

# Moderating Effect of Innovation Capability on the Relationship between Strategic Improvisation and Performance of Selected Small and Medium-Scale Enterprises in Lagos State, Nigeria

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## ABSTRACT

The onset of the COVID-19 pandemic, coupled with diverse business hurdles, has presented substantial barriers for SMEs, resulting in disruptions to their operations. Issues such as limited adaptability, ineffective communication, deficient teamwork, and inadequate digital skills significantly impeded the competitiveness of Nigerian SMEs, especially at the peak of the pandemic. These enterprises often encounter challenges in fostering innovative capacities to address various obstacles. The pandemic underscored the resilience of only those SMEs that embraced innovative strategies, demonstrating their ability to withstand its effects. This study examined the moderating effect of innovation capability on strategic improvisation and performance of selected small and medium-scale enterprises in Lagos State, Nigeria. The study adopted a survey research design. The population study comprised the Small and Medium Enterprises (SMEs) that are registered and operational in Lagos State and identified as members of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). The total population of the study was estimated at 42,067, which represents the overall count of registered SMEs affiliated with Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). A sample size of 510 participants was obtained using Cochran's sample size formula (1977). The study utilized moderated linear regression analysis. The study found that innovation capability ( $R = 0.719$ ,  $R^2 = 0.517$ ,  $R^2 \Delta = 0.000$ ,  $\text{Adj}R^2 = 0.513$ ,  $F \Delta = 0.247$ ,  $F \Delta p = 0.620 > 0.05$ ) did not exhibit a significant moderating effect on the relationship between strategic improvisation and performance metrics ( $R = 0.723$ ,  $R^2 = 0.523$ ,  $R^2 \Delta = 0.000$ ,  $\text{Adj}R^2 = 0.518$ ,  $F \Delta = 0.072$ ,  $F \Delta p = 0.789 > 0.05$ ). The study concludes that strategic improvisation has no significant effect on organizational performance when moderated by innovative capability. This implies that even if a company demonstrates the ability to improvise strategically, it may not necessarily translate into improved organizational performance, particularly if the organization lacks innovative capabilities. Therefore, the study recommends that SMEs in Lagos should focus on fostering innovation independently. Create innovation hubs within the organization to encourage idea generation and experimentation. Collaboration with local universities or innovation hubs could offer access to research and development opportunities unique to the Lagos context.

**How to cite this paper:** Olowe, A. E. | Fadahunsi, O. A. "Moderating Effect of Innovation Capability on the Relationship between Strategic Improvisation and Performance of Selected Small and Medium-Scale Enterprises in Lagos State, Nigeria"

Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-8 | Issue-6, December 2024, pp.1214-1226, URL: [www.ijtsrd.com/papers/ijtsrd73789.pdf](http://www.ijtsrd.com/papers/ijtsrd73789.pdf)



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**KEYWORDS:** Innovation Capability, Strategic Improvisation, Organizational Performance, Small and Medium-Scale Enterprises

## 1. INTRODUCTION

SMEs in Nigeria have shown immense potential for driving economic growth and employment. However, they often grapple with several challenges that undermine their performance and long-term sustainability. These issues range from operational ineffectiveness and a lack of growth capacity to poor coordination among different aspects of the business. Additionally, many Nigerian SMEs seem resistant to adopting innovative practices that could ensure their sustainability. Research indicates that these combined challenges lead to a worrying trend: a significant number of these enterprises do not survive past their fifth year of operation. For instance, studies conducted by Folajimi & Oyindamola (2020) and Ufua Olujobi, Ogbari, Dada and Edafe (2020) highlight this high attrition rate among SMEs in Nigeria. As such, an urgent need for interventions that addresses these challenges and bolsters the longevity and success rate of Nigerian SMEs is required.

Performance decline in SMEs has been attributed to different factors which can improve degrading efforts by these SMEs to survive (Bayero, 2021). This has thus led to a decline in performance and the eventual closure of some of these SMEs particularly in Nigeria (Folajimi & Oyindamola, 2020; Muhammad, 2021). Strategic improvisation acts as the best strategy to cope with dynamism and intricacies and provides the organisation with the capabilities to adapt to changing environmental demands rapidly and effortlessly (Cunha, Gomes, Kamoche, Mair, Miner & Tarba 2022). However, this is not the case in Nigerian business space as it is observed that some SMEs lack the ability to properly understand the environment for signals in the form of challenges and opportunities. Consequently, they are unable to improvise appropriately to salvage situations or take advantage of opportunities (Frontier & Sinclair, 2021; Mamédio, Cunha & Meyer Jr, 2022). The right leadership has not been provided due to a lack of flexibility, effective communication is poor, teamwork is almost impossible, and some SMEs lack the right digital orientation or ability to drive performance improvement (Barkela, 2021; Thelen, 2021).

