

Mediating role of knowledge management (KM) in the relationship between strategic agility and SME performance in Lagos State, Nigeria.

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Abstract

This study explores how knowledge management (KM) mediates the link between strategic agility and SME performance in Lagos State, Nigeria. Survey data from 605 SME operators and managers were analyzed using structural equation modeling. Results show that leadership unity has the strongest direct impact on performance, while strategic sensitivity and resource fluidity also contribute positively. KM provides significant indirect effects, demonstrating that systematic knowledge capture, sharing, and use enhance the benefits of all agility dimensions. The research extends the Knowledge-Based View and Dynamic Capabilities Theory by showing that knowledge is both a key strategic resource and a mechanism for rapid adaptation. Practically, it offers SME owners and policymakers guidance on strengthening leadership cohesion, improving market intelligence, increasing resource flexibility, and embedding KM systems to achieve sustained competitive advantage and resilience in dynamic markets.

Keywords: Strategic agility; KM, SMEs; Leadership unity; Strategic sensitivity; Resource fluidity

Introduction

Small and Medium-sized Enterprises (SMEs) are central to Nigeria's economic development, serving as vital drivers of employment creation, innovation, and poverty reduction. According to the World Bank (2024), SMEs account for 60–80% of workforce employment in advanced economies, while in developing nations they contribute up to 40% of national GDP and generate 7 out of 10 formal jobs. In India, for example, SMEs contribute approximately 35%

of GDP, employ over 111 million people, and account for more than 40% of the country's exports. Similarly, Adim and Maclayton (2021) affirm that in Nigeria, SMEs represent a large share of businesses and significantly support economic growth through job creation, wealth generation, and poverty alleviation. Lagos State, the nation's commercial hub, hosts the highest concentration of SMEs, spanning diverse sectors such as trade, services, manufacturing, and technology.

Despite their importance, SMEs face persistent challenges including unstable market conditions, inadequate infrastructure, regulatory uncertainty, and intense competition (Adomako et al., 2022). To survive and thrive in such a volatile environment, SMEs increasingly rely on strategic agility, the ability to sense opportunities and threats, make rapid decisions, and reconfigure resources effectively. As Usman (2023) notes, the Lagos business environment, characterized by infrastructural deficits, exchange rate fluctuations, regulatory ambiguities, and rapid technological change, demands strategic agility for firms to remain competitive. Strategic agility, defined as the capacity to anticipate shifts in the environment, seize opportunities decisively, and realign resources promptly, has thus become a critical posture for the survival and sustainable growth of SMEs (Ogunleye et al., 2021; Ahammad et al., 2021). While strategic agility is widely recognized as a driver of superior performance, its benefits are not always automatic. Many agile responses fail to yield sustained growth unless effective organizational processes support them (Murad & Susanto, 2021; Alamsjah & Yunus, 2022). Knowledge Management (KM) has emerged as a crucial mechanism that reinforces the agility-performance link. KM involves the systematic acquisition, sharing, and application of knowledge to improve decision-making, foster innovation, and enhance responsiveness (Munawar et al., 2023; Asseraf & Gnizy, 2022). From a theoretical standpoint, both the Knowledge-Based View (KBV) and Dynamic Capabilities Theory emphasize knowledge as a strategic resource and a dynamic capability essential for sustaining competitive advantage

(Susanto & Prayogo, 2023). As Pham (2021) argues, although strategic agility generates valuable market and operational insights, such knowledge often remains underutilized without effective KM practices. By mediating this relationship, KM enables SMEs to transform agile actions into consistent improvements in customer satisfaction, innovation, efficiency, and financial performance.

