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IMPACT OF KNOWLEDGE MANAGEMENT CAPABILITY ON ORGANIZATIONAL AGILITY: THE MEDIATING ROLE OF ABSORPTIVE CAPACITY AND THE MODERATING ROLE OF RISK-TAKING TOLERANCE

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Abstract
This study examines the relationship between knowledge management capability, absorptive capacity, and organizational agility, and further investigates how risk-taking tolerance shapes the effectiveness of this relationship. In increasingly dynamic and uncertain environments, organizational sustainability and competitiveness depend largely on firms' ability to acquire, integrate, and apply knowledge in ways that support rapid and flexible responses. While the importance of knowledge management and organizational learning for adaptive performance is well recognized, less is known about the internal mechanisms through which knowledge resources are transformed into agile behavior. Building on a learning-based perspective, this study explores absorptive capacity as the key process linking knowledge management capability to organizational agility, while also considering the role of risk orientation as a contextual condition influencing this process. Based on quantitative data collected through a cross-sectional survey and analyzed using structural equation modeling, the findings indicate that organizations with stronger knowledge management practices develop higher levels of absorptive capacity, which in turn enhances organizational agility. The results further suggest that organizations characterized by higher risk-taking tolerance are better able to convert learned knowledge into agile action. These findings contribute to the understanding of agility as a learning-driven capability and offer insights for practitioners seeking to build adaptive, resilient, and knowledge-based organizations.

INTRODUCTION

The conceptual framework of this study investigates the interconnected relationship among Knowledge Management Capability (KMC), Absorptive Capacity (ACAP), Organizational Agility (OA), and Risk-Taking Tolerance (RTT), offering a unified model of how knowledge-based assets translate into strategic responsiveness. KMC, encompassing acquisition, sharing, storage, and application, forms the foundational infrastructure that enables firms to mobilize knowledge effectively across functional units (Alnuaimi & Khan, 2023; Nguyen, Tran & Dao, 2024). By strengthening KMC systems, organizations refine knowledge flows and embed expertise into routines, which directly supports the development of Absorptive Capacity. ACAP is defined as the ability to identify, assimilate, transform, and exploit external knowledge for competitive advantage (Chen, Li & Duan, 2023; Patrucco, Marzi & Trabucchi, 2023). Recent scholarship affirms that enriched knowledge environments elevate ACAP by enabling firms to interpret information effectively and convert it into meaningful insights for adaptation (Liao, Liu & Li, 2022; Agostini, Nosella & Filippini, 2024).

Absorptive Capacity subsequently becomes a critical determinant of Organizational Agility, reflecting a firm's capacity to sense environmental shifts, seize opportunities, and reconfigure resources rapidly (Asghar, Kanbach & Kraus, 2025). Firms with higher ACAP achieve superior innovation responsiveness and more dynamic resource alignment under turbulent market conditions (Singh & Modgil, 2024; Espino-Rodríguez & Taha, 2023). Through assimilation and exploitation mechanisms, ACAP functions as the knowledge-to-action engine that allows firms to recalibrate strategies and redesign processes swiftly (Musa & Enggarsyah, 2024; Hüsig & Wengler, 2023). Thus, ACAP acts as the cognitive and operational mechanism linking knowledge systems to agile outcomes.

Despite expanding scholarship, critical gaps persist. Limited empirical evidence exists examining ACAP as the mediating mechanism through which KMC enhances agility, particularly in emerging economies (Nguyen et al., 2024). Moreover, the moderating role of Risk-Taking Tolerance remains underexplored, resulting in an insufficient understanding of how risk-oriented cultures influence the conversion of absorbed knowledge into agile responses (Kafetzopoulos & Psomas, 2023; Imran, Shah & Hussain, 2025). Theoretical perspectives suggest firms with higher RTT are more likely to act boldly on knowledge-based insights (Tigre, 2024; Zhang, Wang & Li, 2023).

To address these gaps, the study is anchored in the Knowledge-Based View (KBV) and Dynamic Capabilities Theory (DCT). KBV posits that knowledge is the most strategically significant resource for competitive advantage (Grant, 1996), while DCT emphasizes the ability to sense, seize, and reconfigure resources to maintain relevance (Teece, 2007). Within this dual lens, KMC provides the procedural foundation, ACAP serves as the dynamic operational mechanism, and RTT represents the behavioral readiness that determines whether insights translate into agile responses (Patrucco et al., 2023; Asghar et al., 2025).