There is a noticeable gap in the strategic improvisation and digital capabilities of SMEs in Nigeria, as identified in previous studies. These businesses frequently face difficulties in developing innovative capabilities to overcome various challenges. The COVID-19 pandemic highlighted that only those SMEs with innovative approaches were able to endure its impacts. Nigerian SMEs often employ outdated methods and strategies, putting them at a disadvantage compared to their international

counterparts (Shuaib & He, 2021). Furthermore, they display a lack of initiative in exploring new operational methods, contributing to a high failure rate with many not surviving beyond their third or fifth anniversary (Nimfa, Latiff & Abd Wahab, 2021). As a result, the overall performance of Nigerian SMEs has deteriorated, and they continue to struggle in finding effective solutions. Therefore, this study examined moderating effect of moderating effect of innovation capability on strategic improvisation and performance of selected small and medium-scale enterprises in Lagos State, Nigeria.

## 2. LITERATURE REVIEW

This section focused on the concepts of strategic improvisation, organizational performance, and innovation capability on the relationship among theoretical, conceptual and empirical lines.

### 2.1. Organisational Performance

Organisational performance is a term that carries various implications, acting as a cornerstone for evaluating the success and potential of an entity. According to research by Mahmood, Ahmed and Philbin (2022) there is often a conflation of terms such as 'Organisational Performance', 'business performance', and 'firm performance'. Some researchers believe that these terms, while similar in usage, don't always share conceptual similarities. However, what's clear is that the heart of organisational performance is about an organisation's ability to achieve its objectives and deliver optimal outcomes. Oware and Mallikarjunappa (2021) further elucidated this, suggesting that such performance not only ensures an organisation's competitive advantage but also its enduring success. This is not solely about the overall efficacy of an organisation. It is equally a reflection of the quality and effectiveness of its leadership, as indicated by Telyani, Farmanesh and Zargar (2022). Summarizing this perspective, the success and potential of an organisation are deeply intertwined with its performance capability, as underlined by both Kraidy and Abbas (2016) and Amhalhal Anchor, Papalexi and Dastgir (2022).

Diving deeper into the nuances of organisational performance, Maaz and Ahmad (2022) as well as Nafari and Rezaei (2022) pointed out that the genuine value of an organisation lies in its capacity to set ambitious goals and then marshal the resources and strategies to achieve them. This intrinsic ability is paramount for the realization of strategic objectives, a sentiment echoed by Benedict, Gitonga, Agyeman and Kyei (2021). However, it is crucial to recognize that the strategy within an organisational framework is neither static nor monolithic. Both Ashiru Erdil and Oluwajana (2022) and Chouaibi, Festa, Quaglia and

Rossi (2022) highlighted the imperative for organisations to continuously evolve their strategies in response to the ever-changing market landscapes. With markets becoming increasingly diversified, the innovation of management practices, and the rapid advancement of new technologies, there's a profound shift in the traditional business models. Such shifts, as discussed by Gomes, Seman, Berndt and Bogoni (2022) and Dang Le-Hoai and Peansupap (2022), are redefining the way businesses operate and compete.

## 2.2. Strategic Improvisation

According to Abrantes, Cunha and Miner (2022) the concept of Strategic Improvisation emerges as a pivotal capability for leaders in swiftly adapting and reconfiguring internal and external resources and capabilities in response to unforeseen and rapidly evolving strategic opportunities and threats. This disposition enables leaders to effectively integrate and dynamically reshape resources and capabilities in volatile settings undergoing rapid change (Peñarroya-Farell & Miralles, 2022). It is underscored as the outcome of a leader's multifaceted skills encompassing self-awareness, self-management, social awareness, relationship management, influence, creativity, and continuous learning (Sørensen & Kruke, 2022). Furthermore, Strategic Improvisation is elucidated as the leader's competence to enhance the organisational environment, mobilize and deploy resources, optimize individual and group performance, navigate risks and uncertainties, and mitigate stress (Abrantes *et al.*, 2022b; Yu & Li, 2022). This strategic prowess is intrinsically linked to the leader's ability to facilitate structural and cultural change, establish organisational alignment, and foster agility (Arias-Pérez & Cepeda-Cardona, 2022). It is characterized by the real-time integration and dynamic rearrangement of internal and external resources (Cunha, Gomes, Kamoche, Mair, Miner & Tarba, 2022). In summary, Strategic Improvisation encompasses the capacity of leaders to swiftly harmonize and adapt resources and capabilities in response to unforeseen challenges within rapidly evolving environments (Rodríguez-Escobar & Lissillour, 2022). Strategic improvisation manifests itself in various forms: firstly, as an adaptive response to unexpected environmental changes, such as the emergence of new competitors, advancements in technology, or shifts in regulatory frameworks (AL-Sumaidaie & Al-Samman, 2021a). Secondly, it serves as a means to execute pre-existing strategies in dynamically changing contexts. Lastly, it plays a role in formulating new strategies when organisations venture into uncharted territories or when existing