Despite the relevance of this linkage, limited empirical studies in Nigeria, and particularly in Lagos State, have examined how KM mediates the relationship between strategic agility and SME performance. Most existing research considers the direct effects of agility or knowledge practices in isolation, overlooking their integrative role. Addressing this gap is critical, not only for advancing scholarly understanding but also for guiding SME managers and policymakers in designing interventions that enhance competitiveness in Lagos's rapidly evolving business landscape. This study makes a significant contribution to SME sustainability in several key ways. First, it improves decision-making by ensuring that relevant knowledge is effectively captured, shared, and applied, allowing firms to respond quickly to market volatility. Second, KM fosters innovation by enabling the continuous recombination of knowledge resources to create new products, services, and processes. Third, it strengthens organizational learning, equipping SMEs to adapt to regulatory shifts, technological change, and competitive pressures. Finally, integrating KM with strategic agility allows firms to optimize resource utilization, minimize inefficiencies, and build long-term resilience. Collectively, these contributions not only enhance competitiveness but also underpin the survival and sustainable growth of SMEs in Lagos's dynamic business environment.

Theoretical Framework

The Knowledge-Based View (KBV) theory and the Dynamic Capabilities Theory are two theories that underpin the study. The selection of KBV and DCT is justified because these theories complement each other. KBV emphasizes knowledge as the key strategic resource

(Arokodare & Asikhia, 2020), while DCT explains how firms dynamically apply this knowledge to adapt, innovate, and remain competitive in turbulent environments (Deshati, 2023). For SMEs in Lagos, where survival depends on both *leveraging knowledge* and *adapting rapidly*, these theories provide the most appropriate framework for analyzing the mediating role of KM in the agility–performance relationship. The Knowledge-Based View (KBV) emerged in the 1990s as an extension of the Resource-Based View (RBV) of the firm. RBV, as articulated by Barney (1991), posits that firms achieve sustained competitive advantage by possessing valuable, rare, inimitable, and non-substitutable (VRIN) resources. Building on this, Grant (1996) highlights knowledge as the most strategically significant resource, given its role in fostering innovation, coordination, and adaptation. Sarkosi (2022) further argues that KBV conceptualizes firms not merely as bundles of resources but as repositories and integrators of knowledge, existing to create, transfer, combine, and apply knowledge more effectively than markets. In this way, KBV addresses the limitations of RBV by shifting emphasis from tangible assets to intangible, knowledge-based capabilities as the primary source of long-term competitive advantage. Within the SME context, KBV provides a valuable foundation for explaining how firms sense opportunities, respond rapidly, and reconfigure resources effectively (Usman, 2023). By embedding knowledge management (KM) into agile practices, SMEs can achieve superior performance, resilience, and sustainable growth. Sajuyigbe et al. (2021) affirm that KBV offers a robust framework for understanding how knowledge acquisition, sharing, and application drive competitiveness and sustainability. This is particularly relevant for SMEs in Lagos and other dynamic markets, where severe resource constraints make knowledge the most valuable and renewable asset. Accordingly, KBV positions KM not as a supportive function, but as the central mechanism through which SMEs create value and sustain competitive advantage (Susanto & Prayogo, 2023).

In relation to strategic agility, KBV strengthens SMEs by enabling them to gather, interpret, and share knowledge about market trends, customer needs, and technological shifts. According to Okoli et al. (2024), strategic agility entails the ability of firms to sense environmental changes, seize emerging opportunities, and reconfigure resources swiftly. KBV reinforces this by ensuring that knowledge flows enhance decision-making, innovation, and adaptability. Otache (2024) notes that shared expertise and knowledge-based systems allow managers to act decisively, avoiding costly trial-and-error approaches, while Liu et al. (2022) observe that KBV enhances flexibility by enabling SMEs to redeploy resources into new markets, redesign processes, or adopt novel technologies. Thus, KBV underpins strategic agility by ensuring that the right knowledge is available, shared, and applied at the right time, thereby enhancing SME performance and sustainability.