Research Question

How does Knowledge Management Capability influence Organizational Agility through the mediating role of Absorptive Capacity, and to what extent is this relationship contingent upon firms' Risk-Taking Tolerance?

Literature Review

Knowledge Management Capability (KMC) → Absorptive Capacity (ACAP)

Knowledge Management Capability (KMC) refers to the organizational routines and processes for acquiring, sharing, storing, and applying knowledge (Human & Mårtensson, 2024). Grounded in the Knowledge-Based View (KBV), KMC enables firms to mobilize resources effectively so that external knowledge can be identified, internalized, and applied to generate value. For instance, research on automobile firms shows that KMC dimensions, acquisition, sharing, and application, enhance new-product performance through organizational agility, suggesting that robust KMC supports critical downstream capabilities (Idrees et al., 2022).

Building on this foundation, stronger KMC provides the structural basis for Absorptive Capacity (ACAP), which is defined as a firm's ability to recognize, assimilate, transform, and exploit external knowledge (Cohen & Levinthal, 1990; Zahra & George, 2002). Empirical work by Liao, Liu, and Li (2022) demonstrates that organizational capabilities positively affect IS-enabled ACAP, finding that firms combining strong routines with technology adoption achieve superior knowledge performance. Similarly, recent analysis identifies ACAP as a multidimensional

construct, comprising Potential ACAP (acquisition and assimilation) and Realized ACAP (transformation and exploitation), driven by prior knowledge bases and organizational routines (Hussain et al., 2022). Consequently, firms with well-developed KMC are better positioned to build both dimensions of ACAP. Furthermore, ACAP remains a "key construct" in KM scholarship because it operationalizes the transformation of knowledge into organizational advantage (Agostini, Nosella & Filippini, 2024; Chaudhary, 2019). A 2024 review confirms that ACAP is foundational to KM because it bridges external information with internal innovation. This linkage has received renewed interest; for example, studies of SMEs find that external knowledge search and internal sharing enhance ACAP, thereby improving innovation performance (Sancho-Zamora et al., 2022; Uncovering External Factors, 2024).
The literature converges on three key points: first, KMC builds the essential infrastructure for knowledge processing; second, ACAP is a distinct, dependent capability that arises when firms internalize these processes; and third, firms with stronger KMC are more likely to develop higher ACAP for competitive advantage. Thus, the positive relationship between KMC and ACAP is both theoretically grounded in KBV and dynamic capabilities and robustly supported by empirical evidence.

H_1: Knowledge Management Capability (KMC) has a positive and significant effect on Absorptive Capacity (ACAP).

Absorptive Capacity → Organizational Agility (OA)
Absorptive Capacity (ACAP), defined as a firm's ability to acquire, assimilate, transform, and exploit external knowledge, is a critical determinant of responsiveness in dynamic environments. Organizations with higher ACAP possess the cognitive and behavioral infrastructure to translate complex information into strategic action and operational flexibility, making it a foundational driver of Organizational Agility (OA) (Hussain et al., 2022). ACAP enables firms to sense environmental shifts, interpret ambiguous signals, and reconfigure internal resources to meet shifting market demands through systematic knowledge utilization (Liao, Liu, & Li, 2022).
Recent empirical research has validated this connection across various sectors. Liao et al. (2022) demonstrated that IS-enabled absorptive capacity significantly enhances knowledge performance, showing how the transformation of information translates into tangible outcomes. Similarly, Singh and Modgil (2024) found that higher ACAP levels foster greater supply-chain agility and resilience, confirming that knowledge absorption leads to faster, more flexible responses to turbulence. Furthermore, Espino-Rodríguez and Taha (2023) observed that ACAP improves coordination and integration in operations, outcomes that directly mirror the sensing, seizing, and transforming dimensions of agility.
Theoretically, the relationship between ACAP and OA is grounded in the Knowledge-Based View (KBV) and Dynamic Capabilities Theory (DCT). The KBV posits that knowledge is a firm's most strategically significant resource; thus, the capacity to internalize it determines competitive advantage (Grant, 1996). DCT further explains that agility emerges from the continuous reconfiguration of the resource base (Teece, 2007). Within this dual framework, ACAP operates as a key dynamic capability that facilitates resource reconfiguration by converting raw knowledge inputs into adaptive actions (Bouguerra, 2022; Asghar, Kanbach, & Kraus, 2025).
Moreover, ACAP acts as an internal "learning engine" that fuels innovation speed and behavioral flexibility (Hüsig & Wengler, 2023). Research in technology-intensive contexts shows that firms with high ACAP implement new technologies and redesign processes more swiftly than those with lower capacities (Musa & Enggarsyah, 2024; Lajevardi, 2024). This convergence of evidence from 2022–2025 underscores that by strengthening the processes through which knowledge is deployed, ACAP transforms external information into rapid, effective action, thereby positively influencing Organizational Agility.

