

From Knowledge to Performance: Examining the Role of Dynamic Capability and Opportunity Recognition in Innovation-Driven Organizations

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Abstract—In an increasingly knowledge-driven and dynamic business environment, organizations must effectively leverage knowledge-based resources to sustain superior performance. This study examines the influence of knowledge management practices—knowledge sharing capacity, innovative capacity, and absorptive capacity—on organizational performance, with dynamic capability serving as a mediating mechanism and opportunity recognition acting as a moderating variable. Using a cross-sectional research design, data were collected from 257 small and medium-sized IT enterprises operating in Western India. The proposed model was tested using partial least squares structural equation modelling. The findings reveal that all three knowledge management practices have significant positive effects on dynamic capability and organizational performance. Moreover, dynamic capability partially mediates the relationships between knowledge sharing capacity, innovative capacity, absorptive capacity, and organizational performance, highlighting its critical role in transforming knowledge resources into performance outcomes. The results further demonstrate that opportunity recognition positively moderates the relationship between dynamic capability and organizational performance, strengthening the impact of adaptive capabilities under conditions of high opportunity awareness. This study contributes to knowledge-based and dynamic capability theories by offering an integrated mediated-moderated framework and provides actionable insights for managers seeking to enhance organizational performance through effective knowledge utilization and strategic adaptability.

Keywords: Knowledge management practices, Dynamic capability, Opportunity recognition, Organizational performance,

I. INTRODUCTION

The capacity of a business to effectively leverage its information as a strategic advantage is increasingly vital in the contemporary knowledge-driven economy (Nyuga & Tanova, 2024). To cultivate

innovative potential and sustain superior organizational performance, knowledge has emerged as a fundamental foundation. Organizations with a structured approach to knowledge management are more equipped to innovate, improve their processes, and respond swiftly to evolving market dynamics (Patnaik et al., 2023). Systematic organizational initiatives to gather, disseminate, integrate, and utilize knowledge to enhance value creation and sustain long-term performance are referred to as knowledge management practices (KMPs). According to prior research, information sharing, innovative capacity, and absorptive capacity are three essential behaviours that influence an organization's knowledge competence (Cristache et al., 2025). Companies can enhance creativity and performance outcomes by integrating these methodologies, enabling individuals to transform their expertise into corporate intelligence. Organizations are increasingly relying on knowledge-based resources to enhance innovative processes, boost agility, and maintain high operational efficiency under intensified competition.

Research indicates that a company's profitability can significantly improve with enhanced knowledge management, as it facilitates innovation. Knowledge-based theory posits that firms can achieve sustained performance advantages by adeptly leveraging their knowledge resources to develop unique capabilities that are difficult to imitate (Zhang et al., 2025). Research indicates that when organizations disseminate, acquire, and apply their knowledge, it fosters innovation (Mate & Patnaik, 2025). This enables them to integrate existing knowledge with new information, so enhancing their products, services, and internal processes. An organization's innovation capability assesses its proficiency in transforming knowledge into innovative solutions that address the evolving requirements of stakeholders (Patnaik et al., 2022). This capability is

contingent upon absorptive aptitude, enabling enterprises to comprehend the importance of external information, assimilate it, and leverage it for their own benefit. The sharing of knowledge enhances collaboration, learning, and cross-functional integration, hence reinforcing the process. These knowledge management approaches are critical prerequisites for innovation-driven organizational success (AlQhtani, 2025). Most empirical research on the relationships among knowledge management approaches, innovation, and performance has been conducted in Western environments and within large enterprises (Xanthopoulou et al., 2023), despite the increasing academic interest in this field. Moreover, it is troubling that prior research has concentrated on innovation in isolation, neglecting the fundamental organizational mechanisms that transform information into performance enhancements. Dynamic capacity provides a beneficial framework for firms to identify possibilities, rearrange knowledge resources, and perpetually enhance innovative skills in response to environmental changes (Befort et al., 2025).

Dynamic capability is recognized as a strong predictor of organizational success; yet, the mediating role it plays between knowledge management techniques and innovation-driven performance, particularly in small and medium-sized enterprises (SMEs), remains largely unexplored. Furthermore, the capacity of firms to utilize dynamic capabilities may be affected by many contextual factors, despite these attributes enhancing creative results. Limited research has considered opportunity recognition and the ability of a firm to identify and exploit unmet market demands as a moderating variable. This study addresses four significant deficiencies in the current literature. The analysis begins with an empirical examination of the interrelationships among innovation, organizational performance, and information sharing. Moreover, it explores the role of dynamic capability as an intermediary in converting knowledge management methods into performance outcomes driven by innovation. Ultimately, it expands upon prior research by focusing on small and medium-sized firms (SMEs), where sustaining competitiveness necessitates effective information utilization. Ultimately, it elucidates how dynamic capability enhances innovation and organizational performance across varying levels of opportunity recognition by incorporating opportunity recognition as a

moderating element. This research enhances our comprehension of the impact of knowledge management techniques on promoting innovation and organizational performance through a mediated-moderation framework.