Strategic Agility and SME Performance

Strategic agility is the ability of an organization to continuously sense, anticipate, and respond to changes in the business environment while effectively seizing opportunities and managing risks. It emphasizes aligning an organization's strategy with dynamic market conditions, technological advancements, and competitive pressures (Omondi & Otieno, 2020). Empirical studies indicate that strategic agility, comprising strategic sensitivity, leadership unity, and resource fluidity, positively influences SME performance across various contexts (Ahammad et al., 2021; Susanto & Prayogo, 2023; Usman, 2023; Murad & Susanto, 2021).

Strategic Sensitivity

Strategic sensitivity enables SMEs to evaluate customer preferences, monitor market trends, and make informed decisions aligned with dynamic market conditions. For example, Ahammad et al. (2021) highlight that strategic sensitivity empowers SMEs to adjust pricing strategies based on evolving market trends. Asseraf, and Gnizy (2022) observe that it allows organizations to identify new opportunities, implement innovative approaches, and address

threats proactively. Burananuth and Tamprateep (2019) confirm that strategic sensitivity significantly enhances SME performance, while Arokodare and Asikhia (2020) identify it as a strong predictor of performance outcomes. Similarly, Pradhan and Pradhan (2015) emphasize that strategically sensitive SMEs are more aware of shifts in cost structures, and Teece, Peteraf, and Leih (2016) attest to its robustness as a predictor of organizational performance. Collectively, these studies suggest that strategic sensitivity enables SMEs to optimize pricing and cost management, thereby strengthening overall competitiveness (Reed, 2020).

Leadership Unity

Cohesive leadership is another critical dimension of strategic agility that positively affects SME performance. Susanto and Prayogo (2023) demonstrate a significant positive relationship between leadership unity and SME performance. Pham (2021) finds that strategic leadership impacts SME performance both directly and indirectly through dynamic capabilities, highlighting the importance of unified leadership in promoting adaptability and growth. Omondi and Otieno (2020) show that cohesive leadership practices enhance sustainability and market competitiveness, while Koirala and Sharma (2021) report that prosocial leadership and collaborative capabilities bolster SME resilience and flexibility.

Resource Fluidity

Resource fluidity refers to a firm's ability to mobilize, reconfigure, and redeploy resources efficiently in response to changing market conditions. It is a core component of strategic agility, alongside strategic sensitivity and leadership unity. Empirical evidence indicates that resource fluidity substantially contributes to SME performance. Usman (2023) demonstrates a strong positive correlation between resource fluidity and performance, whereas Efeomo et al. (2022) emphasize that adaptable resource management enhances organizational outcomes. Deshati (2023) identifies resource fluidity, together with leadership capabilities and strategic sensitivity, as essential for firm survival and competitiveness. Sarkosi (2022) further notes that strategic

agility, encompassing resource fluidity, positively influences SME performance, particularly during economic downturns. Murad and Susanto (2021) confirm that strategic agility, including resource fluidity, is an independent predictor of SME performance, underscoring its importance in achieving competitive advantage.

Overall, empirical research demonstrates that strategic agility, through its dimensions of strategic sensitivity, leadership unity, and resource fluidity, plays a decisive role in enhancing SME performance. Firms that cultivate these capabilities are better positioned to sense opportunities, respond to environmental changes, and sustain competitive advantage in dynamic markets.

Based on the empirical evidence presented, the study proposes the following hypotheses:

H1: Strategic sensitivity has a positive and significant relationship with the performance of SMEs.

H2: Leadership unity is positively and significantly related to SMEs' performance.

H3: Resource fluidity is positively and significantly associated with SMEs' performance.