strategies prove ineffective (AL-Sumaidaie & Al-Samman, 2021a).

## 2.3. Innovative Capability

Innovative capability, as defined by Callaghan (2021), refers to an organisation's ability to transform existing ideas into new or improved products, services, or processes that provide benefits to the organisation. This capability encompasses various aspects related to identifying growth opportunities through the creation of new offerings and the enhancement of existing ones, as highlighted by Dweiri and Shatat (2021) and Vrontis, El Chaarani, El Abiad, El Nemar and Yassine Haddad (2022). It represents a complex network of interrelated factors resulting from interactions between internal and external elements. Internal factors encompass research and development activities, technological infrastructure, human resources, organisational structure, and decision-making processes, while external factors encompass technology standards and competition from other firms within the same industry, as pointed out by Adeosun and Shittu (2021) and Otengei & Ahebwa (2021). Importantly, it should not be underestimated that even small and medium-sized enterprises (SMEs) possess significant innovative capabilities, as emphasized by Lee and Yoo (2021) and Mahgoub (2021). An organisation's culture plays a pivotal role in nurturing its innovative capability, as it either encourages individuals to pursue innovation independently or collaborate with others to generate new ideas, as noted by Dost, Badir, Sambasivan and Umrani (2020). A culture that fosters innovation allows organisations to excel by identifying and resolving problems before they become detrimental to the business, as highlighted by Ahmed Asghar, Malik and Nawaz (2020).

## 2.4. Empirical Review

Pudjiarti (2018) conducted a study in Indonesia to examine the relationship between entrepreneurial elements of organisational learning, innovativeness, adaptive capability, and the performance of private universities. The findings, based on structural equation modeling and data from 333 lecturers in six private universities, indicate that organisational change capacity and innovative capability strengthen the impact of organisational learning on university performance. The study suggests that private universities should reorient their teaching programs, research, publication, and community involvement to enhance productivity and maintain existing conditions while improving performance. Similarly, Huang (2018) focused on the high-tech industry and found that innovative education positively affects innovation capability and organisational performance.



The research, based on questionnaires distributed to supervisors and employees in Taiwan's semiconductor manufacturers, emphasizes the importance of reinforcing innovative education to enhance workforce quality and product innovation.

Furthermore, Kiziloglu and Yamin (2021) explored the influence of organisational culture, decision making, and allocentrism on organisational innovative capability and performance. Their study, which employed a quantitative research approach and structural equation modeling, collected data from 299 respondents. The results highlight the substantial variance in organisational innovative capability and suggest the significance of factors such as allocentrism, culture adaptability, and culture consistency in enhancing performance. Additionally, Vakulenko (2021) investigated the moderating role of innovation capability on the relationship between the liability of smallness and innovative outputs. The study suggests that small companies, despite their limited resources, can overcome the liability of smallness by leveraging their innovation capability to produce more innovative outputs.

Finally, Aziz (2023) focused on the Malaysian manufacturing industry to examine the antecedents of innovation performance and the moderating role of innovation capability. Through a quantitative approach and data from 105 companies, the study found a positive direct relationship between the influencers and innovation performance, with innovation capability partially moderating the relationship. The research provides recommendations for decision-makers in the manufacturing industry to improve innovation performance. Hence the study hypothesizes that:

H<sub>0</sub>: Innovation capability does not significantly moderate the effect of strategic improvisation on the performance of SMEs in Lagos State Nigeria.