II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Knowledge Management

In principle, organizations can maintain a competitive advantage and enhance performance by concentrating on the production of desirable goods and services. Information management is crucial since it enhances efficiency and elevates overall performance through the strategic utilization of the organization's information and knowledge (Kusa et al., 2024). Organizations necessitate knowledge management capabilities that enable them to collect, categorize, and transform disparate information into actionable insights to enhance competitiveness and achieve superior outcomes. Effective knowledge management transcends mere assistance with daily operations; it enables a corporation to convert its knowledge into valuable assets (Nakash & Bolisani, 2024). Knowledge management is a complex process that entails acquiring, storing, disseminating, and utilizing knowledge across many organizational levels (Ha et al., 2021). To optimize the use of available knowledge resources, these tasks necessitate coordinated efforts and continuous collaboration. Its study concentrates on the fundamental knowledge management processes that organizations utilize to systematically acquire, utilize, and disseminate information due to its complexity. This study seeks to clarify how organizations augment their knowledge base and convert it into superior organizational outcomes by concentrating on these critical actions.

Relationship Among Knowledge Sharing Capacity, Dynamic Capability, Innovation, and Organizational Performance

A method to assess an organization's knowledge-sharing efficacy is to evaluate the ease with which different departments and individuals can exchange and enhance their knowledge. When knowledge circulates freely inside an organization, it enhances decision-making, facilitates collective learning, and eliminates superfluous tasks. An internal flow of knowledge enables the organization to develop dynamic capability by enhancing its comprehension

of environmental changes and facilitating timely responses (Feng et al., 2022). A company's dynamic capability refers to its proficiency in adapting to market changes through the integration, reconfiguration, and revitalization of its knowledge resources. The capacity for knowledge sharing is essential for developing dynamic capability. It enables firms to proactively allocate resources and amalgamate existing knowledge with new information. Consequently, companies can more effectively manage alterations and capitalize on emerging opportunities. Organizations possessing robust dynamic capabilities can innovate more effectively by leveraging their collective expertise to develop new goods, services, and methodologies (Dukhaykh & Alangri, 2026). An organization needs more than just knowledge for innovation; it must also possess the capacity to creatively reorganize and apply that knowledge (Lam et al., 2021). The presence of dynamic capability enhances the likelihood that knowledge exchange programs will result in genuine innovation. Innovation can significantly enhance organizational efficiency. Organizations must consistently generate innovative concepts to enhance operational efficiency, satisfy client demands, and maintain a competitive edge (Nguyen et al., 2024). Innovations that enhance products and processes similarly impact both financial and non-financial performance results. The capacity to disseminate knowledge influences an organization's performance by fostering innovation and enhancing adaptive skills. The relationship among dynamic capability, innovation, organizational performance, and information-sharing capacity can be conceptualized as a sequence of stages. Initially, collective knowledge facilitates adaptation. Subsequently, innovative concepts yield improved outcomes for the firm.

H1a: Knowledge sharing capacity has a positive influence on dynamic capability.

H1b: Knowledge sharing capacity has a positive influence on organizational performance.

Relationship Between Innovative Capacity, Dynamic Capability, and Organizational Performance

A company's innovative capacity is demonstrated by the frequency with which it generates, enhances, and implements novel ideas that are transformed into tangible products and services. The capacity of companies to adapt to evolving circumstances is contingent upon their effective utilization of internal

