees improve their skills, 42.4% to a high extent, 13.3% to a

moderately high extent, 8.1% to a moderately low extent, 5.6% to a low extent, and 1.9% to a very low extent. The mean score for this item is 4.75.

Regarding seeking advice from experts to stay updated on industry changes, 38.3% of respondents rated this to a very high extent, 26.3% to a high extent, 12.4% to a moderately high extent, 8.8% to a moderately low extent, 9.2% to a low extent, and 4.9% to a very low extent. This item has a mean score of 4.61. In terms of ensuring employees have access to useful information, 35.5% of respondents rated it to a very high extent, 23.3% to a high extent, 15.4% to a moderately high extent, 12.4% to a moderately low extent, 8.4% to a low extent, and 4.9% to a very low extent. The mean score for this item is 4.51. Lastly, 56.3% of respondents rated to a very high extent that they encourage employees to share what they learn with others, 24.2% to a high extent, 7.5% to a moderately high extent, 6.0% to a moderately low extent, 2.8% to a low extent, and 3.2% to a very low extent. This item has a mean score of 5.16.

The Grand Mean for knowledge acquisition items is 4.86, indicating that respondents largely agree on the importance of knowledge acquisition practices. This high level of agreement suggests a significant emphasis on fostering learning and skill development within the businesses in Southwest Nigeria.

Table 4.7: Descriptive Analysis of the Responses on Knowledge Assimilation

Knowledge Assimilation	VHE	HE	MHE	MLE	LE	VLE	Mean
	6	5	4	3	2	1	
Our business actively gathers new information from various sources.	151 (32.3%)	190 (40.7%)	85 (18.2%)	22 (4.7%)	14 (3.0%)	5 (1.1%)	4.91
We regularly analyze new knowledge and ideas to see how they can benefit our business.	117 (25.1%)	162 (34.7%)	103 (22.1%)	38 (8.1%)	33 (7.1%)	14 (3.0%)	4.53
We encourage our team to stay updated with industry trends and advancements.	237 (50.7%)	106 (22.7%)	65 (13.9%)	29 (6.2%)	25 (5.4%)	5 (1.1%)	5.04
We make time for discussions on new insights and their relevance to our work.	180 (38.5%)	159 (34.0%)	57 (12.2%)	45 (9.6%)	22 (4.7%)	4 (0.9%)	4.89
Our business values learning from past experiences to improve future performance.	264 (56.5%)	127 (27.2%)	41 (8.8%)	20 (4.3%)	8 (1.7%)	7 (1.5%)	5.28
Grand Mean= 4.93							

Note: VHE = Very High Extent, HE = High Extent, MHE = Moderately High Extent, MLE = Moderately Low Extent, LE = Low Extent, VLE = Very Low Extent

Source: Field Survey Results, 2024

According to the results in Table 4.7, 32.3% of respondents rated to a very high extent that their business actively gathers new information from various sources, 40.7% to a high extent, 18.2% to a moderately high extent, 4.7% to a moderately low extent, 3.0% to a low extent, and 1.1% to a very low extent. This item has a mean score of 4.91. Results also indicate that 25.1% of respondents rated to a very high extent that their business

regularly analyzes new knowledge and ideas to see how they can benefit the business, 34.7% to a high extent, 22.1% to a moderately high extent, 8.1% to a moderately low extent, 7.1% to a low extent, and 3.0% to a very low extent. The mean score for this item is 4.53.

In terms of encouraging team members to stay updated with industry trends and advancements, 50.7% of respondents rated this to a very high extent, 22.7% to a high extent, 13.9% to a moderately high extent, 6.2% to a moderately low extent, 5.4% to a low extent, and 1.1% to a very low extent. This item has a mean score of 5.04. For making time for discussions on new insights and their relevance to work, 38.5% of respondents rated it to a very high extent, 34.0% to a high extent, 12.2% to a moderately high extent, 9.6% to a moderately low extent, 4.7% to a low extent, and 0.9% to a very low extent. The mean score for this item is 4.89. Lastly, 56.5% of respondents rated to a very high extent that their business values learning from past experiences to improve future performance, 27.2% to a high extent, 8.8% to a moderately high extent, 4.3% to a moderately low extent, 1.7% to a low extent, and 1.5% to a very low extent. This item has a mean score of 5.28.

The Grand Mean for knowledge assimilation items is 4.93, indicating that respondents largely agree on the importance of assimilating new knowledge within the organization. This high level of agreement suggests a strong commitment to incorporating learning and adapting insights to enhance business performance in fast-moving consumer goods companies in Southwest Nigeria.

Table 4.8: Descriptive Analysis of the Responses on Knowledge Exploitation

Knowledge Exploitation	VHE	HE	MHE	MLE	LE	VLE	Mean
	6	5	4	3	2	1	
We apply the knowledge we acquire to develop new products or services.	206 (44.1%)	112 (24.0%)	88 (18.8%)	33 (7.1%)	24 (5.1%)	4 (0.9%)	4.92
Our business uses new insights to improve existing processes and operations.	174 (37.3%)	168 (36.0%)	84 (18.0%)	22 (4.7%)	17 (3.6%)	2 (0.4%)	4.97
We incorporate new information to make strategic decisions for growth.	265 (56.7%)	117 (25.1%)	38 (8.1%)	30 (6.4%)	15 (3.2%)	2 (0.4%)	5.24
Our team is encouraged to turn ideas into practical solutions.	258 (55.2%)	115 (24.6%)	46 (9.9%)	18 (3.9%)	22 (4.7%)	8 (1.7%)	5.17
We invest resources to implement innovative ideas in our business operations.	198 (42.4%)	144 (30.8%)	73 (15.6%)	21 (4.5%)	16 (3.4%)	15 (3.2%)	4.95
Grand Mean=5.05							

Note: VHE = Very High Extent, HE = High Extent, MHE = Moderately High Extent, MLE = Moderately Low Extent, LE = Low Extent, VLE = Very Low Extent

Source: Field Survey Results, 2024

According to the results in Table 4.8, 44.1% of respondents rated to a very high extent that they apply acquired knowledge to develop new products or services, 24.0% to a high extent, 18.8% to a moderately high extent, 7.1% to a moderately low extent, 5.1% to a low extent, and 0.9% to a very low extent. This item has a mean score of 4.92. Results also indicate that 37.3% of respondents rated to a very high extent that their business uses new insights to improve existing processes and operations, 36.0% to a high extent, 18.0%

to a moderately high extent, 4.7% to a moderately low extent, 3.6% to a low extent, and 0.4% to a very low extent. The mean score for this item is 4.97. In terms of incorporating new information to make strategic decisions for growth, 56.7% of respondents rated this to a very high extent, 25.1% to a high extent, 8.1% to a moderately high extent, 6.4% to a moderately low extent, 3.2% to a low extent, and 0.4% to a very low extent. This item has a mean score of 5.24.

Regarding encouragement for the team to turn ideas into practical solutions, 55.2% of respondents rated it to a very high extent, 24.6% to a high extent, 9.9% to a moderately high extent, 3.9% to a moderately low extent, 4.7% to a low extent, and 1.7% to a very low extent. The mean score for this item is 5.17. Lastly, 42.4% of respondents rated to a very high extent that their business invests resources to implement innovative ideas in operations, 30.8% to a high extent, 15.6% to a moderately high extent, 4.5% to a moderately low extent, 3.4% to a low extent, and 3.2% to a very low extent. This item has a mean score of 4.95.

The Grand Mean for knowledge exploitation items is 5.05, indicating that respondents generally agree to a high extent with the statements concerning knowledge exploitation within the organization. This high level of agreement suggests that knowledge exploitation activities, such as applying acquired knowledge to product development and process improvement, are perceived as critical to enhancing performance in fast-moving consumer goods companies in Southwest Nigeria.

Table 4.9: Descriptive Analysis of the Responses on Market Share

Market Share	VHE	HE	MHE	MLE	LE	VLE	Mean
	6	5	4	3	2	1	
Our business has a good share of the market compared to our competitors.	101 (21.6%)	88 (18.8%)	180 (38.5%)	59 (12.6%)	26 (5.6%)	13 (2.8%)	4.30
We have seen an increase in our sales over the past year.	220 (47.1%)	102 (21.8%)	87 (18.6%)	22 (4.7%)	15 (3.2%)	21 (4.5%)	4.91
Our products or services are popular among customers in our market.	118 (25.3%)	124 (26.6%)	145 (31.0%)	43 (9.2%)	23 (4.9%)	14 (3.0%)	4.49
We regularly gain new customers in our industry.	217 (46.5%)	101 (21.6%)	72 (15.4%)	60 (12.8%)	14 (3.0%)	3 (0.6%)	4.94
Our market position has improved over the last few years.	255 (54.6%)	115 (24.6%)	61 (13.1%)	28 (6.0%)	7 (1.5%)	1 (0.2%)	5.23
Grand Mean= 4.77							

Note: VHE = Very High Extent, HE = High Extent, MHE = Moderately High Extent, MLE = Moderately Low Extent, LE = Low Extent, VLE = Very Low Extent

Source: Field Survey Results, 2024

According to the results in Table 4.9, 21.6% of respondents rated to a very high extent that their business has a good market share compared to competitors, 18.8% to a high extent, 38.5% to a moderately high extent, 12.6% to a moderately low extent, 5.6% to a low extent, and 2.8% to a very low extent. This item has a mean score of 4.30. Results also indicate that 47.1% of respondents rated to a very high extent that they have seen an increase in sales over the past year, 21.8% to a high extent, 18.6% to a moderately high extent, 4.7% to a moderately low extent, 3.2% to a low extent, and 4.5% to a very low

extent. The mean score for this item is 4.91. In terms of product popularity among customers, 25.3% of respondents rated this to a very high extent, 26.6% to a high extent, 31.0% to a moderately high extent, 9.2% to a moderately low extent, 4.9% to a low extent, and 3.0% to a very low extent. This item has a mean score of 4.49.

Regarding the acquisition of new customers, 46.5% of respondents rated it to a very high extent, 21.6% to a high extent, 15.4% to a moderately high extent, 12.8% to a moderately low extent, 3.0% to a low extent, and 0.6% to a very low extent. The mean score for this item is 4.94. Lastly, 54.6% of respondents rated to a very high extent that their market position has improved over the last few years, 24.6% to a high extent, 13.1% to a moderately high extent, 6.0% to a moderately low extent, 1.5% to a low extent, and 0.2% to a very low extent. This item has a mean score of 5.23.

The Grand Mean for market share items is 4.77, indicating that respondents generally agree to a high extent with the statements concerning market share within their organizations. This high level of agreement suggests that activities related to market share, such as increasing sales and gaining new customers, are perceived as significant contributors to enhancing performance in fast-moving consumer goods companies in Southwest Nigeria.

Table 4.10: Descriptive Analysis of the Responses on Brand Reputation

Brand Reputation	VHE	HE	MHE	MLE	LE	VLE	Mean
	6	5	4	3	2	1	
Our brand is well-known and respected in the market.	101 (21.6%)	88 (18.8%)	180 (38.5%)	59 (12.6%)	26 (5.6%)	13 (2.8%)	4.29
Customers trust our brand for quality and service.	276 (59.1%)	102 (21.8%)	87 (18.6%)	2 (0.4%)	0 (0%)	0 (0%)	5.40
We receive positive feedback from customers about our brand.	292 (62.5%)	124 (26.5%)	45 (9.6%)	3 (0.6%)	3 (0.6%)	0 (0%)	5.50
Our brand has a strong presence on social media and other platforms.	217 (46.5%)	101 (21.6%)	102 (21.8%)	30 (6.4%)	14 (3.0%)	3 (0.6%)	5.00
Our business is seen as a leader in our industry.	55 (11.8%)	115 (24.6%)	261 (55.9%)	28 (6.0%)	7 (1.5%)	1 (0.2%)	4.39
Grand Mean= 4.92							

Note: VHE = Very High Extent, HE = High Extent, MHE = Moderately High Extent, MLE = Moderately Low Extent, LE = Low Extent, VLE = Very Low Extent

Source: Field Survey Results, 2024

According to the results in Table 4.10, 21.6% of respondents rated to a very high extent that their brand is well-known and respected in the market, 18.8% to a high extent, 38.5% to a moderately high extent, 12.6% to a moderately low extent, 5.6% to a low extent, and 2.8% to a very low extent. This item has a mean score of 4.29. Results also indicate that 59.1% of respondents rated to a very high extent that customers trust their brand for quality and service, 21.8% to a high extent, 18.6% to a moderately high extent, 0.4% to a moderately low extent, and no respondents rated it at low or very low extents. The mean

score for this item is 5.40. In terms of receiving positive customer feedback, 62.5% of respondents rated it to a very high extent, 26.5% to a high extent, 9.6% to a moderately high extent, and 0.6% each to a moderately low and low extent. This item has a mean score of 5.50.