## 2.5. Theoretical Review (Upper Echelons Theory)

Donald, Hambrick and Phyllis, Mason developed the upper echelons hypothesis as a management theory in 1984 (Hambrick, 2007). According to the upper-echelon theory, top executives have very unique perspectives on the issues and circumstances in their organisation (Derda, 2017). The theory assumes that executives in large firms have distinctive personalities and experiences that make them different from their subordinates (Bassyouny, Abdelfattah and Tao, 2020). The main idea behind this theory is that top management teams make decisions based on their unique backgrounds, experiences, and individual personalities (Dubey, Gunasekaran, Childe, Papadopoulos, Hazen and Roubaud, 2018). It also

focuses on how these differences in top management teams affect organisational performance. These perspectives go a long way to affect the way and manner in which they make themselves available to attend to issues in the organisation (Derda, 2017).

The upper echelons theory has been supported by different researchers in the organization and they focused on the positive aspects of the upper-echelon theory, such as its emphasis on the positive impact of culture on employees (Lee, Sun & Moon, 2018). The upper echelons theory suggests that the company's management holds the key to the success or failure of its business unit. It is usually associated with the observation that the management of an enterprise or a company is the most senior executive position and that the nature and beliefs of this person drive the growth and development of the organisation (Kim, 2021). The upper echelons theory makes a good case for the importance of senior management in an enterprise company. It states that the behaviour of the management towards its employees is the most important factor in a company. It holds that the management forms the culture of an organisation and is responsible for its success or failure (Dubey *et al.*, 2018).

The upper echelon theory (UET) is a theory that seeks to explain how and why firms make strategic choices. The upper echelon theory is relevant to this theory in that since organisational outcomes and strategic choices are partially predicated by the characteristics and personalities of the top management, it is also very possible that the idea to strategically improvise will be determined by the personalities of the top management. The theory claims that upper management in business firms has a significant influence on strategic choices. The idea behind this theory is that since upper management has more information than lower levels, they can make better decisions. This also makes sense because they are responsible for making decisions regarding resource allocation and can therefore determine what strategic direction would be best for their firm. The top management will have to set the motion and ensure that other members of the organisation key into the strategy. If the top management is not creative then strategic improvisation will fail but, in a situation, where the top management shows proactiveness in process, strategies and operations, then it is likely that strategic improvisation will work well and lead to positive organisational outcomes as predicted in the current study.

## 3. METHODOLOGY

The study adopted a survey research design. The population study comprised the Small and Medium

Enterprises (SMEs) that are registered and operational in Lagos State and identified as members of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). The total population of the study was estimated at 42,067, which represents the overall

count of registered SMEs affiliated with Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). A sample size of 510 participants was obtained using Cochran's sample size formula (1977). The study utilized hierarchical regression analysis.

#### 4. DATA ANALYSIS AND RESULTS

**H<sub>0</sub>:** Strategic improvisation has no significant effect on organisational performance when moderated by innovative capability of selected small and medium-scale enterprises in Lagos State, Nigeria.

**Table 1a: Multiple Regression of strategic improvisation components on organisational performance when moderated by innovative capability of selected small and medium-scale enterprises in Lagos State, Nigeria.**

The table below gives the summary of the empirical literature review identified in a webometric analysis. The table also highlights the focus of the current study. The empirical studies in literature reviewed are summarized in Table 1.

**Table 1: Webometric Analysis of Some Empirical Research**

S/N	Author(s)/Year	Topic	Findings
1.	Gabriel (2023)	Perceived organisational support and performance of small and medium scale enterprises in Nigeria.	The findings of this study provide some practical implications for business organizations and owners or their managers.
2.	Ogungbamila (2023)	The influence of perceived organisational support on the dimensions of psychological well-being of police personnel in Nigeria.	The findings revealed perceived organisational support significantly influenced all the dimensions of psychological well-being, except mental balance, such that police personnel who had high level of perceived organisational support had higher control of self and events, happier, socially more involving, had higher positive evaluation of themselves, more sociable, and higher overall psychological well-being than those who had moderate or low level of perceived organisational support.
3.	Ogunbote and Unegbu (2023)	The influence of organisational support on librarians' Productivity in public libraries in South-West, Nigeria.	The findings revealed that supervisor support contributed greatly to organisational support $t(x = 3.34, SD = 0.49)$ . The study revealed that organisational support has a positive and significant influence on librarian's productivity ( $\beta=0.384, t(170)=5.442, p = 0.000$ ) while supervisor support ( $Beta = .200, t(174) = 2.592, p = 0.000$ ) and organisational rewards ( $Beta = .300, t(174) = 3.881, p = 0.000$ ) were the organisational support factors that positively influenced the variable.
4.	Martins and Terblanche (2003)	How organizational culture stimulates creativity and innovation in South African organizations	The findings revealed that cultural factors such as leadership support and open communication significantly enhanced employees' contextual performance.
5.	Rameezdeen and Gunarathna (2003)	The influence of organizational culture on employee commitment in Sri Lankan organizations.	The findings showed that Collaborative cultures were found to be more effective than hierarchical ones in fostering teamwork and adaptability, both key components of contextual performance.
6.	Rameezdeen and	Culture and Its Impact on	The study results indicate that cultural factors,