information and knowledge (Grego et al., 2023). Generating innovative ideas is crucial; however, they will not enhance your corporation unless you possess methods to adapt and refine your strategy. Rapid adaptability is essential for transforming concepts into tangible enhancements in performance (Cosa & Torelli, 2024). Dynamic capability refers to a business's capacity to recognize environmental shifts, capitalize on emerging possibilities, and adjust its resources to align with market developments (Jin et al., 2024). Innovative capacity fosters dynamic capability by providing companies with essential knowledge and creative contributions for rejuvenation. Organizations that can think innovatively are more capable of pursuing novel initiatives, acquiring new knowledge, and consolidating their resources, so enhancing their adaptability. Dynamic capacity enhances organizational performance by ensuring that innovation initiatives are effectively planned and executed promptly (De La Torre & De La Vega, 2025). To maximize innovation, dynamically capable organizations do not depend on singular inventions. Instead, they frequently modify their processes, methods, and personnel. Businesses can enhance their productivity, fulfil client expectations, and maintain a competitive edge by responding to market changes. Furthermore, dynamic capability influences the efficacy of an organization in terms of its innovative capacity. Dynamic capability governs the efficacy of utilizing fresh ideas to enhance performance and their integration into business operations (Mushangai, 2023). Innovative capacity establishes the foundation for innovative concepts and transformation. Enterprises that solely concentrate on generating innovative concepts will not perform as effectively as those that simultaneously cultivate inventive capabilities and dynamic talents. The optimal method to comprehend the interrelation of inventive capacity, dynamic capability, and organizational performance is through a symbiotic process: creativity fosters adaptation, which subsequently enhances long-term performance.

H2a: Innovative capacity has a positive impact on dynamic capability.

H2b: Innovative capacity has a positive influence on organizational performance

Relationship Between Absorptive Capacity, Dynamic Capability, and Organizational Performance

A company's "absorptive capacity" refers to its capability to recognize significant external information, assimilate it, and leverage it for competitive advantage (Yildiz et al., 2023). Companies must acquire innovative concepts and excel by obtaining information from external sources, including customers, competitors, suppliers, and technology partners. This is due to the increased complexity and competitiveness of contemporary business. Businesses can enhance their strategic decision-making by converting external raw data into actionable insights for their own application. This is attainable due to their capacity to acquire new knowledge. The ability of a firm to assimilate new knowledge is a critical factor that influences its dynamic capacities. Dynamic capability refers to a corporation's capacity to adapt to novel circumstances, capitalize on emerging opportunities, and reallocate its resources to maintain a competitive advantage. A business's absorptive capacity refers to its proficiency in acquiring external knowledge and integrating it into its operational practices (Rakthin et al., 2024). By integrating these systems, the business may more effectively adapt to external changes by modifying its strategies, frameworks, and processes. Absorptive capacity enhances organizations' performance by equipping them to adjust to changes. Absorptive capacity enables the acquisition and assimilation of new knowledge, while dynamic capability determines the effectiveness of translating that knowledge into productive outcomes (Cuéllar et al., 2023). Organizations that have developed their dynamic capabilities may need to modify their skills, processes, and resources to optimize the utilization of new information. This will enhance the efficacy and efficiency of their operations and strategy. This link assists the organization in both financial and non-financial aspects. To maintain a competitive edge, swiftly adjust to market fluctuations, and enhance their operations, firms must possess dynamic competence. Such organizations enhance their long-term performance stability and adaptability by consistently augmenting their resources. If firms lack the necessary flexible processes to utilize new knowledge, their capacity to assimilate it may be insufficient for immediate improvement. Dynamic capability bridges this gap by transforming knowledge into well-structured action. Absorptive capacity indirectly improves organizational performance by cultivating qualities that promote adaptation and renewal throughout time. Generally, firms that assimilate knowledge from external

sources exhibit enhanced adaptability, resulting in greater long-term performance. This illustrates the interrelationship among absorptive capacity, dynamic capability, and performance.

H3a: Absorptive capacity has a positive impact on dynamic capability.

H3b: Absorptive capacity has a positive influence on organizational performance

Relationship Between Dynamic Capability and Organizational Performance

Dynamic capability refers to a business's capacity to proactively identify external environmental changes, capitalize on emerging opportunities, and reconfigure internal resources to maintain competitiveness. For companies operating in dynamic and uncertain environments, conventional resource-based advantages frequently prove insufficient for maintaining high performance. Businesses are progressively depending on dynamic capabilities to maintain their resource base and adjust to evolving market conditions (Teece, 2017). Dynamic capability is a crucial aspect of organizational effectiveness, as it emphasizes the ability to change. Organizations necessitate robust dynamic skills to remain competitive among evolving consumer patterns, emerging technologies, and formidable competition (Omol, 2023). Advanced sensing technology enables these organizations to identify potential opportunities and risks proactively (Tian et al., 2025). Resource reconfiguration enables firms to realign their structures, processes, and competencies to more effectively meet their evolving strategic objectives. This, in turn, empowers them to make timely strategic decisions by capitalizing on these opportunities. Collectively, these initiatives enhance corporate adaptability and mitigate the risks associated with environmental volatility. Dynamic capability enhances an organization's performance through increased efficiency and effectiveness. By regularly reassessing their strategic priorities and operational processes, firms can optimize their resources and enhance their adaptability. This versatility enhances efficiency, improves quality, and increases customer satisfaction. Dynamic capability fosters long-term success by compelling firms to acquire knowledge and generate innovative concepts. This enables organizations to maintain competitiveness over an extended period rather than solely concentrating on immediate profits. Empirical research across several industries indicates that