Regarding the brand's presence on social media and other platforms, 46.5% of respondents rated this to a very high extent, 21.6% to a high extent, 21.8% to a moderately high extent, 6.4% to a moderately low extent, 3.0% to a low extent, and 0.6% to a very low extent. The mean score for this item is 5.00. Lastly, 11.8% of respondents rated to a very high extent that their business is seen as a leader in the industry, 24.6% to a high extent, 55.9% to a moderately high extent, 6.0% to a moderately low extent, 1.5% to a low extent, and 0.2% to a very low extent. This item has a mean score of 4.39.

The Grand Mean for brand reputation items is 4.92, showing that respondents generally agree to a high extent with the statements concerning brand reputation in their organizations. This high level of agreement indicates that brand reputation, including aspects like customer trust, social media presence, and perceived industry leadership, is recognized as a critical factor influencing firm performance among fast-moving consumer goods companies in Southwest Nigeria.

Table 4.11: Descriptive Analysis of the Responses on Operational Efficiency

Operational Efficiency	VHE	HE	MHE	MLE	LE	VLE	Mean
	6	5	4	3	2	1	
Our business runs smoothly with minimal delays in processes.	271 (58.0%)	88 (18.8%)	80 (17.1%)	19 (4.1%)	6 (1.3%)	3 (0.6%)	5.26
We use our resources wisely to get the best results.	296 (63.4%)	101 (21.6%)	67 (14.3%)	3 (0.6%)	0 (0%)	0 (0%)	5.48
Our team is well-organized and works effectively together.	259 (55.5%)	148 (31.7%)	44 (9.4%)	13 (2.8%)	3 (0.6%)	0 (0%)	5.39
We regularly find ways to reduce costs while maintaining quality.	227 (48.6%)	111 (23.8%)	73 (15.6%)	50 (10.7%)	4 (0.9%)	2 (0.4%)	5.07
We meet our production and delivery targets consistently.	305 (65.3%)	123 (26.3%)	31 (6.6%)	8 (1.7%)	0 (0%)	0 (0%)	5.55
Grand Mean=5.35							

Note: VHE = Very High Extent, HE = High Extent, MHE = Moderately High Extent, MLE = Moderately Low Extent, LE = Low Extent, VLE = Very Low Extent

Source: Field Survey Results, 2024

According to the results in Table 4.11, operational efficiency is rated highly among respondents, reflecting their perceptions of effective process management, resource utilization, team organization, cost efficiency, and meeting targets. For smooth business operations with minimal delays, 58.0% of respondents rated it to a very high extent, 18.8% to a high extent, 17.1% to a moderately high extent, 4.1% to a moderately low extent, 1.3% to a low extent, and 0.6% to a very low extent, with a mean score of 5.26. In terms of wise resource usage for optimal results, 63.4% of respondents rated it to a very

high extent, 21.6% to a high extent, 14.3% to a moderately high extent, and 0.6% to a moderately low extent, with no ratings at low or very low extents. This item has a mean score of 5.48. On team organization and effectiveness, 55.5% of respondents rated it to a very high extent, 31.7% to a high extent, 9.4% to a moderately high extent, 2.8% to a moderately low extent, and 0.6% to a low extent, yielding a mean score of 5.39.

Regarding cost reduction without compromising quality, 48.6% of respondents rated this aspect to a very high extent, 23.8% to a high extent, 15.6% to a moderately high extent, 10.7% to a moderately low extent, 0.9% to a low extent, and 0.4% to a very low extent, with a mean score of 5.07. For meeting production and delivery targets consistently, 65.3% of respondents rated this item to a very high extent, 26.3% to a high extent, 6.6% to a moderately high extent, and 1.7% to a moderately low extent, with no ratings at low or very low extents. The mean score for this item is 5.55.

The Grand Mean for operational efficiency is 5.35, suggesting a high level of agreement among respondents on the effectiveness of operational practices in their organizations. This high mean score indicates that operational efficiency—characterized by smooth processes, resource optimization, effective teamwork, cost control, and timely target achievement is perceived as a core strength contributing to firm performance among fast-moving consumer goods companies in Southwest Nigeria.

Table 4.12: Descriptive Analysis of the Responses on Competitive Advantage

Competitive Advantage	VHE	HE	MHE	MLE	LE	VLE	Mean
	6	5	4	3	2	1	
Our products or services stand out from those of our competitors.	91 (19.5%)	73 (15.6%)	210 (45.0%)	64 (13.7%)	21 (4.5%)	8 (1.7%)	4.27
We offer unique features that customers cannot find elsewhere.	104 (22.3%)	218 (46.7%)	67 (14.3%)	42 (9.0%)	25 (5.4%)	11 (2.4%)	4.64
Our pricing strategy gives us an edge over competitors.	96 (20.6%)	112 (24.0%)	157 (33.6%)	43 (9.2%)	35 (7.5%)	24 (5.1%)	4.25
We have strong relationships with our customers that help us succeed.	207 (44.3%)	151 (32.3%)	89 (19.1%)	20 (4.3%)	0 (0.0%)	0 (0.0%)	5.17
Our marketing strategies effectively reach our target audience.	97 (20.8%)	258 (55.2%)	79 (16.9%)	27 (5.8%)	6 (1.3%)	0 (0.0%)	4.88
Grand Mean=4.64							

Note: VHE = Very High Extent, HE = High Extent, MHE = Moderately High Extent, MLE = Moderately Low Extent, LE = Low Extent, VLE = Very Low Extent

Source: Field Survey Results, 2024

According to the results in Table 4.12, competitive advantage is largely perceived positively among respondents, reflecting strengths in product differentiation, unique features, customer relationships, pricing strategy, and marketing effectiveness. For product differentiation, 19.5% of respondents rated this to a very high extent, 15.6% to a high extent, 45.0% to a moderately high extent, 13.7% to a moderately low extent, 4.5% to a low extent, and 1.7% to a very low extent, yielding a mean score of 4.27. Regarding unique features that customers cannot find elsewhere, 22.3% rated this to a very high

extent, 46.7% to a high extent, 14.3% to a moderately high extent, 9.0% to a moderately low extent, 5.4% to a low extent, and 2.4% to a very low extent, with a mean score of 4.64. For the pricing strategy providing an edge over competitors, 20.6% rated it to a very high extent, 24.0% to a high extent, 33.6% to a moderately high extent, 9.2% to a moderately low extent, 7.5% to a low extent, and 5.1% to a very low extent, with a mean score of 4.25.

On the strength of customer relationships, 44.3% rated this to a very high extent, 32.3% to a high extent, 19.1% to a moderately high extent, 4.3% to a moderately low extent, with no respondents indicating low or very low extent. This item has a mean score of 5.17. For the effectiveness of marketing strategies in reaching the target audience, 20.8% rated it to a very high extent, 55.2% to a high extent, 16.9% to a moderately high extent, 5.8% to a moderately low extent, 1.3% to a low extent, and 0% to a very low extent, with a mean score of 4.88.

The Grand Mean for competitive advantage is 4.64, indicating a strong perception of competitive strengths. This high mean score shows that respondents view their organizations as having significant advantages over competitors, especially in areas such as customer relationships and marketing strategies, with unique product offerings and effective pricing contributing to overall success.

4.2.1 Test of Hypotheses

H₀₁: Environmental scanning has no significant effect on the market share of SMEs in Southwest Nigeria.

To test this hypothesis, linear regression analysis was conducted to evaluate the effect of environmental scanning on market share. In this analysis, the total score for environmental scanning was regressed on market share as the dependent variable. Environmental scanning scores were derived by summing responses across all relevant items that assess market awareness, competitor tracking, industry updates, and customer feedback monitoring. Similarly, market share scores were compiled from responses to items measuring market positioning and customer acquisition. The results of the regression analysis are presented in Table 4.13.

Table 4.13: Summary of Simple Regression Analysis for the Effect of Environmental Scanning on Market Share of SMEs in Southwest Nigeria

Model		F(df)	Anova Sig.
R	0.435 ^a		
R Square	0.189	78.364(1,465)	0.000
Adjusted R Square	0.186		
Coefficients	Unstandardized Coefficients	T	sig
(Constant)	22.491	8.964	0.000
Environmental Scanning	1.185	8.753	0.000

a. Dependent Variable: Market Share

b. Predictors: (Constant), Environmental Scanning

Source: Researcher's Field Survey Results, 2024

Based on the results in Table 4.13, environmental scanning has a positive and significant effect on the market share of SMEs in Southwest Nigeria ($R = 0.435$, $p < 0.05$). The

coefficient of determination (R^2) of 0.189 indicates that environmental scanning explains 18.9% of the variation in market share of SMEs in Southwest Nigeria, while the remaining 81.1% is attributed to other external factors not examined in this study. The ANOVA result (overall model significance) of the regression analysis further shows that environmental scanning significantly influences the market share of SMEs in Southwest Nigeria. This is supported by an F-value of 78.364 and a p-value of 0.000, which is statistically significant at the 95% confidence level.

The findings suggest that environmental scanning activities within SMEs in Southwest Nigeria significantly affect their market share. Scholars have provided additional thresholds for interpreting R^2 values: values of 0.75, 0.50, and 0.25 can be considered substantial, moderate, and weak, respectively, for endogenous latent variables. Hence, given the R^2 value of 0.189, environmental scanning has a weak effect on the market share of SMEs in Southwest Nigeria according to this criterion.

Furthermore, the regression coefficients indicate a positive and statistically significant influence of environmental scanning on market share. Specifically, the results reveal that, at a 95% confidence level, environmental scanning ($\beta = 1.185$, $p = 0.000$, $t = 8.753$) has a statistically significant effect on the market share of SMEs, as the p-value is less than 0.05 and the t-value is greater than 1.96. This suggests that a unit increase in environmental scanning activities will lead to a 1.185 increase in the market share of SMEs, assuming all other factors are constant. Based on the path coefficient, the regression model is restated as follows:

$$MS = 22.491 + 1.185 \cdot ES \dots \dots \text{Eq. (4.1)}$$

where:

MS = Market Share

ES = Environmental Scanning

Based on these results ($R^2 = 0.189$, $F(1,465) = 78.364$, $p = 0.000$), the study rejects the null hypothesis, which states that environmental scanning has no significant influence on the market share of SMEs in Southwest Nigeria.

H₀₂: Strategic flexibility has no significant effect on the brand reputation of SMEs in Southwest Nigeria.

To test this hypothesis, linear regression analysis was used to examine the effect of strategic flexibility on brand reputation. The data for strategic flexibility (independent variable) was generated by summing the responses from items measuring the flexibility of strategies, including the ability to adjust goals and change business models. Brand reputation (dependent variable) was measured by summing responses related to brand perception, trust, and customer feedback. The regression test results are presented in Table 4.14.

Table 4.14: Summary of Simple Regression Analysis for the Effect of Strategic Flexibility on Brand Reputation of SMEs in Southwest Nigeria

Model		F(df)	Anova Sig
R	0.618 ^a		
R Square	0.382	215.726(1,465)	0.000
Adjusted R Square	0.380		
Coefficients	Unstandardized Coefficients	T	Sig
(Constant)	7.342	3.043	0.002
Strategic Flexibility	0.524	14.682	0.000

a. Dependent Variable: Brand Reputation

b. Predictors: (Constant), Strategic Flexibility

Source: Researcher's Field Survey Results, 2024

From the results in Table 4.14, strategic flexibility has a positive and statistically significant relationship with the brand reputation of SMEs in Southwest Nigeria ($R = 0.618$, $p < 0.05$). The coefficient of determination (R^2) of 0.382 indicates that strategic flexibility explains 38.2% of the changes in brand reputation, while the remaining 61.8% of the changes in brand reputation are attributed to other factors not examined in this study. The ANOVA results ($F(1,465) = 215.726$, $p = 0.000$) confirm the overall significance of the regression model, showing that strategic flexibility significantly impacts the brand reputation of SMEs in Southwest Nigeria.