Mediating Role of Knowledge Management (KM)

Knowledge Management (KM) is the structured process of creating, capturing, sharing, and applying organizational knowledge to enhance decision-making and performance (Doz & Kosonen, 2010). Susanto and Prayogo (2023) explain that KM converts strategic initiatives into actionable insights by transforming environmental scanning, leadership collaboration, and resource reallocation into usable knowledge that fuels competitiveness and growth. Similarly, Nguyen and Ngo (2022) argue that KM processes translate sensed opportunities into concrete strategies that drive innovation, customer satisfaction, and profitability. Strategic agility, which comprises strategic sensitivity, resource fluidity, and leadership unity, equips firms to detect and respond to market changes; however, its impact is amplified when supported by effective KM practices such as knowledge acquisition, sharing, and application (Shams et al., 2021).

Efeomo et al. (2022) highlight KM as a critical mediator between strategic agility and SME performance, while Alamsjah and Yunus (2022) show that KM significantly mediates the relationship between dynamic capabilities, including strategic agility, and organizational performance in knowledge-intensive SMEs.

Empirical evidence reinforces this view. Zamani (2022) finds that SMEs employing KM transform strategic responsiveness into product and process innovations that enhance market performance. Shams et al. (2021) likewise demonstrate that KM practices enable strategically agile firms to sustain competitiveness in turbulent environments. Burananuth and Tamprateep (2019) note that KM helps SMEs respond effectively and improve performance, and Williams and Olajide (2020) add that KM systems, such as databases, lessons-learned platforms, and communities of practice, allow leadership to disseminate strategic knowledge across the enterprise, thereby boosting productivity and profitability. Nejatian et al. (2018) further show that KM maintains up-to-date knowledge of resource availability, competencies, and best practices, enabling efficient resource reallocation as market conditions evolve. Collectively, these studies indicate that without robust KM, strategic agility may not yield full performance benefits because valuable knowledge remains fragmented or tacit. When KM mediates the relationship, insights from market sensing, unified leadership, and flexible resource deployment are codified and shared, leading to stronger innovation, higher customer satisfaction, and improved financial outcomes. Therefore, Knowledge Management (KM) acts as the critical link that transforms strategic agility, manifested in strategic sensitivity, leadership unity, and resource fluidity, into tangible gains in SME performance. By capturing, organizing, and applying organizational knowledge, KM ensures that strategic agility is effectively executed and sustained. Accordingly, the study proposes the following hypotheses:

H4: KM mediates the relationship between strategic sensitivity and the performance of SMEs.

H5: KM mediates the relationship between leadership unity and the performance of SMEs.

H6: KM mediates the relationship between resource fluidity and the performance of SMEs.