dynamic capability is positively and directly associated with an organization's performance (Alrub & Sánchez-Cañizares, 2025). Organizations that proactively reorganize their resources in response to environmental changes are more likely to sustain growth, generate profit, and maintain market relevance. Dynamic capabilities, emphasizing continual renewal rather than static capabilities, can assist businesses in circumventing strategic stagnation and performance deterioration (Warner & Wäger, 2018). Dynamic capability not only adapts to change but also actively shapes the trajectories of businesses. Incorporating dynamic capabilities into an organization's culture enhances its adaptability and future planning, hence increasing performance stability and resilience. Dynamic capacity enables organizations to maintain their performance in fluctuating circumstances.

H4a: Dynamic capability has a positive impact on organizational performance

Mediating Effect of Dynamic Capability

The importance of dynamic capability in improving organizational performance is thoroughly recorded in the literature. To achieve superior overall outcomes, organizations should focus on cultivating dynamic people. These skills will facilitate a more effective alignment of their internal resources with external changes. Dynamic capability facilitates the transformation of collective knowledge into valuable insights, enabling firms to develop new products, services, and processes. Companies can surpass their rivals by utilizing integrated information-sharing platforms to enhance their knowledge base. This thus enhances the efficacy of dynamic capacities. Knowledge sharing is essential for developing dynamic capability as it enables a company to integrate and enhance its knowledge resources. Knowledge sharing is essential for developing dynamic capability as it enables a company to integrate and enhance its knowledge resources. Knowledge sharing is essential for developing dynamic capability as it enables a company to integrate and enhance its knowledge resources (Bux et al., 2025). When knowledge is actively disseminated across functional divisions, firms are more adept at responding to market changes, collaborating effectively, and addressing information asymmetry. Businesses can enhance their performance through optimal resource allocation by integrating information sharing with dynamic

capabilities. Innovative capability enhances organizational outcomes by fostering a workplace environment that encourages experimentation and continuous improvement (Han & Chen, 2017). A firm is more inclined to generate innovative ideas and adapt its services to align with market demands if it possesses greater creative capacity. Such firms typically outperform their competitors due to their superior ability to identify new possibilities and transform them into initiatives that enhance performance (Dawar et al., 2025). Absorptive capacity refers to an organization's capability to acquire, assimilate, and utilize external information. Organizations proficient in learning can leverage insights gained from their partners, rivals, and emerging technologies to enhance their existing operations. This educational process facilitates resource adaptation and the generation of innovative concepts, both essential for maintaining organizational efficacy throughout time. The dissemination of knowledge, the generation of innovative concepts, and the acquisition of new skills all enhance an organization's performance by increasing its adaptability (Iqbal et al., 2025). Dynamic capacity serves as the crucial connection between knowledge management techniques and quantifiable performance outcomes. When businesses effectively utilize acquired and disseminated information, they can enhance adaptability, improve efficiency, and achieve sustained performance advantages. This study uses dynamic capability as a mediator to investigate the relationship between key knowledge management approaches and organizational performance.

H5a: Dynamic capability mediates the relationship between knowledge sharing capacity and organizational performance.

H5b: Dynamic capability mediates the relationship between innovative capacity and organizational performance.

H5c: Dynamic capability mediates the relationship between absorptive capacity and organizational performance.

The Moderating Role of Opportunity Recognition in the Relationship Between Entrepreneurial and Organizational Performance

Enterprises require dynamic capabilities to maintain competitiveness. This enables them to observe alterations in their environment, capitalize on new opportunities, and modify their resource utilization.

