





The Effect of Knowledge Absorption Capacity, Mindfulness, and Agility on Organizational Performance, with an Emphasis on the Mediating Role of Business Model Innovation

(case study: small and medium enterprises of Kurdistan province)

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Abstract

This study examines the effects of knowledge absorption capacity, agility, and senior management mindfulness toward digital transformations on organizational performance, with an emphasis on the mediating role of business model innovation (BMI). The research is applied in nature, utilizing a descriptive-survey method. We distributed 244 standardized questionnaires to managers and experts in small and medium-sized enterprises (SMEs) in Kurdistan Province. Data were analyzed using SPSS for descriptive statistics and SMART PLS4 for inferential statistics and structural equation modeling (SEM) with a partial least squares (PLS) approach.

Our findings reveal a significant positive effect of knowledge absorption capacity on BMI and, consequently, on organizational performance through the mediating effect of BMI. We also found a significant effect of agility on BMI and confirmed the significant effect of BMI on performance. However, the study shows that organizational agility does not significantly affect performance through the mediation of BMI. Similarly, senior management mindfulness toward digital transformations does not significantly impact BMI or organizational performance with BMI as a mediator. Furthermore, risk-taking and sustainability were not found to have a moderating role in the relationships studied.

Keywords: Agility, Business Model Innovation, Knowledge Absorption Capacity, Mindfulness, Organizational Performance.

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Introduction

A business model must aim to achieve sustainable competitive advantage, fulfilling objectives, strategies, and vision (Ali Ahmadi & Rezaei, 2020), and recognize the necessity of establishing an integrated system for effective strategic decision-making to focus on performance (Laitinen, 2002). Changing market conditions (Uçaktürk, Bekmezci & Uçaktürk, 2011), along with efforts to improve business transactions and profitability, are factors leading to innovation in business models (Ma et al., 2021). One of the influential factors in increasing business model innovation is the development of knowledge absorptive capacity (Miroshnicchenko et al., 2021), which includes four dimensions: identification, assimilation, transformation, and exploitation (Martínez-Sánchez, Vicente-Oliva and PérezPérez).

To counter business turbulence and enhance organizational dynamic capability (Das, Mukhopadhyay & Suar, 2022), it is essential for organizations to adapt processes in the face of continuous change (Saputra et al., 2022). This necessitates organizational agility, which has two dimensions: market investment agility and operational adjustment (Lu & Ramamurthy, 2011). In adapting to variable conditions and leveraging emerging opportunities, the innovative response of managers (Bhati et al., 2021) and their awareness of internal activities and organizational problems are crucial for creating successful BMI. Moving toward new technologies improves organizational performance and contributes to globalization (Cillo et al., 2021). Differentiating from competitors, navigating uncertain situations, and utilizing products and services or entering new markets require risk-taking (García-Lopera et al., 2022). These factors are particularly critical for small and medium-sized enterprises (SMEs), which must acquire and apply internal and external knowledge in a timely manner to reduce uncertainties and make more informed decisions (Hock-Doepgen et al., 2021). Furthermore, the pursuit of long-term growth, coupled with social and environmental crises, has led to an increased focus on sustainability in organizations (Hübel, Wiesboard & Schaltegger, 2022).

Problem Statement

Given the flexibility and innovativeness of SMEs, their faster decision-making cycles offer a greater agility advantage compared to large organizations (Latifi, Nikou & Bouwman, 2021). However, research on business model innovation is less extensive within these companies. Therefore, this study investigates SMEs operating across the manufacturing, service, and industrial sectors of Kurdistan Province.

Research Hypotheses

1. Knowledge absorptive capacity, organizational agility, and senior management mindfulness significantly influence performance through the mediating role of business model innovation.
2. Knowledge absorptive capacity significantly affects business model innovation in SMEs.
3. Organizational agility significantly affects business model innovation in SMEs.
4. Senior management mindfulness toward digital transformations significantly affects business model innovation in SMEs.
5. Business model innovation significantly affects the performance of SMEs.
6. Knowledge absorptive capacity significantly affects business model innovation in SMEs, with organizational risk-taking as a moderating variable.
7. Business model innovation significantly affects the performance of SMEs, with organizational sustainability as a moderating variable.