Conceptual Framework for the Study

Figure 1: Conceptual Model

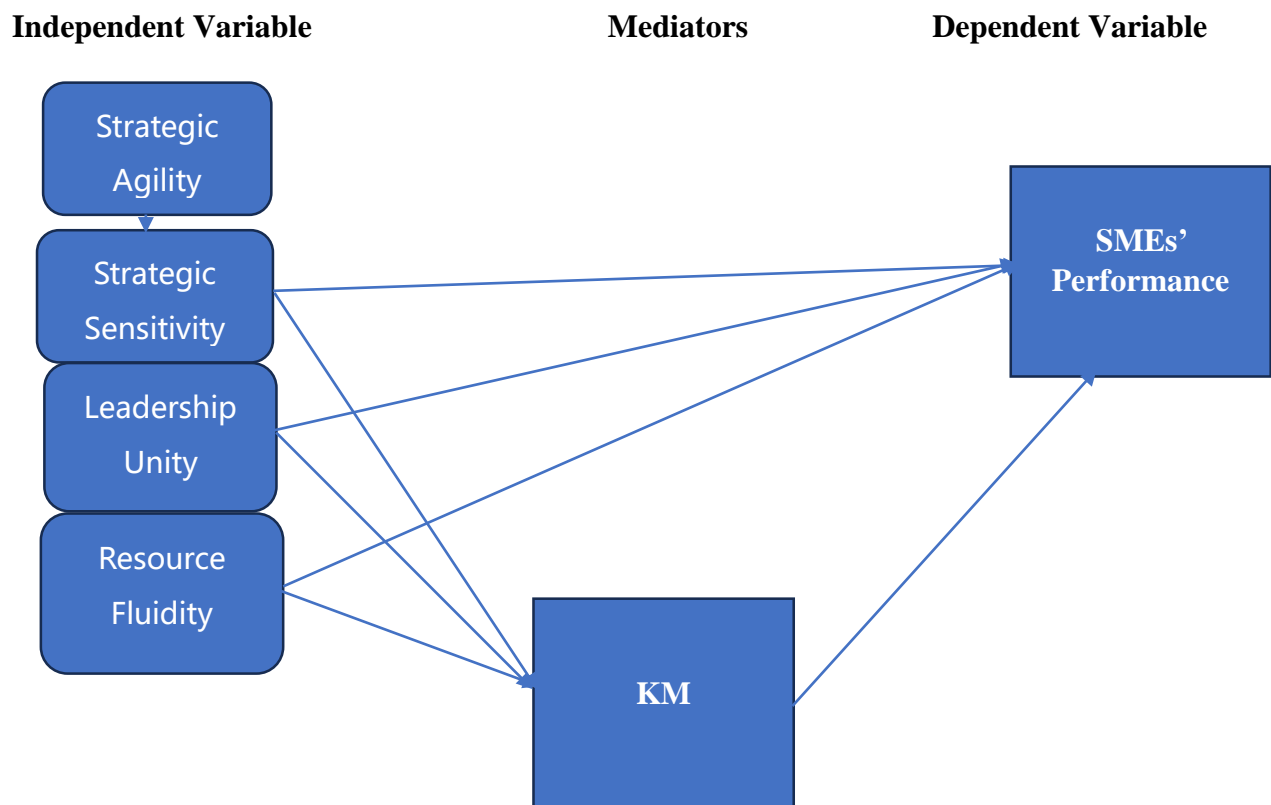


Figure 1 presents the conceptual framework designed to explain SMEs' performance, emphasizing the role of strategic agility, comprising strategic sensitivity, leadership unity, and resource fluidity. The model positions Knowledge Management (KM) as a mediating variable between these dimensions of strategic agility and SME performance. This framework underpins the study's hypotheses by proposing that strategic agility is not merely a defensive posture but a proactive engine of innovation, operational efficiency, and financial growth. In dynamic markets, it enables smaller firms to compete effectively despite limited resources. KM acts as the critical mechanism that transforms the *potential* of strategic agility into measurable outcomes. By capturing, sharing, and applying organizational knowledge, KM closes the gap

between opportunity sensing and strategic execution, ensuring that agile practices yield sustainable competitive advantage and improved financial results.

Accordingly, the model posits that the strategic dimensions of agility exert a direct positive impact on SMEs' performance, while KM serves an indirect, mediating role, amplifying the overall effect of strategic agility on business success.

Methods

This study adopts a quantitative, descriptive, and causal research design. Survey research served as the primary method for collecting data, enabling the gathering of unbiased information that supports informed decision-making through rigorous analysis. The research focused on small and medium-sized enterprises (SMEs) in Lagos State, Nigeria. Using a purposive sampling technique, questionnaires were distributed to 670 SMEs, targeting operators and managers to obtain insights on strategic sensitivity, leadership unity, resource fluidity, perceived product quality, and SME performance. Data collection was carried out in person by the researchers, assisted by two research aides, between July 14 and August 5, 2025. A total of 605 valid responses were retrieved, representing a response rate of 90.29%. To establish the instrument's validity and reliability, the study assessed factor loadings, Cronbach's alpha, composite reliability (CR), and average variance extracted (AVE) (see Table 1). Data were analyzed using Path Analysis and Structural Equation Modelling (PA-SEM) with STATA version 15.