While the majority concur that dynamic adaptability is crucial for successful organizations, not all derive comparable advantages from it. Various contextual factors influence the identification and execution of adaptive strategies, thereby impacting the extent to which dynamic capability enhances performance. One of these crucial aspects is the ability to identify opportunities. Opportunity recognition is the capacity to identify, understand, and assess new prospects, including unfulfilled technical demands, market deficiencies, and other factors. Organizations adept at identifying opportunities can more readily align dynamic capabilities with pertinent external circumstances. Organizations proficient in identifying opportunities can more effectively concentrate their sensing and seizing endeavours on prospective prospects (Shore et al., 2024). This facilitates the reorganization of their resources. Dynamic capabilities are more likely to result in significant enhancements in performance. Conversely, firms that neglect to consider opportunities may fail to fully leverage their adaptive capabilities. Organizations can modify and reorganize their resources; however, if they lack a clear understanding of available options, they may make erroneous strategic decisions and fail to optimize their resource use (Çakmak, 2023). This disparity diminishes the probability that dynamic abilities will enhance performance. Upon the identification of opportunities, adaptive measures tend to be more strategically aligned and pertinent to the market. This reinforces the connection between dynamic capability and organizational success. Organizations adept at identifying opportunities and effectively utilizing their dynamic capacities to implement timely modifications to their goods, processes, and operational procedures can enhance their efficiency, competitiveness, and long-term success (Dayan et al., 2025). Additionally, enterprises should undertake proactive strategic measures that enable them to cultivate market circumstances rather than only reacting to opportunities as they arise. In conclusion, identifying opportunities significantly enhances the positive impact of dynamic capability on corporate performance. In uncertain and variable settings, firms can optimize the performance advantages of dynamic capacity by ensuring that adaptable capabilities and external opportunities are effectively aligned.

H6a: Opportunity recognition positively moderates the relationship between dynamic capability and organizational performance

Sample and Data Collection

This study investigated the proposed correlations using a cross-sectional research approach that employed a convenience sample method. Figure 1 illustrates the theoretical foundation of the investigation. Western India was selected as the research area due to its strategic significance for India's digital and economic advancement, as well as its concentration of IT enterprises. India's principal IT and technology centres are Mumbai, Pune, Ahmedabad, Surat, Vadodara, and Nashik. Numerous small and medium-sized IT firms in these locations concentrate on digital solutions, system integration, software development, and IT services. A time-lagged data collection strategy was implemented to reduce the likelihood of common method bias. Data were gathered at two separate times. In the preliminary phase, we recorded how IT companies manage, disseminate, and restructure knowledge resources through frameworks related to dynamic capability and knowledge management methodologies. The data collection in the second phase regarding organizational performance and opportunity recognition assessed the effectiveness of organizations in performance metrics and their ability to identify emerging technical and market opportunities. We solicited firm listings from regional chambers of commerce, IT associations, and industry networks in the selected areas due to the absence of a centralized database for registered IT SMEs. We communicated with the participating businesses via email and subsequently in person. For the study, 350 paper questionnaires were distributed to IT SMEs whose owners, founders, or senior management consented to participate. All individuals involved in the study ensured that participants were aware their information would remain entirely confidential and utilized solely for academic purposes. The questionnaire was administered in English as the respondents possessed sufficient proficiency in the language. Of the 269 questionnaires returned after the initial screening, about 76.4% were completed. After excluding 12 responses that were incomplete or partially filled, there remained 257 legitimate responses. The sample predominantly consisted of males, with ages spanning from 25 to 35 years. One-third of the survey participants were aged 31 to 40, and about the same

Absorptive Capacity (AC)	0.912	0.918	0.934	0.763
Dynamic Capability (DC)	0.928	0.931	0.946	0.781
Organizational Performance (OP)	0.905	0.91	0.928	0.721
Innovative Capacity (IC)	0.919	0.923	0.941	0.754
Knowledge Sharing Capacity (KSC)	0.934	0.938	0.952	0.801
Opportunity Recognition (OR)	0.889	0.895	0.919	0.694

The findings in Table 1 indicate that the measurement model has adequate convergent validity and reliability. All structures exhibit strong internal consistency, with Cronbach's alpha values ranging from 0.889 to 0.934, exceeding the recommended threshold of 0.70 (Hussey et al., 2025). The rho A values span from 0.895 to 0.938, further substantiating the reliability of the constructs. Composite reliability scores ranging from 0.919 to 0.952 indicate a high degree of consistency among the measuring items, signifying that the indicators well represent their underlying constructs. All

constructs meet the criteria for convergent validity, demonstrating Average Variance Extracted (AVE) values surpassing the minimum threshold of 0.50. The AVE values, ranging from 0.694 to 0.801, indicate that the underlying structures account for a significant portion of the variance in the indicators. These results substantiate and validate absorptive capacity, dynamic capability, innovative capacity, information-sharing capacity, opportunity recognition, and organizational performance. This explains their inclusion in the subsequent structural model analysis.