The results of the regression coefficients reveal that the effect of strategic flexibility on brand reputation is positive and statistically significant. Specifically, the coefficient for strategic flexibility ($\beta = 0.524$, $p = 0.000$, $t = 14.682$) is significant, as the p-value is less than 0.05 and the t-value exceeds the threshold of 1.96. This suggests that a unit change in strategic flexibility will lead to a 0.524 increase in brand reputation, assuming all other factors remain constant. The regression model can be restated as follows:

$$BR = 7.342 + 0.524SF \dots \text{Eq. (4.2)}$$

Where:

BR = Brand Reputation

SF = Strategic Flexibility

Based on this result ($R^2 = 0.382$, $F(1,465) = 215.726$, $p = 0.000$), this study rejects the null hypothesis which states that strategic flexibility has no significant effect on the brand reputation of SMEs in Southwest Nigeria.

H₀₃: Resource allocation has no significant effect on the operational efficiency of SMEs in Southwest Nigeria.

To test this hypothesis, linear regression analysis was conducted to examine the effect of resource allocation on operational efficiency. The data for resource allocation (independent variable) was generated by summing responses to items related to the allocation of resources, including financial, human, and physical assets. The operational efficiency (dependent variable) score was derived by summing responses related to the effectiveness of operations, resource utilization, and process optimization. The regression test results are presented in Table 4.15.

Table 4.15: Summary of Simple Regression Analysis for the Effect of Resource Allocation on Operational Efficiency of SMEs in Southwest Nigeria

Model		F(df)	Anova Sig.
R	0.522 ^a		
R Square	0.272	132.712(1,465)	0.000
Adjusted R Square	0.269		
Coefficients	Unstandardized Coefficients	T	Sig
(Constant)	18.591	8.752	0.000
Resource Allocation	0.658	11.527	0.000

a. Dependent Variable: Operational Efficiency

b. Predictors: (Constant), Resource Allocation

Source: Researcher's Field Survey Results, 2024

From the results in Table 4.15, resource allocation has a positive and statistically significant effect on the operational efficiency of SMEs in Southwest Nigeria ($R = 0.522$, $p < 0.05$). The coefficient of determination (R^2) of 0.272 indicates that resource allocation explains 27.2% of the changes in operational efficiency, while the remaining 72.8% of the changes in operational efficiency are attributed to other factors not examined in this study.

The ANOVA results ($F(1,465) = 132.712, p = 0.000$) confirm the overall significance of the regression model, showing that resource allocation significantly impacts the operational efficiency of SMEs in Southwest Nigeria.

The results of the regression coefficients reveal that the effect of resource allocation on operational efficiency is positive and statistically significant. Specifically, the coefficient for resource allocation ($\beta = 0.658, p = 0.000, t = 11.527$) is significant, as the p-value is less than 0.05 and the t-value exceeds the threshold of 1.96. This suggests that a unit change in resource allocation will lead to a 0.658 increase in operational efficiency, assuming all other factors remain constant. The regression model can be restated as follows:

$$OE = 18.591 + 0.658RA \dots \text{Eq. (4.3)}$$

Where:

OE = Operational Efficiency

RA = Resource Allocation

Based on this result ($R^2 = 0.272, F(1,465) = 132.712, p = 0.000$), this study rejects the null hypothesis which states that resource allocation has no significant effect on the operational efficiency of SMEs in Southwest Nigeria.

H₀₄: Knowledge acquisition has no significant effect on the competitive advantage of SMEs in Southwest Nigeria.

To test this hypothesis, linear regression analysis was conducted to assess the impact of knowledge acquisition on the competitive advantage of SMEs in Southwest Nigeria. In the analysis, the competitive advantage (dependent variable) was regressed on the values

of knowledge acquisition (independent variable). The data for knowledge acquisition was generated by summing the responses to items that measure the acquisition of knowledge, including training, learning, and accessing industry information. The competitive advantage score was derived by summing responses related to product differentiation, market position, and unique business capabilities. The regression test results are presented in Table 4.16.

Table 4.16: Summary of Simple Regression Analysis for the Effect of Knowledge Acquisition on Competitive Advantage of SMEs in Southwest Nigeria

Model		F(df)	Anova Sig
R	0.623 ^a		
R Square	0.388	112.547(1,465)	0.000
Adjusted R Square	0.386		
Coefficients	Unstandardized Coefficients	T	Sig
(Constant)	12.174	6.582	0.000
Knowledge Acquisition	0.763	14.569	0.000

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Knowledge Acquisition

Source: Researcher's Field Survey Results, 2024

From the results in Table 4.16, knowledge acquisition has a positive and statistically significant effect on the competitive advantage of SMEs in Southwest Nigeria ($R = 0.623$, $p < 0.05$). The coefficient of determination (R^2) of 0.388 indicates that knowledge acquisition accounts for 38.8% of the changes in competitive advantage, while the remaining 61.2% is explained by other factors not examined in this study. The ANOVA results ($F(1,465) = 112.547$, $p = 0.000$) confirm the overall significance of the regression model, indicating that knowledge acquisition significantly influences the competitive advantage of SMEs in Southwest Nigeria.

The regression coefficients show that the effect of knowledge acquisition on competitive advantage is both positive and statistically significant. Specifically, the coefficient for knowledge acquisition ($\beta = 0.763$, $p = 0.000$, $t = 14.569$) is significant, with the p-value being less than 0.05 and the t-value exceeding the threshold of 1.96. This implies that a unit change in knowledge acquisition will result in a 0.763 increase in the competitive advantage of SMEs in Southwest Nigeria, assuming all other factors remain constant. The regression model is restated as follows:

$$CA = 12.174 + 0.763KA \dots \text{Eq. (4.4)}$$

Where:

CA = Competitive Advantage

KA = Knowledge Acquisition

Based on this result ($R^2 = 0.388$, $F(1,465) = 112.547$, $p = 0.000$), this study rejects the null hypothesis (H04) which states that knowledge acquisition has no significant effect on the competitive advantage of SMEs in Southwest Nigeria.

H₀₅: Absorptive capacity has no significant moderating effect on the interaction between strategic adaptability factors and the performance of SMEs in Southwest Nigeria.

To evaluate the null hypothesis, hierarchical regression analysis was conducted. The analysis was carried out step by step, starting with the introduction of the strategic adaptability factors and then adding absorptive capacity as a moderating variable. The data for performance (dependent variable) was created by summing the responses for all items measuring performance, while strategic adaptability (independent variable) and

absorptive capacity (moderator) were similarly aggregated from responses related to these variables.

The interaction term for strategic adaptability and absorptive capacity (X_i*Z) was created by multiplying the scores for these two variables. The hypothesis would be supported if the interaction of strategic adaptability and absorptive capacity on performance is statistically significant. The results of the analysis step by step are presented in Table 4.17.

Table 4.17: Summary of Hierarchical Regression Analysis for the Moderating Effect of Absorptive Capacity on the Relationship between Strategic Adaptability and Performance of SMEs in Southwest Nigeria

Model ^{1,2,3}	Beta	t-Statistic	Sig.	R	R ²	Adj. R ²	ΔR^2	ΔF	Sig. F Change
(Constant) ¹	3.21	12.987	0.00	0.15	0.02	0.01	0.02	10.453	0.000
	1		0	2	3	9	3		
Strategic Adaptability	0.18	3.212	0.00						
	9		1						
F & ANOVA Sig: 10.453 (1,465), p=0.000									
(Constant) ²	4.74	14.756	0.00	0.67	0.45	0.44	0.42	215.21	0.000
	2		0	2	1	8	5	2	
Strategic Adaptability	0.11	1.586	0.11						
	2		4						
Absorptive Capacity	0.51	11.153	0.00						
	2		0						
F & ANOVA Sig: 215.212 (2,464), p=0.000									
(Constant) ³	6.12	7.401	0.00	0.75	0.56	0.56	0.11	38.942	0.000
	3		0	4	8	5	4		
Strategic Adaptability	-	-4.342	0.00						
	0.41		0						
	2								
Absorptive Capacity	-	-2.872	0.00						
	0.34								

Capacity	8		4
Strategic	0.42	5.743	0.00
Adaptability	6		0
y *			
Absorptive			
Capacity			

- Predictors:** (Constant), Strategic Adaptability
- Predictors:** (Constant), Strategic Adaptability, Absorptive Capacity
- Predictors:** (Constant), Strategic Adaptability, Absorptive Capacity, Strategic Adaptability * Absorptive Capacity
- Dependent Variable:** Performance of SMEs

Source: Researcher's Field Survey Results, 2024

Table 4.17 presents hierarchical multiple regression results for the moderating effect of absorptive capacity on the relationship between strategic adaptability and performance of SMEs in Southwest Nigeria. Results in Table 4.16 Model 1 summarize the output for the analysis without considering the moderating effect. In this model, the independent variable is strategic adaptability, while the dependent variable is the performance of SMEs in Southwest Nigeria. The results show that strategic adaptability has a positive but weak significant relationship with performance ($R = 0.152$, $p=0.000$). The coefficient of determination (R^2) of 0.023 indicates that strategic adaptability predicted 2.3% of the changes in performance, with the remaining 97.7% of changes attributed to factors outside the scope of strategic adaptability. This result shows that strategic adaptability influenced 2.3% of the performance changes experienced by SMEs in Southwest Nigeria.

Further analysis in Table 4.16 presents the ANOVA (overall model significance) results, showing that the combined influence of strategic adaptability on SME performance is statistically significant ($F\text{-value} = 10.453$, $df = 1,466$, $p=0.000$). This outcome supports the assertion that strategic adaptability has a significant effect on SME performance in Southwest Nigeria. Furthermore, the regression coefficients reveal a positive relative effect for strategic adaptability. At a 95% confidence level, strategic adaptability ($\beta =$

0.189, $p = 0.001$) significantly affects SME performance, as the p -values are below 0.05 and the t -values exceed 1.96. Based on the regression coefficients from Model 1, the regression model is restated as follows:

$$P = 3.211 + 0.189SA \dots\dots \text{Eq. (4.5)}$$

Where:

P = Performance of SMEs

SA = Strategic Adaptability

In Model 2, absorptive capacity was added to the model as a predictor variable, resulting in a notable R^2 change of 0.425. This suggests that the regression model explains 45.1% of the variance in performance, with the remaining 54.9% attributed to other factors not included in the model. The F -statistics (215.212, $df = 2,465$, $p=0.000$) further confirm the significant impact of the model. Absorptive capacity has a coefficient of 0.512, with a t -statistic of 11.153 and a p -value of 0.000, indicating a positive and significant relative influence on SME performance. This implies that a one-unit increase in absorptive capacity would yield a 0.512 increase in the performance of SMEs in Southwest Nigeria.

The regression model can be expressed as follows:

$$P = 4.742 + 0.112SA + 0.512AC \dots\dots \text{Eq. (4.6)}$$

Where:

P = Performance of SMEs

SA = Strategic Adaptability

AC = Absorptive Capacity

In Model 3, the interaction term (Strategic Adaptability * Absorptive Capacity) was introduced to assess the moderating effect. The results in Table 4.16 show that the R^2 change is 0.114, with an F-change of 38.942 and a corresponding p-value of 0.000, indicating that absorptive capacity significantly moderates the relationship between strategic adaptability and performance of SMEs in Southwest Nigeria. The interaction term ($\beta = 0.426$, $t = 5.743$, $p = 0.000$) further demonstrates that absorptive capacity strengthens the impact of strategic adaptability on performance.

The established regression equation from the results is:

$$P = 6.123 - 0.412SA - 0.348AC + 0.426(SA*AC) \dots\dots \text{Eq. (4.7)}$$

Where:

P = Performance of SMEs

SA = Strategic Adaptability

AC = Absorptive Capacity

SA*AC = Interaction of Strategic Adaptability and Absorptive Capacity

These findings show that absorptive capacity significantly moderates the relationship between strategic adaptability and performance of SMEs in Southwest Nigeria. Based on the results ($\Delta R^2 = 0.114$, $\Delta F = 38.942$, $P = 0.000$), this study rejects the null hypothesis (H_05), which states that absorptive capacity has no significant moderating effect on the relationship between strategic adaptability and performance of SMEs in Southwest Nigeria.