Table 1. Validity and reliability test

Construct	Item	Factor loading	Cronbach's Alpha	C.R	AVE
Strategic Sensitivity	Our firm regularly scans the business environment to identify emerging opportunities.	0.801	0.811	0.821	0.721
	We quickly recognize shifts in customer preferences.	0.792			
	Market intelligence is shared promptly across departments.	0.810			

	We respond proactively to competitors' strategic moves.	0.803			
Leadership Unity	The management team demonstrates a common understanding of our strategic goals.	0.815	0.825	0.842	0.701
	Key leaders cooperate effectively when making major decisions.	0.789			
	Conflicts among top managers are resolved constructively and promptly.	0.808			
	Our leadership communicates a unified direction to employees.	0.813			
Resource Fluidity	Financial resources can be reallocated swiftly to meet changing priorities.	0.811	0.822	0.836	0.696
	Employees can be reassigned across functions as business needs evolve.	0.807			
	We can quickly adapt technology and equipment for new projects.	0.812			
	Our firm can shift investments to seize unexpected opportunities.	0.809			
Knowledge Management (KM)	Employees willingly share expertise and best practices with colleagues.	0.805	0.799	0.801	0.787
	We maintain an organized system for storing and retrieving key business knowledge.	0.799			
	Lessons learned from past projects are documented and used in future decisions.	0.787			
	Training and development programs encourage continuous learning.	0.806			
SME Performance	Our revenue has grown steadily over the past three years.	0.821	0.822	0.840	0.806
	Customer satisfaction levels have improved in the last 12 months.	0.827			
	We consistently achieve or exceed our profitability targets.	0.819			
	The business has strengthened its market share relative to competitors	0.782			

Source: Researchers' analysis

Table 1 shows that all measurement items exhibit strong loadings on their respective constructs (0.782–0.827). Cronbach's alpha values (0.799–0.825) and composite reliability scores

(0.801–0.842) exceed the recommended 0.70 threshold, confirming high internal consistency. The average variance extracted (0.696–0.806) is also well above the 0.50 benchmark, indicating robust convergent validity. These results demonstrate that the scales measuring strategic sensitivity, leadership unity, resource fluidity, knowledge management, and SME performance are both reliable and valid, providing a strong basis for subsequent structural analysis and managerial insights.

Results and Discussion

The data were analyzed using Path Analysis within the Structural Equation Modeling (PA-SEM) framework to examine the proposed relationships among the study variables. The analysis assessed the specified model paths, and the results are reported based on the significance and strength of these relationships. This approach provided a clear understanding of both the direct and indirect effects within the study's conceptual framework.

Table 2: Estimates of the Direct effect of Strategic Agility dimensions on SMEs' Performance

Relationship between variables	Estimates	S.E	t-value	p-value
SS →SMP	.3998	.0829	5.201	0.000
LU→SMP	.6036	.0420	7.629	0.000
RF →SMP	.4092	.0764	5.876	0.000

Note: SS = Strategic sensitivity, LU = Leadership, RF = Resource fluidity, SMP = SMEs' performance.

The results in Table 2 reveal that all three dimensions of strategic agility—strategic sensitivity (SS), leadership unity (LU), and resource fluidity (RF), exert significant positive effects on SMEs' performance (SMP). The estimate of 0.3998 ($t = 5.201$, $p < 0.001$) shows that higher strategic sensitivity is strongly linked to improved performance. This indicates that the ability to anticipate market changes and respond proactively enhances business outcomes. These findings support Liu et al. (2022), who highlight that strategic sensitivity enables SMEs to implement regular market scanning, competitor analysis, and customer-feedback systems to detect trends early and stay ahead of industry shifts. Likewise, Werder and Maedche (2018)

emphasize that continuous monitoring of customer needs, competitors, and industry trends helps SMEs identify opportunities and threats promptly.