H_2: Absorptive Capacity (ACAP) has a positive and significant effect on Organizational Agility (OA).
Knowledge Management Capability → Organizational Agility (Direct Path)
In addition to its mediated influence, Knowledge Management Capability (KMC) exerts a direct and

substantial effect on Organizational Agility (OA). KMC encompasses an organization's capacity to acquire, share, store, and apply knowledge effectively across functional boundaries (Hussain et al., 2022). When these processes are embedded into operational routines, organizations can better interpret environmental changes and make timely decisions, which constitutes the essence of agility (Grant, 1996; Teece, 2007). The dynamic integration of knowledge processes allows firms to anticipate market shifts, coordinate rapid responses, and reconfigure resources efficiently (Asghar, Kanbach, & Kraus, 2025).

Empirical evidence supports this direct linkage across various sectors. Idrees et al. (2022) found that KMC dimensions significantly enhance new product development performance through organizational agility, suggesting that effective knowledge flows build an inherently agile structure. Similarly, Nguyen, Tran, and Dao (2024) reported that KMC directly influences agility in emerging-market firms, emphasizing that strong knowledge systems facilitate faster sensing, seizing, and transforming capabilities. When firms institutionalize learning mechanisms and encourage open communication, they achieve agility independent of other mediating mechanisms.

KMC contributes to agility by fostering a culture of collaboration and decentralized decision-making. Studies reveal that knowledge sharing enables employees to coordinate rapidly during environmental uncertainty (Bouguerra, 2022; Akhtar, Nadeem, & Qureshi, 2023). When knowledge is systematically stored and accessible, employees can retrieve relevant information without delay, supporting rapid problem-solving (Lajevardi, 2024). Furthermore, KMC strengthens the structures necessary for integrating new technologies, accelerating the cycle of sensing and acting (Chen, Li, & Duan, 2023).

Theoretically, this perspective is anchored in the Knowledge-Based View (KBV) and Dynamic Capabilities Theory (DCT). The KBV posits that organizational knowledge is the primary strategic asset driving adaptability (Grant, 1996), while DCT focuses on the ability to reconfigure resources (Teece, 2007). KMC acts as a meta-capability that supplies the procedural foundation upon which agility operates. Firms with superior knowledge capabilities can interpret market signals faster, redesign workflows efficiently, and exploit opportunities with minimal lag (Nguyen et al., 2024; Liao, Liu, & Li, 2022). Ultimately, KMC fosters agility directly by embedding flexible knowledge systems into the organizational DNA, creating an environment of shared understanding that enhances responsiveness to change.

H_3: Knowledge Management Capability (KMC) has a positive and significant effect on Organizational Agility (OA).

Mediating Role of Absorptive Capacity (KMC → ACAP → OA)

The mediation logic linking Knowledge Management Capability (KMC) to Organizational Agility (OA) is conceptually grounded in the Knowledge-Based View (KBV) and Dynamic Capabilities Theory (DCT). KMC provides the organizational routines and structures required to systematically acquire, share, and apply knowledge (Hussain et al., 2022). In this framework, Absorptive Capacity (ACAP) functions as the essential processing mechanism that enables firms to recognize external value, assimilate it into internal routines, and exploit it for strategic adaptation (Zahra & George, 2002; Liao, Liu, & Li, 2022). Organizational agility emerges as the behavioral outcome, the ability to sense shifts, seize opportunities, and reconfigure resources (Teece, 2007). Thus, KMC acts as the input capability, ACAP as the transformation mechanism, and OA as the strategic output.