	Gunarathna (2003)	Employee Commitment in Sri Lankan Organizations.	including interpersonal trust and organizational fairness, had a direct relationship with employees' commitment and contextual performance. A supportive culture fostered a sense of belonging, prompting employees to engage in behaviors like mentoring peers and proactive problem-solving.
7.	Cheng et al. (2023)	How the integration of new technologies in banking institutions influenced employee performance.	The findings show that employees who felt supported by these technologies were more likely to engage in behaviors that contributed to the company beyond their basic job roles, such as suggesting improvements and taking on additional responsibilities.
8.	Hassan and Zainuddin (2020)	The impact of digital technologies on organizational citizenship behavior in the Malaysian retail sector.	The reported findings showed that the introduction of digital tools such as customer relationship management (CRM) systems and mobile platforms positively influenced employees' contextual performance by enhancing their ability to collaborate, resolve conflicts, and contribute to team-oriented tasks.
9.	Kakada, Deshpande and Bisen (2019)	Technology Support, Social Support, Academic Support, Service Support, and Student Satisfaction.	The findings revealed the institutional support dimensions –technology support, academic support, social support, and service support – are positively significantly related to student satisfaction in both state and private universities.
10.	Seema et al. (2010)	The role of technology in fostering employee engagement and loyalty in Indian IT firms.	The study revealed that technology-driven systems improved contextual performance by streamlining tasks and reducing the workload, thereby allowing employees to focus on innovative and collaborative activities.
11.	Agarwal and Ferratt (2002)	The impact of technological infrastructure on employee performance in the context of U.S. IT firms.	The findings revealed that robust technological support, including intranet systems and collaborative platforms, positively influenced employee contextual performance, particularly in areas like teamwork and problem-solving.
12.	DeLisi and Lipsey (2012)	The influence of technology on job performance in public sector organizations.	Findings demonstrated a positive relationship between access to advanced technology and employees' ability to exceed role expectations, such as engaging in extra-role behaviors like helping others and offering suggestions for improvement.
13.	Klein and Knight (2005)	The role of technology in enhancing employee creativity and contextual performance in a study of R&D firms in the United States.	From this study, employees with access to innovative technological tools exhibited higher levels of creativity, which contributed significantly to their contextual performance.
14.	Lee and Chen (2016)	The relationship between technological support and organizational citizenship behaviors in Taiwanese corporations.	The result shows that technology, particularly integrated communication and task management tools, supported employees in their ability to engage in extra-role behaviors such as voluntary participation in organizational initiatives and collaborative

			problem-solving.
15.	Wang and Wang (2015)	The effects of technological support on employee contextual performance in manufacturing companies in China.	The study shows that technological support, such as automated systems and real-time data-sharing platforms, had a direct and significant effect on employees' organizational citizenship behavior
16.	Gagne and Deci (2005)	How technological tools contribute to motivation and performance in the workplace.	The finding of the study revealed that employees who perceived technology as enhancing their autonomy and skill development were more likely to engage in contextual behaviors, such as voluntary participation in organizational activities and helping colleagues.
17.	Garmendia et al. (2023)	How co-worker support influences contextual performance in a study of 250 healthcare employees.	The results established that co-worker support played a critical role in improving job satisfaction and reducing emotional exhaustion, which, in turn, led to better contextual performance.
18.	Xu et al. (2023)	The impact of supervisor and peer support on employee contextual performance within the context of the hospitality industry.	The study revealed that supervisor support had a stronger positive effect on contextual performance than peer support. Employees who perceived high levels of supervisor support were more engaged, helped colleagues, and participated in voluntary activities, leading to improved overall organizational performance.
19.	Zhang and Li (2022)	The role of organizational social support in the banking sector, analyzing data from 400 employees	The findings demonstrate that organizational support, such as resources for personal and professional development, directly correlated with increased levels of contextual performance. Employees who felt supported were more likely to engage in discretionary behaviors that contributed to a positive work environment.
20.	Park et al. (2023)	Social support affects employee contextual performance in high-stress environments like healthcare	The result showed that when employees received emotional and instrumental support from their co-workers and supervisors, their levels of emotional exhaustion decreased, which, in turn, enhanced their contextual performance.
21.	Lee and Kang (2021)	The mediating role of job satisfaction between social support and employee contextual performance in a multinational corporation	The results showed that social support from both supervisors and peers positively influenced employees' job satisfaction, which then enhanced their willingness to engage in extra-role activities such as helping colleagues and contributing to team success.
22.	Shuaib and He (2023)	The mediating effect of organizational learning and moderating role of organizational culture on the relationship between total quality management and innovation among manufacturing companies in Nigeria.	Findings of the study show a soft and hard TQM practices are positively and significantly associated with innovation among Nigeria's manufacturing companies.