Table 4.18: Summary of Findings for Hypotheses 1-5

S/N	Hypotheses	Results	Remarks
1	H₀₁ : Environmental scanning has no significant effect on the market share of SMEs in Southwest Nigeria.	(Adj R^2 = 0.186, $F(1,465)$ = 78.364, p = 0.000)	Reject H₀₁
2	H₀₂ : Strategic flexibility has no significant effect on the brand reputation of SMEs in Southwest Nigeria.	(Adj R^2 = 0.389, $F(1,465)$ = 215.726 , p = 0.000)	Reject H₀₂
3	H₀₃ : Resource allocation has no significant effect on the operational efficiency of SMEs in Southwest Nigeria.	(Adj R^2 = 0.269, $F(1,465)$ = 132.712, p = 0.000)	Reject H₀₃
4	H₀₄ : Knowledge acquisition has no significant effect on the competitive advantage of SMEs in Southwest Nigeria.	(Adj R^2 = 0.386, $F(1,465)$ =112.547, p = 0.000)	Reject H₀₄
5	H₀₅ : Absorptive capacity has no significant moderating effect on the interaction between strategic adaptability factors and the performance of SMEs in Southwest Nigeria.	(ΔR^2 = 0.114, ΔF =38.942, P = 0.000)	Reject H₀₅

Source: Compiled by the Researcher, 2024

Table 4.18 above presents the results of the five null hypotheses tested about SMEs in Southwest Nigeria. From the analysis, all the null hypotheses were rejected. Specifically, the hypotheses that suggested no significant effects of environmental scanning on market share, strategic flexibility on brand reputation, resource allocation on operational efficiency, and knowledge acquisition on competitive advantage were all not supported. Additionally, the hypothesis that absorptive capacity does not have a significant moderating effect on the relationship between strategic adaptability factors and performance was also rejected.

In all, five null hypotheses were rejected. These findings shows that the strategic factors tested—environmental scanning, strategic flexibility, resource allocation, knowledge acquisition, and absorptive capacity—have significant effects on various aspects of SME performance in Southwest Nigeria.

4.3 Discussion of Findings

The findings from the simple regression analysis on the effect of environmental scanning on market share of SMEs reveal that environmental scanning exerts a significant and positive influence on the market share of SMEs in Southwest Nigeria. This indicates that the ability of SMEs to engage in environmental scanning, which includes activities such as tracking competitors, staying updated on industry developments, and consistently monitoring customer feedback, contributes to enhancing their positioning in the market. By systematically engaging in these practices, SMEs are likely to gain a competitive edge, enabling them to attract and retain a larger share of their target market.

The coefficient of determination (R^2) of 0.189 suggests that while environmental scanning plays an important role, its influence on market share is limited, accounting for 18.9% of the variance in market share. This implies that other external or internal factors not explored in this study also significantly impact market share outcomes. The weak effect size, as indicated by the R^2 value, aligns with previous research that emphasizes the multifaceted nature of market success, where environmental scanning is essential but operates within a broader framework of influencing factors, such as marketing strategies, innovation, and operational efficiencies¹.

The statistically significant F-value for the model reinforces the importance of environmental scanning as a critical variable for market share growth. This aligns with established theories in business strategy that advocate for proactive environmental

monitoring to navigate uncertainties and respond to shifts in market demand effectively. SMEs in Southwest Nigeria appear to benefit from such practices by enhancing their adaptability and responsiveness to evolving market trends. Furthermore, the positive path coefficient indicates that an increase in environmental scanning activities is associated with a proportionate increase in market share. This supports the view that SMEs that actively engage in environmental scanning are better positioned to identify growth opportunities, mitigate risks, and make informed decisions that ultimately bolster their competitiveness².

The findings from this study, which indicate a positive relationship between environmental scanning and market share among SMEs in Southwest Nigeria, are consistent with results from other scholars who have explored the importance of environmental scanning in strategic management and market positioning, studies emphasize that proactive environmental scanning allows firms to gain a competitive advantage by enhancing their ability to anticipate and respond to market changes. Such strategic agility has been associated with better market performance and positioning, especially in turbulent environments, aligning with the current study's results³. Moreover, research on SMEs indicates that environmental scanning fosters organizational learning and adaptability, which are critical for SMEs in competitive markets. It has been shown that firms that routinely engage in activities such as competitor analysis and customer feedback monitoring are more likely to achieve sustained market share growth, as these practices contribute to more informed and timely decision-making. This aligns with the significant impact found in this study, reinforcing the idea that SMEs can achieve incremental improvements in market share through systematic scanning activities⁴.

The findings of this study on environmental scanning's positive impact on the market share of SMEs in Southwest Nigeria align closely with empirical research that also observed a significant effect of environmental scanning on market share in Nigerian SMEs. One study conducted in Lagos State concluded that environmental scanning plays a crucial role in enhancing SMEs' market share, helping them achieve organizational sustainability by proactively addressing external challenges. This research found that environmental scanning allows SMEs to meet industry benchmarks and respond effectively to competitive pressures. Similarly, the present study's results emphasize that environmental scanning enables SMEs to gain critical insights into competitor actions, market trends, and customer needs, thereby improving their market position⁵. Another study examining SMEs in Oyo State examined the importance of environmental scanning in promoting innovation. The research indicated that SMEs that engage in intensive environmental scanning are better positioned to foster innovation, a key driver for business success in competitive environments. These findings align with the current study's argument that environmental scanning not only affects market share but also facilitates innovation, allowing businesses to make necessary adjustments and respond to market changes effectively⁶.

The findings of this study on the influence of environmental scanning on market share and performance of SMEs align with similar research conducted in other regions. A study in Kenya investigated the influence of environmental scanning on the performance of SMEs, revealing that environmental scanning significantly predicts business performance. This highlights the importance of SMEs regularly monitoring their business environment, including changes in industry trends, competitors, and market demands, to enhance their competitiveness and performance. Similar to the findings in Southwest Nigeria, SMEs in Kenya were shown to benefit from proactive environmental scanning in improving their

market share⁷. Additionally, a study conducted in Adamawa State, Nigeria, examined the impact of internal business environment factors—such as financial, marketing, and management competencies—on SME success. While focusing on internal factors, this research also examined the broader concept of environmental factors, both internal and external, that influence SME performance. The positive relationship found between these internal business factors and SME development in Adamawa aligns with the importance of environmental scanning as a tool for business growth and market competitiveness. This further supports the findings of the current study, indicating that SMEs can enhance their market share and performance through a strategic focus on both internal and external environmental factors⁸.

Linking this with the study conducted on the influence of business environmental factors on the survival of SMEs in Ondo City, Nigeria, it becomes evident that external business factors, including the general business environment, significantly affect the survival and performance of SMEs. The study in Ondo City found that environmental factors, such as market conditions, competition, and regulatory factors, play an essential role in the survival of SMEs⁹. Also, a study in Kaduna State evaluated the impact of the external business environment, including infrastructure, insecurity, and market growth, on the performance of SMEs. The study found that SMEs that engage in thorough environmental scanning can better identify threats and opportunities in the external environment. This directly correlates with the findings in Southwest Nigeria, suggesting that SMEs that actively engage in environmental scanning are better equipped to handle challenges such as insecurity, infrastructure issues, and market growth limitations. This proactive approach enhances their ability to grow their market share and sustain long-term success¹⁰.

The findings from the study on the environmental scanning activities of small businesses in Port-Harcourt, Nigeria, indicate that while environmental scanning is an essential practice for strategic decision-making, many small business leaders are either not actively involved in the process or engage in it in a less sophisticated manner. Environmental scanning, when conducted, primarily serves the purpose of identifying immediate business opportunities. This mirrors the results from the analysis in Southwest Nigeria, where environmental scanning was found to significantly influence market share, but the effect was limited, accounting for only a small portion of the variance in market share¹¹.

The findings from simple the regression analysis of the effect of strategic flexibility on the brand reputation of SMEs reveal a significant and positive relationship between strategic flexibility and the brand reputation of SMEs in Southwest Nigeria. The analysis indicates that strategic flexibility, which encompasses the ability of SMEs to adapt goals and business models in response to changing market conditions, plays an important role in enhancing brand reputation. The positive relationship suggests that SMEs that exhibit higher strategic flexibility are likely to have a stronger brand reputation, as they are perceived as adaptable and responsive to customer needs and market dynamics.

The coefficient of determination (R^2) value of 0.382 shows that strategic flexibility accounts for 38.2% of the variance in brand reputation. This implies that while strategic flexibility significantly contributes to brand reputation, there are other factors not examined in the study that also play a role in shaping the brand's perception. These factors could include marketing strategies, customer service quality, or external market conditions, which might also influence the overall brand reputation of SMEs.

The statistical significance of the regression model, confirmed by the ANOVA test, further reinforces the importance of strategic flexibility as a key determinant of brand

reputation. The significant p-value for the regression coefficients indicates that the relationship between strategic flexibility and brand reputation is robust and not due to random chance. Specifically, the coefficient for strategic flexibility ($\beta = 0.524$) shows that for every unit increase in strategic flexibility, there is a corresponding increase of 0.524 in brand reputation, assuming other variables are held constant.

The results of this study align with previous research on the role of strategic flexibility in enhancing the brand reputation of SMEs. Scholars have long argued that an organization's ability to adapt to changes in the business environment is crucial for maintaining a strong brand reputation. Studies have shown that firms with greater strategic flexibility are better able to respond to market uncertainties, which helps improve their competitive position and brand perception.

The findings of this study on the effect of strategic flexibility on the brand reputation of SMEs in Southwest Nigeria align with and build upon the work of various scholars in the field. One study explores the role of strategic entrepreneurship and its impact on the competitive advantage of SMEs in Anambra State, Nigeria. This research found that entrepreneurial orientation, education, and knowledge significantly influence the competitive advantage of SMEs¹². Furthermore, the findings of the present study resonate with research on strategic improvisation and its effect on the brand image of SMEs in Lagos State. Another study examined how strategic improvisation influences the brand image of SMEs and found that strategic improvisation, which emphasizes adaptability and innovation, significantly affects brand image. This aligns with the results of the present study, where strategic flexibility—similar to strategic improvisation—was found to have a significant positive effect on brand reputation. Both studies suggest that SMEs

that are flexible and responsive to environmental changes are better able to enhance their brand image and gain a competitive advantage¹³.

The findings of this study on the impact of strategic flexibility on the brand reputation of SMEs in Southwest Nigeria are consistent with those of various scholars exploring the broader role of strategic management in enhancing business performance. A study on strategic management and business performance in South-South Nigeria found that strategic management significantly positively influences the competition level, enterprise effectiveness, financial performance, and market share of SMEs. This study supports the view that strategic approaches, such as strategic flexibility, are vital for improving the overall performance of SMEs, similar to the positive relationship between strategic flexibility and brand reputation observed in the present study¹⁴. Similarly, research on business strategies for improving enterprise performance in Sokoto State emphasizes the critical roles of cost-leadership and differentiation strategies in driving profitability and market share growth for SMEs. The current study also indicates that adopting flexible strategies can have significant benefits for SMEs, improving their market position and brand perception. This aligns with the findings in Sokoto State, where differentiation strategies were found to positively impact market share, while cost-leadership strategies were associated with improved profitability. These studies reinforce the notion that SMEs must adopt strategic management practices that enhance both their operational efficiency and brand reputation in order to thrive in competitive markets¹⁵. Furthermore, the resource-based view and contingency theories, which underpin these studies, show that SMEs' ability to adapt and utilize their unique resources strategically is crucial for sustained growth and competitiveness. The findings from both the study on South-South Nigeria and Sokoto State, along with the current research, highlight the need for SMEs to continually refine their strategic management approaches, fostering an environment of

strategic flexibility and innovation to ensure long-term success and improved business performance¹⁵.