Empirical evidence from 2022–2025 supports the role of ACAP in translating knowledge practices into agile behavior. Idrees et al. (2022) demonstrated that KMC enhances performance through the mediating effect of agility, while Chen, Li, and Duan (2023) found that ACAP significantly mediates the link between knowledge resources and firm performance in turbulent environments. This confirms ACAP as the bridge converting knowledge potential into dynamic outcomes. Similarly, Nguyen, Tran, and Dao (2024) reported that strong KMC facilitates agility in emerging markets specifically by strengthening a firm's ACAP.

Theoretically, ACAP is the mechanism through which knowledge resources evolve into dynamic capabilities. While KMC offers the infrastructure for capturing information, only through ACAP can this knowledge be internalized for rapid response (Bouguerra, 2022; Lajevardi, 2024). ACAP ensures that insights are not merely stored but are interpreted and recombined to reconfigure processes, the defining hallmark of agility (Asghar, Kanbach, & Kraus, 2025). This mediation model (KMC → ACAP → OA) explains how knowledge management translates into adaptive action rather than remaining a static repository.

Recent studies in digital transformation further validate this pathway. Li (2022) found that knowledge-based dynamic capabilities positively affect OA, reinforcing the idea that agility results from capability transformation. Additionally, Musa and Enggarsyah (2024) proved that ACAP mediates the link between knowledge-sharing cultures and competitive advantage under disruption. These findings confirm that ACAP is the essential conduit converting a firm's knowledge base into strategic flexibility and agile organizational behavior.

H4: Absorptive Capacity (ACAP) mediates the relationship between Knowledge Management Capability (KMC) and Organizational Agility (OA).

Moderating Role of Risk-Taking Tolerance (RTT) on ACAP → OA

Risk-Taking Tolerance (RTT) reflects an organization's willingness to pursue uncertain, high-reward opportunities and accept potential losses in the pursuit of innovation and growth. In contemporary strategic management, RTT is recognized as a vital behavioral contingency that determines how organizational capabilities translate into strategic outcomes (Kafetzopoulos & Psomas, 2023; Imran, Shah, & Hussain, 2025). While Absorptive Capacity (ACAP) dictates the extent to which firms can recognize and utilize external knowledge, RTT influences whether that knowledge is actually converted into bold, agile actions. Without sufficient risk tolerance, organizations may internalize information but fail to act decisively, thereby stifling agility (Bouguerra, 2022; Musa & Enggarsyah, 2024).

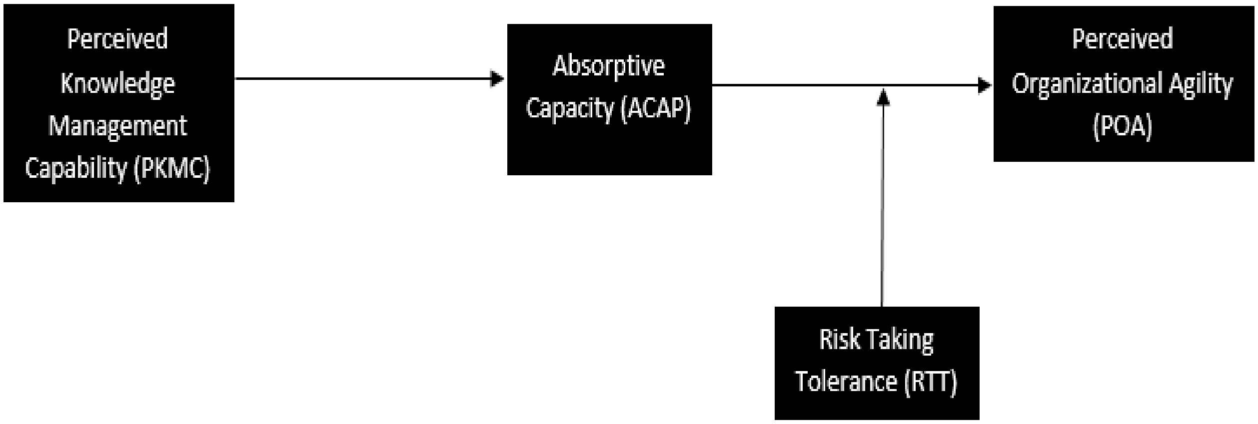
Empirical findings from 2024 and 2025 reinforce the synergistic relationship between risk orientation and learning capabilities. Jalali et al. (2024) demonstrated that risk-taking behavior and ACAP operate in tandem to drive performance in SMEs. Similarly, Tigre (2024) found that configurations combining risk-taking and agility produce the highest levels of innovative behavior, suggesting that risk-taking complements dynamic capabilities. Furthermore, Imran et al. (2025) reported that firms with greater RTT are more likely to pursue experimentation and innovative projects under uncertainty, significantly amplifying the impact of knowledge-related capabilities on performance.