- Background

| Researcher / Year | Research title | Summary of findings |
|------------------------|--|---|
| Colabi, 1402 | Proposing a Business Resilience Model: Elucidating the Role of Business Model Innovation, Open Innovation, Organizational Agility, and Strategic Flexibility | <ol style="list-style-type: none"> 1. A positive and significant impact of strategic flexibility on organizational agility. 2. A positive and significant impact of organizational agility and strategic flexibility on business model innovation and business resilience. 3. The positive moderating role of open innovation change in the relationship between business model innovation and business resilience. 4. Increasing agility and strategic flexibility to address weaknesses in business and strengthen positive points for innovation implementation. |
| Ghorbani Esfahlan 1400 | The impact of knowledge management capabilities on business model innovation, with the mediating role of organizational risk-taking in small and medium-sized enterprises. | Business model innovation can lead to improved financial performance of businesses. |
| Oredo& Dennehy 2023 | The Role of Organizational Mindfulness in Cloud Computing and Company Performance: The Case of Kenyan Organizations. | Improving mindfulness capabilities in the organization to benefit from information technology innovations. |
| Bhatti et al. 2021 | Antecedents and consequences of business model innovation in the IT industry | <ol style="list-style-type: none"> 1. Business model innovation is significantly dependent on knowledge absorptive capacity, organizational agility, and top management mindfulness. 2. Business model innovation emerged as a mediating variable in the relationship between these factors and business performance. |

Methodology

This research is applied in terms of purpose, quantitative in terms of variables, and cross-sectional from a time perspective, with a descriptive-survey design. The statistical population consisted of managers and experts in SMEs located in the industrial parks of Kurdistan Province. A stratified random sampling method was used, with a sample size of 244 determined based on the Cochran formula for a population of 556 active companies.



Research Findings

| Main Hypotheses | Sub-Hypotheses | β | Z-significance coefficient | Result |
|---|---|-----------------------------|----------------------------|-----------------------------|
| Knowledge absorptive capacity, organizational agility, and top management mindfulness \rightarrow performance through the mediating role of business model innovation | Knowledge absorption capacity \rightarrow Performance mediated by business model innovation | | ۲,۰۲۸۳ | Hypothesis confirmation |
| | Organizational agility \rightarrow Performance mediated by business model innovation | | ۱,۶۳۸ | Rejection of the hypothesis |
| | top management mindfulness \rightarrow Performance mediated by business model innovation | | ۱,۱۴۴ | Rejection of the hypothesis |
| Knowledge absorption capacity \rightarrow business model innovation | | Hypothesis confirmation | ۷,۱۳۰ | ۰,۴۵۷ |
| Organizational agility \rightarrow business model innovation | | Hypothesis confirmation | ۲,۷۷۷ | ۰,۱۷۶ |
| top management mindfulness \rightarrow business model innovation | | Rejection of the hypothesis | ۱,۵۰۵ | ۰,۰۹۴ |
| business model innovation \rightarrow Performance | | Hypothesis confirmation | ۲,۱۴۳ | ۰,۱۶۲ |
| Knowledge absorptive capacity \rightarrow business model innovation with risk moderation | | Rejection of the hypothesis | ۰,۵۱۵ | ۰,۰۲۹ |
| Business model innovation \rightarrow Performance with organizational sustainability moderation | | Rejection of the hypothesis | ۰,۵۳۹ | -۰,۰۲۵ |

Conclusion

Our analysis confirmed that knowledge absorption capacity has a significant indirect effect on organizational performance, fully mediated by business model innovation. We also found a significant direct effect of organizational agility on business model innovation and confirmed the significant effect of business model innovation on organizational performance.

However, contrary to our hypotheses, organizational agility was not found to have a significant effect on performance through the mediation of business model innovation. Similarly, senior management mindfulness toward digital transformations was not found to have a significant impact on business model innovation, nor did it have a significant indirect effect on organizational performance. Furthermore, our

findings indicate that risk-taking and sustainability do not play a significant moderating role in the relationships studied.

Based on these findings, we propose several key steps for SMEs to boost performance: innovate business models to adapt to technology and competition; collaborate to integrate external knowledge and strengthen training; plan for organizational flexibility to withstand changes; invest in digital transformation by studying development and collaborating with tech firms; and create safe spaces for employee risk-taking. Ultimately, a focus on sustainability and continuous analysis of the competitive landscape are crucial for sustained performance.

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