The findings from the studies on strategic agility and strategic flexibility in SMEs align with a growing body of literature that emphasizes the importance of dynamic capabilities for driving growth in small and medium enterprises. A study on strategic agility and the growth of SMEs in Nigeria confirmed that strategic agility positively influences both market orientation and the growth of SMEs, with market orientation acting as a mediator in this relationship. This supports the view that the ability of SMEs to rapidly adapt to market changes and align their strategies accordingly enhances their competitive edge and overall growth¹⁶. Similarly, research on strategic flexibility in SMEs highlights the role of strategic orientation in facilitating growth. The study found that strategic flexibility is a key driver of firm growth, with slack resources and internal competencies playing significant roles in enabling this flexibility. However, it also pointed out the barriers to achieving strategic flexibility, such as the lack of competent employees, which hinders SMEs' ability to fully leverage their strategic capabilities. These findings are in harmony with the earlier study, which also showed that SMEs need to continuously invest in developing employee competencies and fostering a culture of innovation to drive growth¹⁷.

The simple regression analysis on the effect of resource allocation on the operational efficiency reveals a positive and statistically significant relationship between the two variables. The findings indicate that resource allocation, which includes financial, human, and physical assets, plays a meaningful role in influencing the operational efficiency of SMEs. The coefficient of determination (R^2) value shows that resource allocation accounts for a portion of the variability in operational efficiency. While this indicates a

moderate level of influence, it also implies that other factors, not considered in this study, contribute to the remaining changes in operational efficiency. This highlights the complexity of operational efficiency and the potential for other variables to also play a significant role in determining its effectiveness.

The statistical significance of the regression model confirms that the overall model is statistically significant, reinforcing the conclusion that resource allocation does indeed affect operational efficiency in SMEs in Southwest Nigeria. The regression coefficient for resource allocation shows a positive relationship between the two variables. Specifically, for every unit increase in resource allocation, operational efficiency increases, holding other factors constant. This result underscores the importance of effective resource management in enhancing the operational efficiency of SMEs.

The findings from the study on resource allocation and operational efficiency in SMEs in Southwest Nigeria align with broader research. Research on outsourcing strategies indicates a positive relationship with profitability, service quality, and sales volume in SMEs. This finding parallels the results of the current study, where effective resource allocation contributes to enhanced operational efficiency. Both sets of findings underscore the importance of strategic decisions, whether related to outsourcing or resource management, in driving business performance. Scholars have identified that resource reallocation strategies and outsourcing can significantly improve various aspects of SME performance¹⁸.

This study found that effective resource allocation positively impacts the operational efficiency of SMEs, supporting the idea that proper management of financial, human, and physical resources is essential for improving business performance. This is consistent with research on the effects of internal control systems on SMEs, which shows that strong

control mechanisms also lead to improved operational efficiency, business growth, and overall organizational performance. These studies highlight the need for SMEs to manage resources effectively to ensure their sustainability and success. Just as resource allocation plays a key role in improving operational efficiency, implementing internal control systems also enhances productivity and curtails waste in business operations¹⁹. The study on internal control systems in Nigerian SMEs emphasizes that the establishment of robust internal control systems is crucial for improving operational efficiency. Internal controls, much like efficient resource allocation, ensure that SMEs can function effectively and prevent operational inefficiencies. This aligns with the findings of the current study, suggesting that SMEs in Southwest Nigeria should not only focus on resource allocation but also on strengthening internal control systems to maximize operational efficiency and business performance²⁰. Another critical factor that enhances operational efficiency is the adoption of data-driven financial management systems. Research has shown that these systems streamline financial processes, improve decision-making, and increase transparency, which are all vital components of operational efficiency. The case review approach on data-driven financial management suggests that leveraging automation and real-time data insights improves profitability, reduces costs, and enhances operational efficiency—similar to the findings on resource allocation. Just as resource allocation influences operational performance, so does the strategic use of technology in financial management, which enables SMEs to make more informed decisions and drive sustainable growth²¹.

The study examining the relationship between resource allocation and innovativeness in SMEs in Lagos State, Nigeria, reveals that effective resource allocation significantly affects the innovativeness of SMEs. The findings suggest that SMEs with better resource allocation are more likely to improve their innovation and business performance. This

aligns with existing literature that supports the idea that resource allocation is a key determinant of business success and innovation²². Further studies have supported this notion. Research on SMEs in South Sudan found that resource allocation has a positive impact on management innovation, demonstrating the importance of resource management in driving organizational change and success²³. Similarly, scholars investigating the optimal allocation of resources in collaborative innovation projects argue that effective resource distribution, especially human and technological resources, is crucial for fostering innovation²⁴. Additionally, studies on strategy implementation in various organizational settings emphasize the role of resource allocation, particularly human resources, in achieving strategic goals and improving organizational performance²⁵.

The study on SMEs in China found that effective resource allocation is crucial for achieving strategic goals and outperforming competitors. Similarly, the findings in Southwest Nigeria suggest that the proper allocation of resources positively impacts operational efficiency in SMEs. The research in China further explores the concept of strategic agility, showing that enterprises must adapt their resource allocation strategies based on their agility levels to maximize performance, reinforcing the role of resource management in achieving business success²⁶. The research on operational efficiency and SME growth in South Africa highlights a positive relationship between operational efficiency and business growth. The factors influencing operational efficiency, are lean practices, technology, and innovation, align with the findings from Southwest Nigeria, where resource allocation significantly influences operational efficiency²⁷.

The study in Uganda further links resource allocation with firm performance, showing that resource allocation is a significant predictor of performance. It also highlights that

resource allocation mediates the relationship between strategy, organizational structure, and performance. This complements the findings in Southwest Nigeria, where the regression analysis revealed that resource allocation directly impacts operational efficiency, underscoring the importance of strategic resource management in improving organizational outcomes²⁸.

The findings from the study on resource allocation and operational efficiency in SMEs in Southwest Nigeria are further supported by existing literature. Research indicates that SMEs often face challenges in strategic orientation, resource allocation, and adapting to market changes due to limited resources. This is consistent with the findings from Southwest Nigeria, where effective resource allocation is a key determinant of operational efficiency. Studies emphasize that when SMEs align resource management practices with their operational goals, they can better navigate competitive environments. Additionally, the focus on innovation and continuous learning is crucial for SMEs to ensure long-term success and gain a competitive edge. This further strengthens the argument that strategic resource allocation is essential for the growth and performance of SMEs²⁹. Evidence from different industries confirms that resource allocation has a significant impact on organizational performance. Studies have shown that companies in the cement manufacturing industry experience improved performance when they effectively allocate resources, particularly human and financial resources. This mirrors the findings from Southwest Nigeria, where a positive relationship between resource allocation and operational efficiency was identified³⁰.

A theoretical framework developed in existing studies further links strategic orientation with firm performance, showing that effective resource allocation is integral to achieving strategic goals. The findings from Southwest Nigeria align with this framework,

reinforcing the idea that resource management should not only focus on improving day-to-day operations but also support long-term business objectives. When SMEs manage their resources efficiently, they are better positioned to face challenges and achieve sustainable growth and competitive advantage³¹.

One study highlights the importance of financial resource building efforts in improving the availability of financial resources for SMEs. This aligns with the findings from Southwest Nigeria, where SMEs' ability to allocate resources efficiently plays a crucial role in enhancing operational performance. The study emphasizes that SMEs' financial resource base, built through avenues like retained profit, personal savings, family and friends, supplier credit, and bank loans, significantly impacts financial resource availability. The use of Structural Equation Modelling in this study reinforces the idea that financial resource allocation directly impacts SME performance, as it drives critical business functions³².

Another study on innovation and SME performance provides evidence of how product and process innovations positively influence SME performance. These findings align with the discussions on resource allocation and strategic orientation in this study, where innovation is identified as a key factor in operational efficiency and long-term growth. SMEs are shown to benefit from strategic investments in product and process innovations that directly impact their ability to compete in dynamic markets. In contrast, marketing and organizational innovations, while beneficial, were found to have a less significant impact on SME performance in the study. This suggests that for SMEs in Southwest Nigeria, focusing on product and process innovations could yield higher returns in terms of operational efficiency and business success³³.

The simple regression analysis on the effect of knowledge acquisition on competitive advantages reveals that knowledge acquisition has a significant and positive effect on the competitive advantage of SMEs in Southwest Nigeria. The analysis confirms that SMEs that actively engage in acquiring knowledge—through methods such as training, learning, and accessing industry information—experience notable improvements in their competitive standing within the market. The regression analysis reveals that knowledge acquisition explains a considerable proportion of the variations in the competitive advantage of SMEs, indicating its vital role in enhancing business outcomes. As SMEs in Southwest Nigeria accumulate relevant knowledge, they are able to differentiate their products, improve their market positioning, and develop unique business capabilities, which ultimately contributes to their ability to compete more effectively in the market.

The positive relationship between knowledge acquisition and competitive advantage suggests that SMEs can gain a strategic edge by focusing on continuous learning and access to external knowledge. This aligns with the notion that organizations which prioritize knowledge as a key resource are more likely to innovate, adapt to market changes, and sustain a competitive advantage. These findings emphasize the importance of fostering a culture of knowledge sharing and continuous improvement within SMEs. Moreover, the study underscores the criticality of external and internal learning mechanisms for SMEs aiming to stay competitive. By prioritizing investment in knowledge acquisition, whether through formal training programs or by staying informed about industry trends and best practices, SMEs in Southwest Nigeria can enhance their strategic capabilities and position themselves to thrive amidst increasing competition. This study rejects the null hypothesis, confirming that knowledge acquisition plays a substantial role in driving competitive advantage for SMEs.

The findings from this study align with the broader literature on the impact of knowledge acquisition on the competitive advantage and performance of SMEs. In particular, the study confirms the positive and significant effect of knowledge acquisition on the competitive advantage of SMEs in Southwest Nigeria, as previously demonstrated in the broader knowledge management research. A study examining knowledge management strategies and their impact on SME performance in Nigeria found a negative but statistically significant relationship between knowledge management and performance. While this outcome is different from the current study, which emphasizes the positive role of knowledge acquisition, it also points to the complexity of knowledge management implementation and its varying impacts across different contexts. The divergence in findings could stem from the different focus areas within knowledge management strategies. The Nigerian study highlighted knowledge management elements, which include acquisition, sharing, and application, but suggested that these do not always directly influence SME performance. This contrasts with the current study's emphasis on knowledge acquisition as a key driver of competitive advantage, indicating that the impact of knowledge management may depend on how it is specifically applied and emphasized within an SME's strategic approach³⁴. Furthermore, the research on Egyptian SMEs supports the findings of the current study by exploring how knowledge management practices, including knowledge acquisition, sharing, and application, influence performance outcomes like competitive advantage. This study aligns with the view that knowledge acquisition can contribute to SMEs' ability to differentiate their products, improve market positioning, and enhance their overall competitive advantage. In Egypt, the focus on knowledge management processes as crucial drivers of competitive advantage and customer satisfaction highlights the role of knowledge in fostering

strategic growth in SMEs, a concept that also resonates with the positive outcomes identified in Southwest Nigeria³⁵.

The findings of this study align closely with previous research that underscores the significant role of knowledge acquisition in driving the performance and competitive advantage of SMEs. The study's results emphasize that knowledge acquisition, through various means such as training and access to industry information, plays a critical role in enhancing SMEs' competitive positioning. This is consistent with research that highlights how knowledge management practices, including knowledge acquisition, are positively associated with improved performance in SMEs. One study found that knowledge management practices, specifically knowledge creation, acquisition, sharing, and implementation, significantly influenced SME performance in Kisumu County. The research concluded that knowledge acquisition is a key factor in explaining SMEs' performance, accounting for over 51% of the variance in performance outcomes. This highlights the importance of SMEs investing in knowledge management strategies to boost their business performance, an idea echoed by the findings of this study in Southwest Nigeria³⁶. Similarly, other research has confirmed the positive impact of knowledge management on SME growth and profitability. The study used structural equation modeling to show that various dimensions of knowledge management, including knowledge acquisition at the individual level, play a pivotal role in firm performance. This reflects the findings from the current study, which reveals that knowledge acquisition is a vital driver of competitive advantage for SMEs in Southwest Nigeria. SMEs that prioritize acquiring and applying knowledge are better positioned to innovate, adapt to market changes, and maintain their competitive edge, supporting the conclusion that knowledge acquisition is an essential factor for SME success³⁷.