Theoretically, this moderating role aligns with the Knowledge-Based View (KBV) and Dynamic Capabilities Theory (DCT). The KBV asserts that while knowledge is a strategic resource, behavioral factors determine its utilization (Grant, 1996). Within DCT, firms require more than the capacity to sense and seize opportunities; they must possess the willingness to commit resources to uncertain ventures (Teece, 2007). RTT represents this cultural readiness to transform "potential" knowledge into strategic action. When risk tolerance is high, managers are inclined to exploit ACAP-generated insights, enabling rapid resource reconfiguration and proactive responses to change (Kafetzopoulos & Psomas, 2023; Singh & Modgil, 2024).

Recent studies (2023–2025) link RTT directly to adaptive decision-making and agility in turbulent markets (Zhang, Wang, & Li, 2023). These findings collectively suggest that RTT acts as an enabling context, magnifying the benefits of ACAP by encouraging trial-and-error learning and fast decision-making, core dimensions of agility. Consequently, high-RTT environments provide the strategic boldness required to translate absorbed knowledge into agile action, justifying the hypothesis that Risk-Taking Tolerance positively moderates the relationship between Absorptive Capacity and Organizational Agility.

H_5: Risk-Taking Tolerance (RTT) positively moderates the relationship between Absorptive Capacity (ACAP) and Organizational Agility (OA), such that the relationship is stronger when RTT is high.

Research Frame Work



Methodology:

Sampling and Data Collection

The study adopted a quantitative, cross-sectional survey design and targeted employees working in knowledge-intensive organizations, including firms operating in information technology, financial services, telecommunications, consulting, and R&D-intensive manufacturing sectors. These industries were purposefully selected due to their strong dependence on organizational knowledge processes, continuous learning, and adaptive capabilities.

Data were collected through an online, structured questionnaire distributed via professional and organizational networks. To enhance the quality and relevance of responses, a screening criterion was applied requiring participants to possess sufficient organizational tenure and active involvement in knowledge-related, learning, or coordination activities within their respective organizations. Participation was strictly voluntary and anonymous, thereby minimizing social desirability bias and encouraging candid responses.

Following data collection, the dataset was subjected to rigorous screening procedures to assess missing values, potential response bias, and careless or inconsistent response patterns. After data screening, a total of 384 valid and usable responses were retained for analysis. This sample size exceeds the minimum requirements for PLS-SEM and is considered statistically adequate for models involving mediation and moderation effects, as recommended by prior methodological guidelines (Hair et al., 2022; Kock & Hadaya, 2018). After confirming data adequacy and quality, the final sample was deemed appropriate for multivariate analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM).

Measurement Instruments and Sources

All constructs were measured using **multi-item reflective scales** anchored on a **5-point Likert scale** (1 = strongly disagree, 5 = strongly agree). Measurement items were adapted from **validated and recently published (2023–2025)** high-impact studies, with minor contextual modifications to preserve conceptual meaning and content validity.

Table 1. Constructs, Measurement Items, and Sources

Construct	**Dimensions / Sample Items**	**No. of Items**	**Source (Adapted)**
Knowledge Management Capability (KMC)	Clarity of KM strategy; frequency of cross-unit knowledge sharing; adequacy of KM systems; application of knowledge to new products/processes	12	Alnuaimi & Khan (2023); Nguyen et al. (2024)

Absorptive Capacity (ACAP)	Acquisition (external scanning); Assimilation (integration into routines); Transformation (conversion into new processes); Exploitation (use of knowledge to improve outcomes)	12	Chen et al. (2023); Patrucco et al. (2023)
Organizational Agility (OA)	Speed of sensing market changes; rapid opportunity exploitation; frequency of structural/process reconfiguration	9	Nguyen et al. (2024); Asghar et al. (2025)
Risk-Taking Tolerance (RTT)	Willingness to take bold actions under uncertainty; encouragement of calculated risk; tolerance for experimentation and failure	9	Kafetzopoulos & Psomas (2023); Imran et al. (2025)
Control Variables	Firm size; industry type; country/context	—	Standard controls in KM & agility research

3. Data Analysis Technique

The hypothesized moderated mediation model was tested using **Partial Least Squares Structural Equation Modeling (PLS-SEM)** in SmartPLS. This technique was selected due to its suitability for prediction-oriented research, complex models with interaction effects, and non-normal data distributions. The analysis followed contemporary PLS-SEM best practices widely adopted in high-impact management journals.