Discriminant Validity

Table 2: Fornell–Larcker Criterion

Constructs	AC	DC	OP	IC	KSC	OR
Absorptive Capacity (AC)	0.874					
Dynamic Capability (DC)	0.621	0.884				
Organizational Performance (OP)	0.598	0.652	0.849			
Innovative Capacity (IC)	0.634	0.689	0.611	0.868		
Knowledge Sharing Capacity (KSC)	0.667	0.703	0.629	0.712	0.895	
Opportunity Recognition (OR)	0.542	0.618	0.647	0.589	0.601	0.833

Table 3: Heterotrait–Monotrait Ratio

Constructs	AC	DC	OP	IC	KSC	OR
Absorptive Capacity (AC)						
Dynamic Capability (DC)	0.712					
Organizational Performance (OP)	0.681	0.743				
Innovative Capacity (IC)	0.725	0.781	0.694			

Knowledge Sharing Capacity (KSC)	0.758	0.804	0.719	0.812		
Opportunity Recognition (OR)	0.639	0.706	0.728	0.671	0.695	

The Fornell-Larcker criterion and the HTMT were employed to evaluate the discriminant validity of the measurement model. The diagonal of the Fornell-Larcker matrix reveals that the inter-construct correlations consistently fall below the square roots of the Average Variance Extracted (AVE). This confirms robust discriminant validity by demonstrating that each concept exhibits greater variance with its indicators than with other constructs in the model. The diagonal values of absorptive capacity, dynamic capability, and knowledge sharing capacity exceed their correlations with other latent variables, indicating the distinctiveness of these

categories. The HTMT ratio offers a more rigorous approach to assessing construct differentiation; hence, we reevaluated discriminant validity using this metric. The conceptions are inconsistent with reality, as all HTMT values fall below the stringent threshold of 0.85. The maximum HTMT score, while staying within acceptable bounds, is found between the capacity for information sharing and creativity. The measurement model is suitable for further examination of the structural model, as corroborated by the results of the Fornell-Larcker and HTMT analyses, which demonstrate strong evidence of discriminant validity.

Testing of Hypotheses

Table 4: Path coefficients(direct effects).

Hypothesis	Path	β	t-value	p-value	Result
H1a	Knowledge Sharing Capacity → Dynamic Capability	0.312	5.486	< 0.001	Supported
H1b	Knowledge Sharing Capacity → Organizational Performance	0.218	3.972	< 0.001	Supported
H2a	Innovative Capacity → Dynamic Capability	0.287	4.963	< 0.001	Supported
H2b	Innovative Capacity → Organizational Performance	0.194	3.521	< 0.001	Supported
H3a	Absorptive Capacity → Dynamic Capability	0.264	4.417	< 0.001	Supported
H3b	Absorptive Capacity → Organizational Performance	0.176	3.108	0.002	Supported
H4a	Dynamic Capability → Organizational Performance	0.339	6.245	< 0.001	Supported

The findings of the structural model analysis corroborate the expected direct correlations between knowledge management strategies, dynamic capability, and organizational performance. Table 4 indicates that the capacity for information sharing significantly and positively influences dynamic competence ($\beta = 0.312$, $t = 5.486$, $p < 0.001$), hence corroborating H_{1a}. This discovery indicates that businesses may more effectively perceive, integrate, and reorganize resources when they communicate

information proficiently. Furthermore, the ability to disperse knowledge markedly improves organizational performance ($\beta = 0.218$, $t = 3.972$, $p < 0.001$), supporting H_{1b} and emphasizing the advantages of systematic knowledge dissemination for performance. The statistics reveal that inventive capacity considerably affects both dynamic capability and organizational performance, hence validating H_{2a} and H_{2b}, respectively. These findings further confirm that companies promoting innovation

and risk-taking are more proficient at adjusting to changing market conditions and achieving better results. The positive and significant impact of absorptive capacity on dynamic capability ($\beta = 0.264$, $t = 4.417$, $p < 0.001$) and organizational performance ($\beta = 0.176$, $t = 3.108$, $p = 0.002$) corroborates hypotheses H_{3a} and H_{3b} . This demonstrates that a firm can enhance its performance by learning from others and utilizing that knowledge. The most significant direct impact on organizational performance is Mediating Effect of Dynamic Capability

Table 5 Mediation analysis (indirect effects)