Leadership unity demonstrates the strongest effect, with an estimate of 0.6036 ($t = 7.629$, $p < 0.001$). A cohesive leadership team plays a critical role in aligning resources, making timely decisions, and driving organizational success, underscoring leadership unity as the most powerful driver of SME performance. This outcome aligns with Rivera (2017), who notes that unified leadership enables SMEs to respond quickly to market changes, seize opportunities, and manage risks without delays caused by internal disagreements. Similarly, Pulakos et al. (2019) assert that prioritizing leadership cohesion enhances strategic alignment, streamlines operations, and fosters sustainable competitive advantage.

Resource fluidity also contributes significantly, with an estimate of 0.4092 ($t = 5.876$, $p < 0.001$). Flexible allocation and reconfiguration of resources allow SMEs to adapt swiftly to changing conditions, confirming that resource fluidity is a key performance driver. This finding echoes Homayoun et al. (2024), who argue that SMEs that prioritize resource fluidity remain resilient, capture emerging opportunities, and sustain competitive advantage even in volatile market environments.

Table 3: Estimates of the Indirect effect of Knowledge Management on Strategic Agility dimensions on SMEs' Performance

Relationship between variables	Estimates	S.E	t-value	p-value
SS →KM→SMP	.7012	.0502	9.872	0.000
LU→KM→SMP	.7871	.0397	10.312	0.000
RF →KM→SMP	.6421	.0307	8.791	0.000

Note: SS = Strategic sensitivity, KM = Knowledge Management, LU = Leadership, RF = Resource fluidity, SMP = SMEs' performance.

Table 3 highlights the indirect effects of Knowledge Management (KM) on the links between each dimension of strategic agility and SMEs' performance (SMP). All three mediation paths are positive, substantial, and highly significant ($p < 0.001$), confirming KM's critical mediating role. An indirect effect of 0.7012 ($t = 9.872$) shows that KM strongly

channels the positive influence of strategic sensitivity into improved SME performance, meaning that market sensing becomes far more effective when knowledge is systematically captured, shared, and applied. Leadership unity demonstrates the strongest mediation, with an estimate of 0.7871 ($t = 10.312$), indicating that a cohesive leadership team that promotes knowledge creation and dissemination significantly boosts performance outcomes. Likewise, the estimate of 0.6421 ($t = 8.791$) reveals that flexible resource allocation enhances performance largely through robust KM practices such as real-time information sharing and adaptive learning.

The consistently high t-values and very low p-values confirm that KM is a powerful, statistically significant mediator across all three strategic agility dimensions. This underscores that integrating effective KM systems enables SMEs to maximize the benefits of strategic sensitivity, leadership unity, and resource fluidity, ultimately achieving stronger and more sustainable performance.

Conclusion

This study investigated how knowledge management (KM) mediates the relationship between strategic agility and the performance of small and medium-sized enterprises (SMEs) in Lagos State, Nigeria. Lagos, recognized as a hub of innovation and information exchange with its numerous business incubators, technology hubs, and professional networks, provides a fitting context for exploring how KM enhances agility and competitiveness. A survey of 605 SME operators and managers captured data on strategic sensitivity, leadership unity, resource fluidity, perceived product quality, and firm performance. Structural equation modeling (SEM) using STATA 15 revealed that leadership unity exerts the strongest direct influence on performance, emphasizing the importance of cohesive leadership for timely decision-making, resource alignment, and organizational success. Strategic sensitivity and resource fluidity also

showed significant positive effects, underscoring the value of proactive market sensing and flexible resource allocation.

Furthermore, KM demonstrated substantial indirect effects, confirming that systematic knowledge capture, sharing, and application amplify the benefits of all three strategic agility dimensions. The findings conclude that strategic agility, encompassing strategic sensitivity, leadership unity, and resource fluidity, significantly enhances SME performance, with KM serving as a critical mediator. SMEs that foster agile strategies while institutionalizing strong KM practices are better equipped to anticipate market changes, adapt rapidly, and maintain a sustainable competitive advantage. Strengthening leadership cohesion, improving market intelligence, ensuring resource flexibility, and embedding KM are therefore essential for long-term growth and resilience.