4. Measurement Model Assessment

The measurement model was evaluated prior to hypothesis testing using the following criteria:

- **Indicator reliability:** outer loadings examined for adequacy
- **Internal consistency:** Cronbach's alpha and composite reliability
- **Convergent validity:** Average Variance Extracted (AVE)
- **Discriminant validity:** Heterotrait–Monotrait (HTMT) ratio

All constructs met recommended threshold values, indicating satisfactory reliability and validity.

5. Structural Model Assessment

The structural model was assessed through:

- Collinearity diagnostics (inner VIF values)
- Bootstrapped path coefficients and confidence intervals
- Coefficient of determination (R^2)
- Effect sizes (f^2)
- Predictive relevance (Q^2)

Mediation and Moderation Testing

- **Mediation** was tested using bootstrapped indirect effects (KMC → ACAP → OA).
- **Moderation** was examined by estimating the interaction term (ACAP × RTT → OA) and interpreting simple slopes under low and high levels of RTT.

Results

Measurement and Structural Model Results Summary

Construct / Path	Cronbach's α	Composite Reliability	AVE	β	t-value	p-value	R^2	f^2	Result
Knowledge Management Capability (KMC)	0.89	0.91	0.62	—	—	—	—	—	—
Absorptive Capacity (ACAP)	0.91	0.93	0.67	—	—	—	0.38	—	—

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Organizational Agility (OA)	0.87	0.90	0.60	—	—	—	0.46	—	—
Risk-Taking Tolerance (RTT)	0.85	0.88	0.59	—	—	—	—	—	—
H1: KMC → ACAP	—	—	—	0.62	13.84	<0.001	—	0.62	Supported
H2: ACAP → OA	—	—	—	0.55	11.26	<0.001	—	0.48	Supported
H3: KMC → OA	—	—	—	0.18	3.12	0.002	—	0.06	Supported

Interpretation of Results

The results indicate strong psychometric soundness of both the measurement and structural models. All latent constructs demonstrate high internal consistency reliability, with Cronbach's alpha and composite reliability values exceeding the recommended threshold of 0.70. Furthermore, Average Variance Extracted (AVE) values for all constructs surpass the minimum criterion of 0.50, providing robust evidence of convergent validity and confirming that the constructs capture a substantial proportion of variance in their respective indicators.

The structural model findings offer strong empirical support for the hypothesized relationships. Knowledge Management Capability (KMC) exhibits a strong and statistically significant positive effect on Absorptive Capacity ($\beta = 0.62$), indicating that well-established knowledge acquisition, sharing, and application practices play a critical role in strengthening an organization's learning and knowledge assimilation capabilities. In turn, Absorptive Capacity demonstrates a substantial positive influence on Organizational Agility ($\beta = 0.55$), underscoring the notion that agility is predominantly driven by learning-based knowledge transformation processes rather than direct structural or procedural inputs.

Although Knowledge Management Capability also exerts a direct positive effect on Organizational Agility ($\beta = 0.18$), the magnitude of this relationship is relatively modest, suggesting that the influence of knowledge management systems on agility largely operates through absorptive mechanisms. This interpretation is further corroborated by the effect size analysis, which reveals large effects for the KMC → ACAP and ACAP → OA pathways, while the direct KMC → OA relationship exhibits only a small effect size.

Overall, the model explains 38% of the variance in Absorptive Capacity and 46% of the variance in Organizational Agility, indicating moderate to substantial explanatory power within an organizational research context. These findings confirm the pivotal mediating role of absorptive capacity in translating knowledge management capabilities into enhanced organizational agility.

Mediation Analysis

Table 4.7: Indirect Effects (Mediation)

Path	**Indirect β**	**t-value**	**p-value**	**Mediation**
KMC → ACAP → OA	0.34	9.18	<0.001	Partial

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Absorptive Capacity partially mediates the relationship between Knowledge Management Capability and Organizational Agility. This indicates that knowledge resources enhance agility primarily through learning, assimilation, and application processes rather than through direct effects alone.