	Indirect Path	β	t-value	p-value	Mediation Type	Result
H5a	Knowledge Sharing Capacity → Dynamic Capability → Organizational Performance	0.106	4.218	< 0.001	Partial Mediation	Supported
H5b	Innovative Capacity → Dynamic Capability → Organizational Performance	0.097	3.946	< 0.001	Partial Mediation	Supported
H5c	Absorptive Capacity → Dynamic Capability → Organizational Performance	0.089	3.517	< 0.001	Partial Mediation	Supported

The mediation analysis results reveal that knowledge management strategies have an indirect effect on organizational performance through dynamic capability. Table 5 shows that information sharing capacity has a considerable effect on organizational performance through dynamic capability ($\beta = 0.106$, $t = 4.218$, $p < 0.001$). This supports H_{5a} . This study demonstrates that effective information sharing across organizations enhances their performance by facilitating the identification of opportunities and the reallocation of resources. H_{5b} is further reinforced by the fact that innovative capacity has a significant indirect relationship with organizational success Moderating Role of Opportunity Recognition

	Interaction Path	β	t-value	p-value	Result
H6a	Dynamic Capability × Opportunity Recognition → Organizational Performance	0.121	3.684	< 0.001	Supported

The evidence for H_{6a} is substantiated by the findings of the moderation study, which indicate that opportunity recognition substantially influences the association between dynamic capability and organizational success. Dynamic capability significantly enhances organizational performance

dynamic capability ($\beta = 0.339$, $t = 6.245$, $p < 0.001$), hence validating hyperbolic H_{4a} . This result highlights the significance of dynamic capability as a crucial mechanism for converting knowledge-based resources into sustainable performance benefits. The results strongly validate the suggested model and demonstrate the essential role of dynamic capabilities and knowledge management techniques in enhancing organizational performance.

through dynamic capability ($\beta = 0.097$, $t = 3.946$, $p < 0.001$). These findings suggest that firms that prioritize innovation are more capable of translating their creative potential into concrete performance enhancements when they possess adaptability. The results support H_{5c} by showing that absorptive capacity has a positive and statistically significant indirect effect on organizational performance through dynamic capability ($\beta = 0.089$, $t = 3.517$, $p < 0.001$). Consequently, performance outcomes are enhanced by the facilitation of organizational adaptation enabled by the effective assimilation and use of external knowledge.

when organizations are adept at identifying new possibilities, as seen by a positive and statistically significant interaction effect between the two variables ($\beta = 0.121$, $t = 3.684$, $p < 0.001$). This study posits that dynamic capability enhances performance advantages for enterprises proficient in identifying

and analysing technical and market opportunities. Successful enterprises can synchronize their adaptability with essential strategic efforts, so enhancing their performance.

III. DISCUSSION

The findings of this study offer robust empirical validation for the suggested mediated-moderated paradigm connecting knowledge management practices, dynamic capability, opportunity recognition, and organizational performance. The results show that the ability to share knowledge, encourage new ideas, and take in new information greatly improves dynamic capability. This shows how important internal knowledge processes are for making an organization more flexible. These results are consistent with knowledge-based and dynamic capability frameworks, which assert that organizations must efficiently mobilize and integrate knowledge resources to adapt to environmental changes. The beneficial direct impacts of knowledge management approaches on organizational performance demonstrate that companies gain advantages not only from having knowledge resources but also from their active utilization. Sharing knowledge makes it easier for people to work together and learn from each other (Obeng et al., 2024). Innovative capacity encourages people to try new things and come up with unique ways to solve problems. Absorptive capacity lets organizations get and use knowledge from outside sources (Kretschmer & Symeou, 2024). These tactics work together to boost productivity and performance in organizations. Dynamic capability emerged as the primary explanatory framework in this investigation. The mediation results show that dynamic capability only partially affects the link between knowledge management strategies and how well a company does. This means that practices based on knowledge can directly affect performance, but their effect is much stronger when companies learn how to spot opportunities, take advantage of strategic options, and make the most use of their resources. Dynamic capacity serves as a transformative tool that translates knowledge inputs into enduring performance gains (Rizana et al., 2025). The moderating role of opportunity recognition enhances the outcomes. The findings suggest that recognizing opportunities strengthens the link between dynamic capability and organizational performance. Companies that put greater emphasis on new market and technology

opportunities are better at using their dynamic capacities to their maximum potential. Adaptive capabilities work better when they are based on correctly identifying opportunities.