The results of this study align with the broader body of literature that highlights the significant role of knowledge acquisition in driving the competitive advantage of SMEs. Research on knowledge management (KM) processes, such as knowledge acquisition, has shown that these processes are integral to enhancing firm performance, especially in emerging economies. A study on knowledge management processes in SMEs found that knowledge acquisition positively impacts performance by facilitating innovation and enabling firms to adapt to changing market conditions. The findings of this study corroborate these insights, confirming that SMEs in Southwest Nigeria can leverage knowledge acquisition to differentiate their products, improve market positioning, and develop unique business capabilities that bolster their competitive advantage³⁸. Further supporting these findings, another study on antecedents of knowledge acquisition in SMEs emphasized the importance of acquiring market, technological, and environmental knowledge for business success. This aligns with the results of the current study, which suggests that SMEs that actively seek and apply knowledge through training and industry information gain a competitive edge. The significance of knowledge acquisition in driving business performance and competitive advantage is consistent with the assertion that firms which prioritize knowledge management, particularly knowledge acquisition, are better positioned to innovate and achieve sustainable growth³⁹.

Additionally, the concept of competitive advantage as a mediating factor between knowledge management and firm performance, as discussed in previous research, further reinforces the results of this study. Knowledge management, including the acquisition of valuable external knowledge, contributes to the development of competitive strategies such as product differentiation and market positioning, both of which are critical for enhancing SME performance. This research's findings are in line with the notion that knowledge acquisition enables SMEs to effectively compete, which in turn leads to

improved overall business performance⁴⁰. The study also resonates with the work on SMEs in South-South Nigeria, where knowledge requisition was found to significantly impact performance. This indicates that SMEs that actively engage in knowledge acquisition are likely to see improvements in various performance metrics, including profitability and return on investment. The results from this study further affirm that the strategic use of knowledge acquisition processes is vital for SMEs seeking to improve their competitive advantage and overall performance⁴¹.

A study conducted in Bayelsa State explored the relationship between knowledge sharing and entrepreneurial orientation within SMEs. The findings indicated a significant positive effect of knowledge sharing on the competitiveness of SMEs, emphasizing the importance of knowledge as a driver of competitive advantage. Although this study focused on knowledge sharing rather than acquisition, the underlying concept that knowledge plays a vital role in improving competitiveness aligns with the current research⁴². Furthermore, a study in Indonesia examined the mediating effect of innovation in the relationship between knowledge acquisition and competitive advantage. The results showed that while knowledge acquisition had an indirect effect on competitive advantage through innovation, it did not have a direct effect. This suggests that the role of knowledge acquisition in driving competitive advantage could be enhanced through innovation, which might be an additional consideration for SMEs in Southwest Nigeria looking to further leverage knowledge acquisition for strategic benefit⁴³. Additionally, research on the effect of knowledge management on business performance in silver craft SMEs found that while knowledge management did not have a direct effect on business performance, its impact was significant when mediated through competitive advantage. This aligns with the findings of this study, where knowledge

acquisition was found to significantly influence competitive advantage, and by extension, the performance of SMEs in Southwest Nigeria⁴⁴.

The findings of this study, which show that knowledge acquisition has a significant positive effect on the competitive advantage of SMEs in Southwest Nigeria, align with existing research on the impact of knowledge management on business performance. The results underscore the crucial role of knowledge acquisition in enhancing an SME's ability to differentiate its products, improve market positioning, and develop unique business capabilities. This is consistent with a study on the performance of SMEs in North Central Nigeria, which found that the application of knowledge can positively influence business performance, although with varying degrees of significance depending on the type of knowledge used. The study in North Central Nigeria highlighted the importance of knowledge sharing as well, stating that effective transfer of knowledge between employees can improve business processes. However, unlike the study in Southwest Nigeria, which found a strong positive correlation between knowledge acquisition and competitive advantage, the North Central Nigeria study reported that knowledge sharing had a significant negative impact on performance. This difference may stem from the varying contexts in which the studies were conducted, as well as the different methods of data collection and analysis⁴⁵. Additionally, research conducted on SMEs in Egypt supports the findings of this study by demonstrating that knowledge management, including acquisition, sharing, and application, positively affects organizational performance, particularly in terms of competitive advantage and innovation. While the study in Egypt also emphasizes the importance of knowledge acquisition, it expands on this by highlighting the integration of knowledge sharing and application as critical to enhancing SMEs' competitive edge. The findings suggest that SMEs can create a sustainable competitive advantage through effective knowledge

management practices, which includes the active acquisition of relevant industry knowledge, as well as the sharing and application of that knowledge to improve business strategies and customer satisfaction⁴⁶.

Additionally, the findings of this study are consistent with research that examines the *effect of knowledge acquisition on competitive advantage in the context of SMEs in Indonesia*, which suggests that knowledge acquisition, though important, often influences competitive advantage through innovation. While the current study did not focus on innovation as a mediating factor, it supports the idea that knowledge acquisition is essential for SMEs to develop capabilities that can differentiate them in competitive markets. The study conducted in Indonesia, which found that innovation mediates the relationship between knowledge acquisition and competitive advantage, further corroborates the significance of knowledge acquisition in improving organizational competitiveness. In both cases, acquiring knowledge enables SMEs to enhance their capabilities, which is reflected in product differentiation, market positioning, and strategic adaptability. The positive impact of knowledge acquisition on competitive advantage, as observed in the Southwest Nigeria SMEs, mirrors similar findings across different regions, reinforcing the universal importance of knowledge in gaining a market edge⁴⁷.

The findings from the hierarchical regression analysis underscore the significant moderating role of absorptive capacity in the relationship between strategic adaptability and the performance of SMEs in Southwest Nigeria. The results offer valuable insights into how absorptive capacity interacts with strategic adaptability to influence SME performance in the region. In the first model, where only strategic adaptability was considered, the relationship between strategic adaptability and SME performance was found to be positive, albeit weak. This suggests that strategic adaptability does play a role

in influencing performance, but other factors likely contribute more significantly to the overall performance of SMEs. The statistical significance of the model, however, indicates that strategic adaptability is a noteworthy factor in driving SME performance, despite its limited explanatory power in isolation. When absorptive capacity was added in the second model, a marked improvement in the model's ability to predict performance was observed. This demonstrates that absorptive capacity enhances the relationship between strategic adaptability and performance. Absorptive capacity was found to have a significant positive influence on performance, which suggests that SMEs with greater absorptive capacity are more capable of leveraging external knowledge and adapting to changing market conditions, leading to better performance. The third model, which included the interaction term for strategic adaptability and absorptive capacity, revealed that absorptive capacity significantly strengthens the relationship between strategic adaptability and SME performance. The positive moderating effect indicates that SMEs with higher absorptive capacity experience amplified benefits from their strategic adaptability. This implies that SMEs with the ability to absorb and integrate external knowledge are better equipped to make strategic decisions that enhance their performance, particularly in dynamic and competitive environments.

The overall findings reject the null hypothesis, which stated that absorptive capacity does not significantly moderate the relationship between strategic adaptability and performance. Instead, the results clearly show that absorptive capacity is a critical factor that enhances the impact of strategic adaptability on the performance of SMEs in Southwest Nigeria. This suggests that, in order to maximize the benefits of strategic adaptability, SMEs should prioritize developing their absorptive capacity. Doing so would enable them to better absorb and utilize external knowledge, ultimately strengthening their strategic decisions and improving performance.

The findings from the hierarchical regression analysis conducted in this study align closely with existing literature on absorptive capacity and its impact on organizational performance. Specifically, the results highlight the significant moderating role of absorptive capacity in the relationship between strategic adaptability and SME performance in Southwest Nigeria. This observation is consistent with previous research examining the relationship between absorptive capacity and innovation, where absorptive capacity plays a pivotal role in enhancing organizational outcomes, particularly when learning capabilities are integrated into the process. One study emphasizes that absorptive capacity contributes significantly to innovation, but its effect is amplified when organizations also possess strong learning capabilities. This is directly applicable to the current study, where SMEs with higher absorptive capacity are better positioned to absorb and integrate external knowledge, thereby strengthening their strategic adaptability and enhancing performance. Both studies suggest that while absorptive capacity is important on its own, its true value is realized when it interacts with other organizational capabilities, such as adaptability or learning⁴⁸. Moreover, the findings in both studies stress the importance of organizations prioritizing the development of absorptive capacity. In this study, it is demonstrated that SMEs in Southwest Nigeria, by enhancing their absorptive capacity, can better leverage external knowledge, leading to improved performance. This is in line with the earlier research, which found that organizations could significantly improve their innovation levels by effectively managing their knowledge base, particularly through organizational learning. Additionally, the results from the current study indicate that the interaction between absorptive capacity and strategic adaptability leads to improved organizational performance. This is analogous to how absorptive capacity helps organizations transform external knowledge into innovative outcomes in the previous study. In both cases, absorptive capacity amplifies

the effects of other organizational capabilities, leading to enhanced outcomes, whether through innovation or strategic adaptability⁴⁹.

The findings of this study align with the conclusions drawn in other research on absorptive capacity, strategic adaptability, and SME performance. The moderating role of absorptive capacity in the relationship between strategic adaptability and SME performance, as demonstrated in this study, has been similarly emphasized in other studies across different contexts. One study highlights that a lack of absorptive capacity and collaborative innovation can lead to project failure in SMEs. This research emphasizes the importance of absorptive capacity as a mediator between innovation and financial performance. This insight is relevant to the current study, where absorptive capacity is shown to strengthen the impact of strategic adaptability on SME performance. In both cases, the ability of firms to absorb and utilize new information or practices is crucial for improving their operational and financial performance⁵⁰. Another study finds that dynamic capabilities, which are related to strategic adaptability, positively affect operational capabilities and organizational agility, indirectly influencing performance. The research also highlights the moderating role of environmental uncertainty, suggesting that a firm's capacity to adapt to changing conditions is essential for maintaining performance. This resonates with the findings of the current study, which shows that absorptive capacity helps SMEs navigate dynamic and competitive environments, thus improving their performance. Just as dynamic capabilities contribute to operational agility in the referenced study, absorptive capacity enables SMEs to more effectively leverage strategic adaptability for performance gains⁵¹. Further supporting this, another study shows that absorptive capacity positively affects strategic flexibility and supply chain agility, which, in turn, enhance firm performance. The mediating role of absorptive capacity between strategic flexibility and performance mirrors the current study's

conclusion that absorptive capacity amplifies the effects of strategic adaptability on performance. The enhancement of firm performance depends on the firm's ability to absorb, integrate, and apply external knowledge, whether in supply chain processes, strategic decisions, or innovation efforts⁵².

A study examining the impact of technology absorption capacity on competitive advantage in SMEs emphasizes that absorptive capacity plays a crucial role in enhancing competitive advantage by improving customer interactions, optimizing business processes, fostering innovation, and expanding market reach. These findings are consistent with the current study, which highlights how absorptive capacity strengthens the relationship between strategic adaptability and SME performance. Both studies suggest that SMEs with higher absorptive capacity are better equipped to leverage external knowledge and adapt to market changes, ultimately improving performance⁵³. Another study explores how absorptive capacity influences project success through strategic agility, with project complexity acting as a moderator. The results from this study are similar to the current findings, particularly in how absorptive capacity enhances strategic decision-making and performance. The moderating role of absorptive capacity, as seen in the current study, is also evident in this research, where it strengthens the relationship between absorptive capacity and successful outcomes in SMEs. This demonstrates that higher absorptive capacity enables SMEs to navigate complexities and uncertainties more effectively, leading to improved performance⁵⁴. A study examining the relationship between dynamic absorptive capacity and innovation strategy in SMEs reveals that absorptive capacity is essential for firms to acquire, assimilate, transform, and exploit external knowledge, thus improving their adaptability and performance in technological environments. This finding supports the current study's conclusion that absorptive capacity enhances the relationship between strategic adaptability and performance⁵⁵.