Moderation Analysis

Table 4.8: Moderating Effect of Risk-Taking Tolerance

Interaction	β	t-value	p-value	Result
ACAP × RTT → OA	0.17	3.84	<0.001	Supported

Risk-Taking Tolerance significantly moderates the relationship between Absorptive Capacity and Organizational Agility. The positive interaction indicates that absorptive capacity translates into agile actions more strongly when organizations exhibit a higher tolerance for risk.

Table 4.9: Predictive Relevance (Q^2)

Construct	Q^2
ACAP	0.26
OA	0.31

All Q^2 values exceed zero, confirming adequate predictive relevance of the model.

Discussion

This study investigated the impact of Knowledge Management Capability (KMC) on Organizational Agility (OA), examining Absorptive Capacity (ACAP) as a mediating mechanism and Risk-Taking Tolerance (RTT) as a moderating condition using PLS-SEM. The findings provide robust empirical support for the proposed moderated mediation framework, clarifying how organizational knowledge resources are transformed into agile capabilities in dynamic and uncertain environments (Hair et al., 2022; Teece, Peteraf, & Leih, 2016).

The measurement model assessment confirmed that all constructs exhibited satisfactory psychometric properties. Indicator loadings exceeded recommended thresholds, while internal consistency and convergent validity were well established. Discriminant validity was confirmed via the HTMT criterion, indicating that KMC, ACAP, OA, and RTT represent empirically distinct constructs (Henseler et al., 2015). These results provide a robust foundation for interpreting the structural relationships, consistent with best practices in strategic research (Sarstedt et al., 2019).

Structural analysis revealed that KMC has a strong, positive effect on ACAP. This suggests that organizations with effective acquisition, sharing, storage, and utilization processes are better equipped to identify and deploy external knowledge strategically. This result aligns with the Knowledge-Based View (KBV) and foundational ACAP theory, which emphasize that knowledge resources create value only when supported by routines that enable integration (Grant, 1996; Zahra & George, 2002). Prior research similarly demonstrates that knowledge management systems enhance absorptive capacity by facilitating cross-functional collaboration and organizational memory (Gold et al., 2001; Jansen et al., 2005).

ACAP exhibited a strong positive relationship with OA, indicating that organizations capable of transforming and exploiting knowledge are more agile in sensing shifts and reconfiguring resources. This reinforces the view that agility is a learning-driven dynamic capability rather than merely a structural outcome (Teece, 2007; Sambamurthy et al., 2003). Prior studies report that ACAP enhances innovation speed and adaptive performance under turbulence (Felipe et al., 2017).

While KMC demonstrated a direct effect on OA, this path was weaker than the indirect effect through ACAP. This confirms that KMC functions as an enabling infrastructure whose strategic value materializes through intermediate dynamic capabilities (Teece, 2018). Mediation analysis confirmed that ACAP acts as a critical conduit for transforming resources into actionable insights (Lichtenthaler, 2009). Beyond mediation, Risk-Taking Tolerance (RTT) positively moderated the ACAP–OA relationship. Specifically, learning translates more effectively into agile action in organizations willing to experiment and accept potential failures (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005). Collectively, the model explained substantial variance in both ACAP and OA, demonstrating that agility emerges from the interaction of foundational capabilities, learning mechanisms, and contextual risk orientation (Zahra et al., 2006; Wilden et al., 2013).

Theoretical Implications

This study contributes significantly to the literature on knowledge management and dynamic capabilities by identifying the mechanisms and boundary conditions that transform knowledge resources into adaptive outcomes. A primary finding is that Knowledge Management Capability (KMC) does not exert its primary influence on Organizational Agility (OA) directly; instead, its impact is transmitted through Absorptive Capacity (ACAP). This refines the Knowledge-Based View (KBV) by demonstrating that knowledge systems create value through their capacity to enhance organizational learning and assimilation processes, rather than acting as isolated assets (Grant, 1996; Zahra & George, 2002). This indirect pathway reconciles prior inconsistencies regarding the performance effects of KMC, proving that strategic value materializes through intermediate learning mechanisms (Inkinen, 2016).