IV. THEORETICAL IMPLICATION

This research enhances prior theories of knowledge management and dynamic capability by offering a theoretically robust and practically grounded integrated framework, with significant theoretical implications. Knowledge management techniques, including information sharing, creativity, and the assimilation of new knowledge, serve not only as assets to an organization but also as mechanisms that can enhance its capabilities over time (Bloem & Salimi, 2022). This discovery supports knowledge-based theory. To maintain strategic value, ongoing information exchange, renewal, and assimilation are essential because of their significant influence on dynamic capabilities. The second significant takeaway is that the research substantiates dynamic capacity theory by offering empirical evidence that it mediates the connection between knowledge management practices and company outcomes. Although previous research has seen dynamic capability as a natural consequence of superior performance, the present study elucidates how certain organizational practices foster dynamic capability (Gao et al., 2024). The research enhances the explanatory efficacy of dynamic capability theory by bridging the divide between theoretical constructs of capability and the processes of practical knowledge, utilizing dynamic capability as a transformative mechanism. Thirdly, research on dynamic capability is constrained when opportunity awareness is considered as a moderating factor. Findings indicate that dynamic capability does not inherently result in superior performance; instead, its efficacy is contingent upon the organization's capacity to recognize pertinent technical and market opportunities. This concept, which incorporates opportunity identification into the dynamic capability framework, offers a more profound comprehension of why firms with analogous adaptive capacities can yield disparate performance results. Finally, the research contributes to the understanding of capability interaction theory by presenting empirical evidence that knowledge-based capabilities, adaptive capabilities, and cognitive sensing mechanisms collectively influence organizational performance. This multi-layered perspective allows for a more

comprehensive understanding of organizational dynamics than conventional cause-and-effect models.

V. MANAGERIAL IMPLICATIONS

Managers aiming to enhance organizational performance in dynamic, competitive settings can extract valuable insights from the findings of this study. Initially, managers ought to cultivate a collaborative ethos, as the ability to disseminate knowledge profoundly influences both dynamic capability and organizational performance. Managers ought to create formal avenues for employees to share information, including interdisciplinary teams, internal knowledge exchange platforms, frequent training sessions, and remuneration for personnel who contribute their expertise. This facilitates the organization's adaptation and success, as these tactics convert collective experiences into advantages. The findings underscore the need of creative skill for effective adaptation. To encourage staff to embrace risk and pursue innovation, management should invest in innovation laboratories, pilot projects, and ongoing improvement initiatives. Employees are more inclined to suggest and experiment with novel concepts when they experience psychological comfort, hence enhancing creativity and contributing to long-term performance. Leadership support for innovation is essential to ensure that new ideas correspond with strategic objectives. Managers should not confine themselves to internal information sources; rather, they must proactively pursue additional data, given the vital importance of absorptive capacity. Customers, suppliers, technology providers, and industry networks serve as excellent sources for firms to obtain useful external information. Managers ought to allocate resources towards programs and technologies that educate personnel on the interpretation and application of data sourced externally from the firm. Organizations can employ this method to adjust to emerging technologies and market dynamics. Managers should prioritize adaptation above static efficiency, since dynamic competency serves a mediating role. Managers must consistently assess and adjust the organization's procedures, structures, and resources to respond to environmental changes. Enterprises can maintain a competitive edge by employing sensing technology, including data analytics and market intelligence systems. Ultimately, managers must exercise greater caution in their strategic approach,

since the identification of opportunities exerts a moderating influence. When managers and staff are instructed to assess, recognize patterns, and analyse opportunities, dynamic skills significantly enhance performance. Businesses are more likely to achieve long-term success if they align their adaptive strategies with clearly defined opportunities.

VI. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This study has significant limitations that need to be acknowledged, indicating opportunities for future research. The study employed a cross-sectional research design, constraining the ability to infer causal relationships among knowledge management practices, dynamic capability, opportunity recognition, and organizational performance. Subsequent study might utilize longitudinal designs to record changes in capacities and performance across time, so providing more substantial causal evidence. Second, the data were collected using a convenience sample method from small and medium-sized businesses (SMEs) in the IT sector in Western India. While this context yields substantial insights, the results may have limited applicability to other sectors or geographic regions. Future studies could expand this framework to many industries, such as manufacturing or services, and evaluate results across regions or countries to enhance external validity. Third, the study relied on self-reported data, which may be susceptible to common method bias and respondent subjectivity, notwithstanding the application of procedural remedies. Subsequent study may incorporate objective performance indicators or multi-respondent data to improve measurement accuracy. Future research may examine additional moderating or mediating variables, such as organizational culture, leadership style, or digital maturity, to further the understanding of the influence of knowledge-based capabilities on organizational performance in dynamic contexts.

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