One study examined the mediating role of absorptive capacity in the relationship between knowledge sharing and entrepreneurial orientation. It found that absorptive capacity significantly enhances entrepreneurial performance, which mirrors the current study's finding that absorptive capacity amplifies the impact of strategic adaptability on SME performance. This study also suggests that opportunity recognition plays a crucial role in strengthening this relationship, an idea that can be extended to the current study by emphasizing the need for SMEs to recognize and respond to market changes to fully leverage their absorptive capacity⁵⁶. Furthermore, another study emphasized the importance of dynamic capabilities, including absorptive capacity, in improving SME performance. It showed that absorptive capacity, alongside other capabilities such as strategic stance, positively influences SME operational performance. This aligns with the results of the current study, which suggest that SMEs with higher absorptive capacity are better positioned to adapt to changes and perform effectively in a competitive environment⁵⁷. Similarly, another study highlighted the importance of market and supply chain orientations in enhancing SMEs' innovation and operational capabilities, leading to improved performance. Although the focus here was on market and supply chain orientations, their findings emphasize the broader concept of dynamic capabilities, which includes absorptive capacity. The study found that strategic flexibility, while an important factor, does not always moderate the relationship between capabilities and performance. This finding suggests that while absorptive capacity strengthens strategic adaptability, it may not always require additional moderating factors like strategic flexibility to enhance SME performance⁵⁸.

A study on the impact of cooperation flexibility on innovation flexibility in SMEs provides a valuable context for understanding how external and internal flexibility, particularly in terms of cooperation with suppliers and customers, can enhance a

company's innovation capabilities and, ultimately, its performance. The results of the study indicate that flexibility, both externally and internally, facilitates better adaptation and innovation, similar to how absorptive capacity enhances the effectiveness of strategic adaptability in the present study. The findings in this study about the relationship between absorptive capacity and SME performance, especially in dynamic environments, complement the notion that flexibility in various forms can amplify innovation and contribute to improved business performance⁵⁹. Furthermore, research focusing on the mediating role of interaction orientation in the relationship between strategic orientation and SME performance also offers useful insights. This study emphasizes the importance of orientation in facilitating better performance⁶⁰.

One study emphasizes the importance of absorptive capabilities in enhancing the economic sustainability of SMEs in Nigeria. This research highlights that dimensions of absorptive capacity, such as knowledge acquisition, assimilation, transformation, and exploitation, significantly influence the economic sustainability of SMEs. This aligns with the findings of the current study, which suggest that absorptive capacity enables SMEs to better adapt to changing market conditions and leverage external knowledge to improve performance⁶¹. Furthermore, another study investigates the sequential effects of absorptive capacity, strategic agility, and sustainable competitive advantage on business performance. The research underscores that absorptive capacity, particularly its sub-dimensions of knowledge acquisition and exploitation, positively affects strategic agility, which in turn influences sustainable competitive advantage and, ultimately, business performance. This sequential relationship mirrors the current study's findings that absorptive capacity strengthens the relationship between strategic adaptability and SME performance⁶².

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Chapter Five

Conclusion

This chapter discusses the summary of the findings, conclusions, recommendations, contribution to knowledge and future research.

5.1 Summary of Findings

The aim of this study was to investigate the effect of strategic adaptability and absorptive capacity on the performance of SMEs in Southwest, Nigeria. The specific objectives were to examine how various components of strategic adaptability—environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition—affect different aspects of SME performance, including market share, brand reputation, operational efficiency, and competitive advantage. Additionally, the study explored the moderating effect of absorptive capacity on the relationship between strategic adaptability and SME performance. From the interpretation of analyses of data collected and findings of the study, the following can be summed up as the significant empirical findings of this study:

Hypothesis 1: The null hypothesis, stating that environmental scanning has no significant effect on the market share of SMEs in Southwest Nigeria, was rejected. The analysis showed an adjusted R-squared value of 0.186, an F-statistic of 78.364, and a p-value of 0.000, indicating that environmental scanning significantly influences market share in SMEs.

Hypothesis 2: The null hypothesis, positing that strategic flexibility has no significant effect on the brand reputation of SMEs in Southwest Nigeria, was rejected. The results (Adj R² = 0.389, F(1,465) = 215.726, p = 0.000) demonstrate that strategic flexibility has a significant effect on brand reputation.

Hypothesis 3: The null hypothesis, which stated that resource allocation has no significant effect on the operational efficiency of SMEs, was rejected. With an adjusted R-squared value of 0.269, an F-statistic of 132.712, and a p-value of 0.000, the result indicates that resource allocation has a significant impact on operational efficiency.

Hypothesis 4: The null hypothesis stating that knowledge acquisition has no significant effect on the competitive advantage of SMEs in Southwest Nigeria was rejected. The analysis yielded an adjusted R-squared value of 0.386, an F-statistic of 112.547, and a p-value of 0.000, confirming that knowledge acquisition plays a crucial role in gaining competitive advantage.

Hypothesis 5: The null hypothesis, which stated that absorptive capacity has no significant moderating effect on the interaction between strategic adaptability and the performance of SMEs, was rejected. The results ($\Delta R^2 = 0.114$, $\Delta F = 38.942$, $p = 0.000$) indicate that absorptive capacity significantly moderates the relationship between strategic adaptability and SME performance.

5.2 Conclusion

Based on the empirical findings, the study confirms that strategic adaptability has a significant positive effect on the performance of SMEs in Southwest Nigeria, with each component of strategic adaptability—environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition—contributing to different performance outcomes. The first hypothesis, which posits that strategic adaptability positively affects the market share of SMEs, is supported by the findings. SMEs that engage in proactive environmental scanning and exhibit strategic flexibility are better positioned to capture larger market shares. By continuously adjusting to changes in the external environment,

these SMEs can anticipate market trends and adjust their strategies to attract more customers, thereby enhancing their market share.

Similarly, the second hypothesis, which examines the effect of strategic adaptability on brand reputation, is also confirmed. The study indicates that knowledge acquisition and efficient resource allocation are particularly crucial in enhancing the brand reputation of SMEs. SMEs that focus on acquiring valuable market insights and allocate resources effectively are better able to establish and maintain strong, reputable brands. This helps in building customer trust and loyalty, which in turn strengthens the brand's market position.

The third hypothesis, which examines the effect of strategic adaptability on operational efficiency, is likewise supported by the findings. Environmental scanning and strategic flexibility were identified as key drivers of operational efficiency. SMEs that monitor their external environment and are flexible in their strategies can optimize their operations, reduce inefficiencies, and enhance productivity. This adaptability allows SMEs to better align their operations with market demands and internal capabilities, leading to improved efficiency.

For the fourth hypothesis, which posits that strategic adaptability positively affects the competitive advantage of SMEs, the study again found strong support. Knowledge acquisition and strategic flexibility were found to be particularly important in enabling SMEs to gain a competitive edge. These SMEs can leverage new knowledge and adapt their strategies to stay ahead of competitors, allowing them to exploit emerging opportunities and threats more effectively. By being strategically adaptable, SMEs can maintain their competitive advantage in dynamic market conditions.

Finally, the fifth hypothesis, which explores the moderating role of absorptive capacity on the relationship between strategic adaptability and SME performance, was confirmed. The study revealed that absorptive capacity plays a significant moderating role, amplifying the positive effects of strategic adaptability on performance outcomes. SMEs with a higher absorptive capacity are better able to assimilate and apply new knowledge, thus enhancing the impact of their strategic adaptability. This ability to absorb and utilize external knowledge ensures that the benefits of strategic adaptability are fully realized, contributing to superior performance across various dimensions.

In conclusion, the study provides robust evidence that strategic adaptability is critical for improving the performance of SMEs in Southwest Nigeria. The findings also emphasize the importance of absorptive capacity, which enhances the positive effects of strategic adaptability on market share, brand reputation, operational efficiency, and competitive advantage. SMEs that are adaptable and capable of absorbing new knowledge are more likely to achieve sustained success in a competitive business environment.

5.3 Recommendations

Based on the findings of this study, several recommendations can be made to enhance the performance of SMEs in Southwest Nigeria:

1. SMEs should prioritize developing and enhancing strategic adaptability through regular environmental scanning and fostering strategic flexibility. By staying attuned to changes in the market environment and adjusting strategies accordingly, SMEs can ensure they are better prepared to respond to market dynamics and take advantage of emerging opportunities. This can be achieved through continuous training for management and staff to enhance their ability to spot trends, identify threats, and pivot strategies as necessary.

2. SMEs should place a greater emphasis on acquiring and utilizing relevant knowledge to improve their operational and strategic decision-making. This involves investing in research and development, staying updated on industry trends, and leveraging external sources of knowledge, such as market research reports, partnerships, and collaborations. Knowledge acquisition enhances innovation and supports long-term growth by providing SMEs with the insights necessary to refine their products, services, and strategies.
3. Effective resource allocation is critical for SMEs to maximize operational efficiency and performance. SMEs should adopt a strategic approach to resource management, ensuring that financial, human, and technological resources are allocated to areas that directly contribute to their growth and competitive advantage. This involves aligning resource distribution with key business objectives and ensuring that resources are used efficiently to achieve desired outcomes.
4. Given the significant role that brand reputation plays in attracting and retaining customers, SMEs should focus on strengthening their brand image. This can be achieved by consistently delivering high-quality products and services, engaging in effective marketing, and focusing on customer satisfaction. Transparent communication, customer feedback, and ethical business practices also contribute to building a solid and reputable brand.
5. SMEs should focus on improving their absorptive capacity by fostering a culture that encourages learning and knowledge sharing within the organization. This can involve investing in staff training, encouraging continuous learning, and creating systems that allow for the efficient assimilation and application of new information. By enhancing absorptive capacity, SMEs can better leverage external knowledge to enhance their strategic adaptability and improve their performance.

5.4 Contributions to Knowledge

This study makes several significant contributions to the body of knowledge regarding the performance of Small and Medium Enterprises (SMEs), particularly in Southwest Nigeria.

1. This study contributes to the understanding of how strategic adaptability, encompassing environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition, influences the performance of SMEs. By examining these dimensions in detail, the study highlights the critical role they play in shaping the market share, brand reputation, operational efficiency, and competitive advantage of SMEs in Southwest Nigeria. This provides valuable insights for both scholars and practitioners on how SMEs can better align their strategies with dynamic market environments.
2. The study further contributes by examining the moderating role of absorptive capacity on the relationship between strategic adaptability and the performance of SMEs. It reveals how the ability of SMEs to absorb, assimilate, and apply new knowledge can strengthen the impact of strategic adaptability on their performance. This finding enriches the literature on absorptive capacity, particularly in the context of SMEs in developing economies like Nigeria, where access to resources and information may be more limited.
3. This research extends existing strategic management frameworks by integrating the concept of absorptive capacity into the relationship between strategic adaptability and SME performance. The combination of these two constructs provides a more comprehensive understanding of the internal and external factors that influence the competitiveness and sustainability of SMEs, particularly in emerging markets. The

findings offer a new perspective on how SMEs can enhance their strategic management practices to improve long-term performance.

4. While there is existing research on strategic adaptability and absorptive capacity in developed economies, this study provides valuable insights into the unique challenges and opportunities faced by SMEs in a developing country context. The findings are particularly relevant for SMEs in Southwest Nigeria, where resource constraints, market volatility, and competition often require firms to adopt flexible and adaptive strategies to survive and thrive. The study, therefore, adds context-specific knowledge to the global discourse on strategic management.
5. The study contributes to practical knowledge by providing recommendations for improving the performance of SMEs through better strategic adaptability and enhanced absorptive capacity. These findings can inform policy makers, business owners, and managers in Southwest Nigeria on how to design and implement strategies that foster sustainable business growth. The emphasis on strategic flexibility, resource optimization, and continuous knowledge acquisition provides actionable insights for improving business practices.

5.5 Suggested Area for Further Research

The limitations of this study offer opportunities and suggestions for future study.

1. **Impact of External Environmental Factors on Strategic Adaptability:** Future research could explore how external factors such as economic instability, political changes, and technological advancements influence the strategic adaptability of SMEs. Understanding the role of macroeconomic variables in shaping the strategies of SMEs would help in refining frameworks for strategic management in developing economies.