23	Ariyo and Okwilagwe (2020)	The influence of Organizational culture on job satisfaction of library personnel in selected academic libraries in three States in South-west, Nigeria.	The result showed that most of the professionals and paraprofessionals in the selected academic libraries had high level of job satisfaction. Findings further showed a significant positive relationship between organizational culture and job satisfaction of library personnel in selected academic libraries in the three states in South-west, Nigeria.
24	O'Neill, Beauvais, and Scholl (2016)	The association between organizational culture and structure with strategic behavior and performance.	The results showed that there was success in implementing strategy following a specific culture as adopted by the organization. The findings further showed well-coordinated activities in environments where culture was well founded.
25	Tseng (2010)	Culture of a firm and information change on organizational productivity.	The results of the study indicated that adhocracy type of culture enables knowledge conversion and enhances organizational productivity.
26	Naranjo-Valencia et al. (2016)	Culture of a firm, novelty, and performance in Spanish industrial companies.	The results showed that organizational culture can promote novelty of an enterprise in addition to its performance, or it could as well be an impediment for both of them, based on the ideals upheld by the culture. It was in addition established that adhocracy type of culture was the unsurpassed performance predictor.
27	Chege, Gichunge and Muema (2022)	The effect of role culture implementation approach on university performance in Kenya.	From the study, Adhocracy culture insignificantly influenced universities' performance by -13.3% (R square value of -0.133). The correlation value of $(r=-.097, p<0.05)$ showed the negative relationship between adhocracy culture and universities' performance. The chi-square value of $\chi^2 (5) = 0.038, p=0.049$ proved there was an insignificant relationship between adhocracy culture and universities' performance.

**Table 1b - Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.617a	.381	.380	1.88642	.381	259.163	1	421	.000
2	.719b	.517	.514	1.66915	.136	117.731	1	420	.000
3	.719c	.517	.513	1.67065	.000	.247	1	419	.620

a. Predictors: (Constant), Strategic Improvisation,

b. Predictors: (Constant), Strategic Improvisation, Innovation Capability

c. Predictors: (Constant), Strategic Improvisation, Innovation Capability, IC\*SI

**Table 1c - ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	922.250	1	922.250	259.163	.000b
	Residual	1498.157	421	3.559		
	Total	2420.407	422			
2	Regression	1250.257	2	625.129	224.376	.000c
	Residual	1170.150	420	2.786		
	Total	2420.407	422			



3	Regression	1250.946	3	416.982	149.398	.000d
	Residual	1169.462	419	2.791		
	Total	2420.407	422			

- a. Dependent Variable: Organisational Performance  
b. Predictors: (Constant), Strategic Improvisation  
c. Predictors: (Constant), Strategic Improvisation, Innovation Capability  
d. Predictors: (Constant), Strategic Improvisation, Innovation Capability, IC\*SI

**Table 1d - Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.880	.856		8.033	.000
	Strategic Improvisation	.657	.041	.617	16.099	.000
2	(Constant)	5.952	.763		7.805	.000
	Strategic Improvisation	.438	.041	.411	10.585	.000
	Innovation Capability	.272	.025	.422	10.850	.000
3	(Constant)	4.483	3.055		1.467	.143
	Strategic Improvisation	.510	.150	.479	3.389	.001
	Innovation Capability	.353	.164	.546	2.154	.032
	IC*SI	-.004	.008	-.169	-.497	.620