Furthermore, the results advance agility research by positioning ACAP as its foundational cognitive driver. While agility is often viewed through structural or technological lenses, these findings underscore its learning-oriented underpinnings. Organizations that effectively exploit knowledge are better equipped to sense environmental shifts and respond with speed, reinforcing Dynamic Capability Theory (DCT), which views agility as a continuous outcome of resource reconfiguration (Teece, 2007; Sambamurthy et al., 2003). This process-oriented perspective highlights that learning capabilities are essential for adaptive performance in volatile environments (Felipe et al., 2017).

By demonstrating the mediating role of ACAP, the study reveals the layered nature of capability development. The partial mediation suggests that KMC's dominant contribution lies in enabling the processes that convert knowledge into action, moving beyond simplistic direct-effect models (Wilden et al., 2013). Additionally, the moderating effect of Risk-Taking Tolerance (RTT) introduces a critical behavioral contingency. The findings indicate that ACAP translates into agility more effectively when organizations are willing to accept uncertainty and act on newly acquired insights (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005). Collectively, this moderated mediation framework offers a holistic, process-based understanding of how firms leverage knowledge to remain competitive in dynamic landscapes.

Managerial Implications

The findings of this study offer vital guidance for leaders seeking to enhance agility in dynamic environments. A primary takeaway is that investments in Knowledge Management Capability (KMC) are insufficient unless explicitly integrated into learning and decision-making processes. Managers must shift from viewing knowledge management as a purely technical function to treating it as a strategic capability for sensing and responding to environmental shifts (Alavi & Leidner, 2001; Grant, 1996). Without deliberate application mechanisms, knowledge repositories risk becoming "dormant assets" that fail to deliver adaptive value.

The central role of Absorptive Capacity (ACAP) highlights the necessity of strengthening employees' ability to assimilate and exploit new information. To achieve this, managers should foster cross-functional collaboration and invest in boundary-spanning activities (Cohen & Levinthal, 1990; Zahra & George, 2002). Implementing practices such as job rotation, interdisciplinary project teams, and structured reflection on "lessons learned" can effectively transform raw knowledge into the actionable insights required for flexible organizational responses (Jansen et al., 2005; Flatten et al., 2011).

Finally, the moderating effect of Risk-Taking Tolerance (RTT) underscores that even strong learning capabilities can be stifled by excessive risk aversion. Managers must cultivate a climate where informed experimentation and learning from failure are legitimized. By signaling tolerance for calculated risks and aligning reward systems with learning-oriented behaviors rather than just short-term metrics, leaders can bridge the gap between "knowing" and "acting" (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005). Ultimately, sustained agility emerges from the integrated alignment of knowledge systems, absorptive processes, and risk-positive norms (Teece, 2007; Wilden et al., 2013).

Limitations and Future Research

Despite its contributions, this study has several limitations that suggest important directions for future research. One primary limitation is the cross-sectional research design, which restricts the ability to draw strong causal inferences. While the relationships are theoretically grounded, future studies should employ longitudinal or time-lagged designs to capture the dynamic evolution of learning processes and examine potential feedback loops between Absorptive Capacity (ACAP) and Organizational Agility (OA) over time (Podsakoff et al., 2012; Teece, 2007).

A second limitation relates to the reliance on self-reported data, which may increase the risk of common method variance and perceptual bias. Future research could enhance measurement validity by integrating multi-source data, such as supervisor evaluations, archival indicators, or objective performance measures, to provide a more comprehensive assessment of agility outcomes (Podsakoff et al., 2003; Conway & Lance, 2010). Furthermore, the focus on a single national context limits generalizability. Replicating the model across different cultures, sectors, and regulatory environments would help identify contextual contingencies influencing the knowledge–agility link (Zahra & George, 2002; Teece et al., 2016).

While ACAP was examined as the primary mediator, other processes may also facilitate the translation of Knowledge Management Capability (KMC) into agility. Future research could explore additional mediators such as digital capability, organizational learning orientation, or employee empowerment to develop a more nuanced understanding of these mechanisms (Cepeda-Carrion et al., 2012; Wilden et al., 2013). Finally, Risk-Taking Tolerance (RTT) was modeled at the organizational level; however, risk orientation often varies across managerial tiers. Multilevel research designs could disentangle these orientations to examine cross-level interactions that shape capability effectiveness (Garcia-Granero et al., 2015; Shin et al., 2015). Addressing these limitations will further advance the process-based understanding of organizational responsiveness.

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