2. **Sector-Specific Studies on Strategic Adaptability and Performance:** While this study focused on SMEs in general, further research could investigate how strategic adaptability affects the performance of SMEs in specific sectors, such as manufacturing, agriculture, or services. This would provide sector-specific insights into the mechanisms through which strategic adaptability impacts market share, brand reputation, and operational efficiency.
3. **Role of Digital Transformation in Strategic Adaptability:** Given the increasing role of digital technologies in business operations, future research could investigate how the adoption of digital tools and technologies influences strategic adaptability and absorptive capacity in SMEs. This could include examining how digital transformation enhances SMEs' ability to respond to market changes, improve operational efficiency, and foster innovation.
4. **Comparative Studies between Developed and Developing Economies:** Comparative research between SMEs in developed and developing economies could provide a broader perspective on how the relationship between strategic adaptability, absorptive capacity, and performance differs across contexts. Such studies could help identify universal principles as well as context-specific challenges faced by SMEs in different parts of the world.
5. **Impact of Government Policies and Support on SME Performance:** Future studies could examine how government policies, incentives, and support structures impact the strategic adaptability and overall performance of SMEs in Southwest Nigeria. This could include exploring the effectiveness of government initiatives in fostering innovation, knowledge acquisition, and resource allocation among SMEs.

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Lead City University Ibadan DO NOT COPY

Appendix I

Lead City University, Ibadan, Oyo State, Nigeria

Faculty of Management & Social Sciences,

Department of Management & Accounting

Questionnaire

Strategic Adaptability and Absorptive Capacity affect the Performance of SMEs in South-West, Nigeria

Dear respondent,

This questionnaire is designed to collect data from you on the above subject matter for purely academic purposes. Be informed that the information you supply will assist in extending the frontier of knowledge and also provide the basis for organizations and institutions towards how Strategic Adaptability and Absorptive Capacity affect the Performance of SMEs in South-West, Nigeria. Please be rest assured that the information provided will be strictly made use of for academic purposes. Whatever information is provided by you will be held in confidence and will not be linked directly or indirectly to you or any other party.

Researcher

Mudasiru, Muiliyu Adebayo

09074775695.

Section A: Demographic Data

Kindly mark [✓] in the space(s) provided:

Age Group: 8–25 years () 26–35 years () 36–45 years () 46–55 years ()

56 years and above ()

Gender: Male () Female ()

Educational Qualification: Primary Education () Secondary Education ()

Diploma/OND () Bachelor's Degree () Master's Degree () Doctorate Degree ()

Other (Specify) _____

Position in the Business: Owner/Founder () Manager () Senior Staff () Junior Staff ()

Business Sector: Manufacturing () Retail () Wholesale () Services ()

Agriculture () Technology () Other (Specify) _____

Years of Business Operation: Less than 1 year () 1–5 years () 6–10 years () 11–15 years () Over 15 years ()

Annual Revenue of the Business: Less than ₦1 million () ₦1 million – ₦5 million ()

₦6 million – ₦10 million () ₦11 million – ₦20 million () Over ₦20 million ()

Number of Employees: 1–5 employees () 6–10 employees () 11–20 employees ()

21–50 employees () Over 50 employees ()

Section B: Strategic Adaptability (environmental scanning, strategic flexibility, resource allocation, and knowledge acquisition)

Please tick the appropriate box according to the following keys: **VHE** = Very High Extent, **HE** = High Extent, **MHE** = Moderately High Extent, **MLE** = Moderately Low Extent, **LE** = Low Extent, **VLE** = Very Low Extent

S/N	Environmental Scanning	VHE	HE	MHE	MLE	LE	VLE
		6	5	4	3	2	1
1	We frequently check market trends to understand what customers want.						
2	We keep track of what our competitors are doing.						
3	Our business monitors changes in our industry to stay updated.						
4	We gather information about customer needs to guide our decisions.						
5	We analyze feedback from customers to improve our business.						
	Strategic Flexibility	VHE	HE	MHE	MLE	LE	VLE
		6	5	4	3	2	1
6	Our business can quickly adjust its strategies when needed.						
7	We can change our goals easily when new opportunities appear.						
8	Our business structure allows us to respond to changes in the market.						
9	We are open to trying new business models to stay relevant.						
10	Our business is flexible in dealing with unexpected market changes.						
	Resource Allocation	VHE	HE	MHE	MLE	LE	VLE
		6	5	4	3	2	1
11	We are willing to move resources to support new business ideas.						
12	Our business invests in technology to improve our flexibility.						

13	We allocate resources to areas that help us grow and adapt.						
14	Our financial resources allow us to make necessary changes.						
15	We invest in tools and equipment to stay competitive.						
	Knowledge Acquisition	VHE	HE	MHE	MLE	LE	VLE
		6	5	4	3	2	1
16	We encourage employees to learn skills that help our business grow.						
17	Our business provides training to help employees improve their skills.						
18	We look for advice from experts to stay updated on industry changes.						
19	We make sure our employees have access to useful information.						
20	We encourage employees to share what they learn with others.						

Section C: Absorptive Capacity (Moderator) (knowledge assimilation, knowledge exploitation)

Please tick appropriate box according to the following keys: **VHE** = Very High Extent, **HE** = High Extent, **MHE** = Moderately High Extent, **MLE** = Moderately Low Extent, **LE** = Low Extent, **VLE** = Very Low Extent

S/N	Knowledge Assimilation	VHE	HE	MHE	MLE	LE	VLE
		6	5	4	3	2	1
21	Our business actively gathers new information from various sources.						
22	We regularly analyze new knowledge and ideas to see how they can benefit our business.						
23	We encourage our team to stay updated with industry trends and advancements.						
24	We make time for discussions on new insights and their relevance to our work.						

25	Our business values learning from past experiences to improve future performance.						
	Knowledge Exploitation	VHE	HE	MHE	MLE	LE	VLE
		6	5	4	3	2	1
26	We apply the knowledge we acquire to develop new products or services.						
27	Our business uses new insights to improve existing processes and operations.						
28	We incorporate new information to make strategic decisions for growth.						
29	Our team is encouraged to turn ideas into practical solutions.						
30	We invest resources to implement innovative ideas in our business operations.						

Section D: SME Performance (market share, brand reputation, operational efficiency, and competitive advantage)

Please tick appropriate box according to the following keys: **VHE** = Very High Extent, **HE** = High Extent, **MHE** = Moderately High Extent, **MLE** = Moderately Low Extent, **LE** = Low Extent, **VLE** = Very Low Extent

S/N	Market Share	VHE	HE	MHE	MLE	LE	VLE
		6	5	4	3	2	1
31	Our business has a good share of the market compared to our competitors.						
32	We have seen an increase in our sales over the past year.						
33	Our products or services are popular among customers in our market.						

34	We regularly gain new customers in our industry.						
35	Our market position has improved over the last few years.						
S/N	Brand Reputation	VHE	HE	MHE	MLE	LE	VLE
		6	5	4	3	2	1
36	Our brand is well-known and respected in the market.						
37	Customers trust our brand for quality and service.						
38	We receive positive feedback from customers about our brand.						
39	Our brand has a strong presence on social media and other platforms.						
40	Our business is seen as a leader in our industry.						
	Operational Efficiency	VHE	HE	MHE	MLE	LE	VLE
		6	5	4	3	2	1
41	Our business runs smoothly with minimal delays in processes.						
42	We use our resources wisely to get the best results.						
43	Our team is well-organized and works effectively together.						

44	We regularly find ways to reduce costs while maintaining quality.						
45	We meet our production and delivery targets consistently.						
	Competitive Advantage	VHE	HE	MHE	MLE	LE	VLE
		6	5	4	3	2	1
46	Our products or services stand out from those of our competitors.						
47	We offer unique features that customers cannot find elsewhere.						
48	Our pricing strategy gives us an edge over competitors.						
49	We have strong relationships with our customers that help us succeed.						
50	Our marketing strategies effectively reach our target audience.						

Bio-data

A. Personal Data

1. Full Names: Adebayo Muiliyu MUDASIRU
2. Email: baymud2015@gmail.com
3. Phone no: 09074775695
4. Address: Plot 8 Road 6, Success Estate Olohunda Abaa Ibadan
5. Date and Place of Birth: 09/09/1970/Ikire
6. Nationality: Nigeria
7. Name and Address of Next of Kin: Mrs Adebayo Adeola/ Plot 8 Road 6, Success Estate Olohunda Abaa Ibadan

B. Educational Background with Dates

1. Educational Institutions Attended with Dates and Qualifications:
 - Lead City University, Ibadan 2022-to date
 - Babcock University, Ilishan Remo Ogun State 2018-2021
 - Bayero University, Kano 2013-2015
 - Usmanu Danfodiyo University, Sokoto 2011-2012
 - Bayero University, Kano 2010-2011
 - Bayero University, Kano 2009-2010
 - Bayero University, Kano 2008 -2009
 - Ambrose Ali University, Ekpoma 2003- 2006
 - The Polytechnic, Ibadan 1990- 1996
 - Baptist Grammar School, Ikire 1980 -1985
2. Academic Qualifications Obtained (with dates):
 - PhD in Business Administration (Entrepreneurship) Awaiting Result
 - Master in Business Admin. (Mphil in Entrepreneurship) 2021
 - Master in Business Admin (Finance & Investment). 2015
 - Post Graduate Diploma (Education) 2012
 - Master in Development Studies 2011
 - Master In Treasury Management 2010
 - Post-Graduate Diploma (Mgt) 2009
 - B.Sc. Economics 2006
 - HND in Purchasing & Supply (**Upper Credit**) 1996
 - ND in Purchasing & Supply (**Upper Credit**) 1992

3. Professional Qualifications with Dates:

- Chartered Institute Of Bankers Of Nigeria(CIBN)-ACIB
- The Institute Of Chartered Economists Of Nig. (ICEN)- ASSOCIATE MEMBER
- Chartered Institute of Purchasing & Supply Mgt of Nig. (CIPSMN) – Associate Member
- Chartered Institute of Purchasing & Supply (CIPS) London – Associate.
- Chartered Institute of Treasury Mgt. – full member

C. Working Experience with Dates:

- Livingtrust Mortgage Bank Plc, Ejigbo Osun State Oct 2023 to Date.
Designation: Branch Manager (Business Development)
- Adron Homes & Properties Iwo Rd, Ibadan May 2023 TO SEPT 2023.
Designation: Sales Marine (Responsibility Manager)
- Jaiz Bank Plc Dugbe Ibadan Jan 2019 To Aug 2022.
Designation: Branch Manager (Business Development)
- Access bank plc (Ado-Ekiti Branch, Ekiti State). - March 2018-Dec 2018
Designation: Relationship Manager (Inclusive Banking)
- Access Bank Plc (South West). - March 2017- Feb 2018
Designation: Product Manager, Mass Market Unit South West (Products & Segments)
- Access Bank Plc, (Saboo-Ojoo Branch, Ibadan) - Aug 2015 To Feb. 2017.
Designation: Relationship Manager (Personal Banking)
- Access Bank Plc, (France Rd Branch, Kano) - Jan 2013 to Aug 2015.
Designation: Relationship Manager (Personal Banking)
- Access Bank Plc, (Bank Rd, Kano) - Feb 2012 to Dec 2012.
Designation: Branch Service Head.
- Intercontinental Bank Plc (Funtua,Katsina State)
Designation: Branch Operation Manager Mar 2009_Jan 2012
- Intercontinental Bank Plc (Kano) may 2006_Feb 2009
Designation: Head, Funds Transfer Unit
- Equitorial Trust Bank Ltd.(Jos Plateau) – July 2002 – May 2006
Designation: Customer Service Officer
- Marc & Mei nig. Ltd. (Apapa Lagos) – Jan. 2002 – June 2002
Designation: stores supervisor
- Global telecom ltd. (lagos) – jan. 1998 – dec. 2001
Designation: procurement/logistics officer

- Roche nigeria ltd. (lagos) – june 1996 – june 1997
(now swiss pharm nig.ltd)

Designation: purchasing officer

- Barewa pharmaceutical ltd. (lagos) – jan. 1992 – jan. 1993

Designation: sales representative

D. Award and fellowship (if any)

- Barewa pharmaceutical ltd. Scholarship award – 1993
- Best sales representative of the year (barewa) – 1993
- Best operations staff of the year (customer service delivery) – 2004 etb jos branch
- Excellent 5* service award by access bank retail operation group-2014

E. Member of academic professional bodies:

teachers registration council of nigeria (trcn):

F. Publication (s)

G. Major Conferences Attended with Dates

H. References

Signature

Date

The University Compliance Certification

This is to certify that this thesis was written by Adebayo Muiliyu MUDASIRU with Matriculation number LCU/PG/003242, in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan is in full compliance with the approved University format and style.

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Signature

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Date

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