- a. Dependent Variable: Organisational Performance

### Interpretation

In step one, strategic improvisation components were regressed on performance of selected small and medium-scale enterprises in Lagos State, Nigeria. The findings in Table 1b show the result of hierarchical regression analysis for Model 1 when only strategic improvisation and performance of selected small and medium-scale enterprises in Lagos State, Nigeria variables are in the equation model ( $R = 0.617$ ,  $R^2 = 0.381$ , Adjusted  $R^2 = 0.380$ ,  $p = 0.000 < 0.05$ ,  $R^2 \Delta = 0.381$ ). These indicate that strategic improvisation components accounts for 38% of the variability in performance of selected small and medium-scale enterprises in Lagos State, Nigeria. Furthermore, Table 1d shows beta coefficient,  $\beta$  is 0.657,  $p < 0.05$  when strategic improvisation components is in the model. These results indicate that for every unit increase in strategic improvisation components, performance of selected small and medium-scale enterprises in Lagos State, Nigeria increased by 0.657.

The introduction of the moderator (innovation capability) in Model 2 significantly improves the effect of strategic improvisation components on performance of selected small and medium-scale enterprises in Lagos State, Nigeria ( $R = 0.719$ ,  $R^2 = 0.517$ , Adjusted  $R^2 = 0.514$ ,  $p = 0.000 < 0.05$ ,  $R^2 \Delta = 0.138$ ). This means that strategic improvisation and innovation capability explained about 51.4% of the variation in performance of selected small and medium-scale enterprises as against 38% changes that occurs when only strategic improvisation was

regressed against performance. The  $F$  value is statistically significant ( $F(2,420) = 224.376$ ,  $p < 0.05$ ) that the influence of the independent variable and the moderator (innovation capability) were significant in the model as seen from Table 1d. In addition, Table 1d shows the beta coefficients of strategic improvisation ( $\beta = 0.438$ ,  $p < 0.05$ ) and innovation capability ( $\beta = 0.272$ ,  $p < 0.05$ ); that is for every unit increase in strategic improvisation and innovation capability, performance of selected small and medium-scale enterprises, increases by 0.438 and increases by 0.272 respectively.

Model 3 of the hierarchical regression analysis showed how the moderating effect of innovation capability affect the relationship between strategic improvisation components on performance of selected small and medium-scale enterprises in Lagos State, Nigeria. The results in Table 1b (Model 3) provides values of co-efficient of multiple correlation,  $r = 0.719$  and a co-efficient of determination,  $R^2 = 0.513$  when strategic improvisation and performance was moderated by innovation capability showed a slight improvement from the  $r$  value of 0.719 and an  $R^2$  of 0.514 before the interacting term (IC\*SI) was introduced. The co-efficient of multiple correlations (0.719) reveals that a moderate relationship exists between the independent variable, the moderating variable, and the dependent variable. Furthermore, the co-efficient of determination indicates that about 51.4% variance in performance jointly explained by the strategic improvisation component, innovation capability and the interaction term (strategic

improvisation\* innovation capability), while other factors not studied in this research work contributes the remaining 48.6%.

Model 3 also further shows the changes that occurred when, the interaction term was introduced. All the variables of strategic improvisation component, innovation capability and the interaction term were entered in the regression model. The results under change statistics, reveal that the  $R^2$  had no change (0.000) the value remained as 0.517 ( $R^2 \Delta = 0.000$ ) when the interaction variable (strategic improvisation\* innovation capability) was added. The change was not statistically significant at  $p=0.620$  ( $p\text{-value}>0.05$ ). The results show no statistically significant relationship between strategic improvisation component, innovation capability and the interaction term ( $F_{(3,419)}=149.398, p>0.05$ ). Table 1c reveals the  $F$  statistics changed from 224.376 to 149.398 ( $F\Delta = 0.247$ ) showing a decrease when interaction term was added. The  $F$  ratio shows that the regression of strategic improvisation component, innovation capability, and performance of the selected small and medium-scale enterprises is not statistically significant.

The results in Model 1 Table 1d (for step one) show statistically significant regression coefficients for strategic improvisation ( $\beta=0.657, p<0.05$ ) indicating that there is a linear dependence between strategic improvisation and performance of the selected small and medium-scale enterprises. In Model 2, strategic improvisation and innovation capability was statistically significant [strategic improvisation ( $\beta = 0.438, p<0.05$ ) and innovation capability ( $\beta = 0.272, p<0.05$ ). In Model 3, strategic improvisation, innovation capability and the interaction effect were not statistically significant [strategic improvisation ( $\beta = 0.510, p<0.05$ ); innovation capability ( $\beta = 0.353, p>0.05$ ].