Study implications

This study is the first to investigate how knowledge management (KM) mediates the relationship between strategic agility dimensions (strategic sensitivity, leadership unity, and resource fluidity) and the performance of small and medium-sized enterprises (SMEs), even though previous research has typically examined strategic agility as a direct antecedent of SME performance. It offers a fresh perspective on how KM strengthens the link between strategic sensitivity, leadership unity, resource fluidity, and organizational outcomes. Conducted in Lagos State, Nigeria's commercial and innovation hub, the research draws on a rich business environment to generate robust, empirically based evidence of how these dimensions interact with KM to drive performance. While numerous studies have confirmed that strategic sensitivity, leadership unity, and resource fluidity positively influence SME performance in both developed and developing economies, none have clarified how these relationships change when KM is introduced. This study fills that gap by providing empirical evidence that positions

KM as a critical mediator and shows how strategic agility elements serve as precursors to effective knowledge practices.

Beyond its academic contribution, the research delivers practical value. It equips SME operators and policymakers with evidence-based strategies to enhance competitiveness, foster sustainable growth, and strengthen Lagos's position as a national model for knowledge-driven entrepreneurship. It also serves as a guide for business associations and NGOs in designing training and mentorship programs that emphasize cohesive leadership, resource flexibility, and systematic knowledge sharing. The study further advances theory by demonstrating the relevance and compatibility of two foundational perspectives: the Knowledge-Based View (KBV) and Dynamic Capabilities Theory (DCT). KBV underscores knowledge as the primary strategic resource, encouraging SMEs to develop the ability to sense opportunities, seize them quickly, and reconfigure resources, people, technology, and finances when market conditions shift. It promotes cross-functional teamwork and continuous learning, so employees can respond to change without waiting for top-down directives. Furthermore, DCT explains how firms apply and renew such knowledge to adapt and innovate, offering a framework for capacity-building initiatives such as scenario planning, digital transformation workshops, and innovation labs. It also supports partnerships among universities, research centers, and industry to accelerate the transfer of applied knowledge.

Together, these theories clarify both what SMEs and policymakers must value, knowledge as a core strategic asset, and how they should act, emphasizing continuous learning, rapid adaptation, and resource reconfiguration. In doing so, the study provides a comprehensive roadmap for building a resilient, knowledge-driven SME sector capable of thriving in Lagos's fast-changing business environment.

Study limitations and suggestions for future studies

Although this study makes a meaningful contribution to the literature, several limitations should be acknowledged. First, the research focused exclusively on SMEs in Lagos State, Nigeria. Lagos is a distinctive business hub with more advanced infrastructure and higher levels of innovation than many other Nigerian states or sub-Saharan African regions. This unique context limits the generalizability of the findings to SMEs in rural areas or less dynamic markets. Future research should therefore replicate the study across other Nigerian states, other African countries, and emerging economies to test the robustness of the results in different institutional and cultural settings.

Second, the measurement of strategic agility, knowledge management (KM), and performance relied on established scales but reduced these multidimensional constructs to a limited set of indicators. To capture the full complexity of these variables, future studies could incorporate additional mediating or moderating factors—such as organizational culture, digital transformation, environmental turbulence, or financial constraints into a more comprehensive model. Third, the theoretical framework was grounded primarily in the Knowledge-Based View and Dynamic Capabilities Theory. While these perspectives are relevant, other theories, such as Absorptive Capacity, Organizational Learning, Contingency, and Socio-Technical Systems, could further illuminate the mediating role of KM and enrich the conceptual foundation.

Finally, all data were collected through self-reported surveys of SME operators and managers. Such perceptions may be subject to social desirability bias, recall errors, or overestimation of performance. Future research would benefit from incorporating longitudinal or panel designs and integrating objective performance metrics to strengthen causal inference and reduce potential bias.

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