When interaction term was introduced the beta coefficient,  $\beta$  was -0.004 meaning that for every unit change in interaction term, performance of the selected small and medium-scale enterprises decreases by 0.004. Further, the interaction term showed a negative effect ( $\beta = -0.004, p>0.05$ ) but it was statistically insignificant. The results suggest that innovation capability has a statistically insignificant moderating effect on the relationship between strategic improvisation and performance of the selected small and medium-scale enterprises in Lagos State, Nigeria. The confirmed regression equation from the results is stated as follows:

$$\text{SEMPERF} = 4.483 + 0.510\text{SI} + 0.353\text{IC} - .004(\text{IC}*\text{SI}) + E_i \text{-----Eqn.}$$

Where:

SEMPERF = SME Performance

SI = Strategic Improvisation

IC = Innovation Capability

IC\*SI = The interaction of strategic improvisation and innovation capability

The results indicate that innovation capability has statistically insignificant effect on the relationship between strategic improvisation and performance of the selected small and medium-scale enterprises in Lagos State, Nigeria. Based on these findings, the null hypothesis ( $H_0$ ) which states that Strategic improvisation has no significant effect on organisational performance when moderated by innovative capability of selected small and medium-scale enterprises in Lagos State, Nigeria was not rejected.

## 5. DISCUSSION OF FINDINGS

The examination of the null hypothesis in this study explored the impact of strategic improvisation on the organisational performance of SMEs in Lagos State, Nigeria, moderated by innovative capability. In a surprising turn of events, the results demonstrated that strategic improvisation did not have a substantial impact on the performance of organisations operating in the small and medium-sized enterprise (SME) sector in Lagos State, Nigeria, when inventive capability was taken into consideration. As a result of this unexpected consequence, some features of the existing literature on the subject topic are contradicted and validated, while the principles espoused by the dynamic capacities theory, which acts as the selected theoretical anchor for this research, are challenged. This surprising discovery defies the consensus that exists within some portions of the literature that support for a direct and substantial association between strategic improvisation, inventive capabilities, and organisational success (Ibrahim, Abd Rani & Ooi, 2018). This conclusion is contrary to what was anticipated. Nevertheless, it is also in agreement with contrasting points of view that have been presented in the research literature. These points of view suggest that the connection between strategic improvisation and organisational performance may not always be straightforward and may be dependent on a variety of contextual factors, industry specifics, or other variables that have not been taken into account (Yu, Wang & Moon, 2021).

Despite the fact that previous research, such as that conducted by Abubakar *et al* (2021) have highlighted the positive association between strategic improvisation and organisational performance, particularly when combined with innovative

capabilities, the unexpected findings of this study serve as a cautionary reminder that the relationship may be more complex and dependent on the context than was previously believed. This contrast sheds light on the subtle and intricate nature of the dynamic relationship that exists between strategic improvisation, inventive skills, and organisational performance within the context of the small and medium-sized enterprise (SME) environment in Lagos State, Nigeria. Nevertheless, these surprising results also contradict the main concepts of the dynamic capabilities theory, which places an emphasis on the flexibility of an organisation and the reconfiguration of its resources in response to changing external circumstances. This disagreement shows that there may be a mismatch between the theoretical foundations of the dynamic capacities theory and the actual manifestation of the influence that strategic improvisation has on organisational performance, especially within the unique context of small and medium-sized enterprises (SMEs) in Lagos State, Nigeria.

Although this unexpected result defies conventional knowledge and theoretical expectations, it does provide a degree of complexity to the debate around strategic improvisation, inventive capacities, and organisational success. In summary, this discovery challenges conventional wisdom and theoretical assumptions. Within the context of the small and medium-sized enterprise (SME) environment in Lagos State, Nigeria, this highlights the need of doing more nuanced research and taking into account a wider range of elements that have the potential to intricately affect the link between strategic improvisation, creative skills, and organisational success.

## 6. CONCLUSION AND RECOMMENDATIONS

The study concludes that strategic improvisation has no significant effect on organisational performance when moderated by innovative capability. This implies that even if a company demonstrates the ability to improvise strategically, it may not necessarily translate into improved organizational performance, particularly if the organization lacks innovative capabilities.

Therefore, the study recommends that SMEs in Lagos should focus on fostering innovation independently. Create innovation hubs within the organisation to encourage idea generation and experimentation. Collaboration with local universities or innovation hubs could offer access to research and development opportunities unique to the Lagos context.

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