STRATEGIC AGILITY AND STRATEGIC EXECUTION PERFORMANCE IN CHINESE SMES: THE MEDIATING ROLE OF LEADERSHIP ALIGNMENT AND THE MODERATING ROLE OF ORGANIZATIONAL COMPLEXITY

Wei Guo[1]
Nan Xiang[1]
Ling qian[1]
praphaphan wunsuk[1]
Ou Bai[1]*
[1]Innovation College, North-Chiang Mai University, Thailand
***Corresponding Author, E-mail:** ouba@northcm.ac.th

Abstract: Strategic agility is widely argued to be a decisive capability for firms competing under digital disruption, yet the organizational conditions through which agility is converted into realized performance remain underspecified—particularly in small and medium-sized enterprises (SMEs), where the received large-firm evidence base may not transfer. This study develops and tests an integrated model in which strategic agility improves strategic execution performance both directly and indirectly through leadership alignment, with organizational complexity moderating the returns to agility. Drawing on the dynamic-capabilities perspective, the upper-echelons view, and organizational-design theory, four hypotheses are specified and tested on survey data from 413 senior managers of Chinese SMEs using covariance-based structural equation modeling. Strategic agility exerts a significant positive effect on strategic execution performance ($\beta = 0.42$), part of which is transmitted through leadership alignment (indirect effect = 0.21; 33.3% of the total effect), indicating partial mediation. Organizational complexity significantly attenuates the agility–performance relationship (interaction $\beta = -0.18$): the conditional effect of agility falls from 0.60 in low-complexity firms to 0.24 in high-complexity firms but remains positive and significant throughout. The findings reposition leadership alignment as an executional mechanism rather than a mere antecedent of agility, and identify structural complexity as a boundary condition that dampens—without extinguishing—the value of agility in the SME context. Implications for how resource-constrained firms sequence agility-building and structural design are discussed.

Keywords: strategic agility; leadership alignment; organizational complexity; strategic execution; dynamic capabilities; SMEs; China

Introduction

The competitive environment confronting firms in the third decade of the twenty-first century differs in kind, not merely in degree, from the environment for which most received theories of strategic

management were developed. Digital transformation has compressed decision cycles and dissolved the informational advantages that once protected incumbents (Vial, 2019; Warner & Wäger, 2019); platform economics and cross-sector entry have destabilized industry boundaries (Teece et al., 2016); and the interval between an environmental signal and the point at which a firm must have responded has shrunk from years to quarters (Doz, 2020). Together these forces have raised the premium on organizational responsiveness and, in doing so, exposed a latent managerial weakness: the difficulty of translating strategic intention into coordinated organizational action quickly enough to matter.

The scholarly response has centered on the construct of *strategic agility*—a higher-order dynamic capability comprising the ability to sense environmental change, make committed decisions under uncertainty, and reconfigure resources at speed (Doz & Kosonen, 2010; Weber & Tarba, 2014). A substantial literature now links agility to superior firm outcomes. Yet two gaps persist that are consequential for both theory and practice.

First, the mechanism gap. Much of the agility literature treats the link between agility and performance as though it were direct and self-evident, leaving the intervening organizational processes largely unopened. Agility is a firm-level potential; performance is a realized outcome; and between the two lies the problem of execution—the coordinated mobilization of the organization behind a chosen course of action. There are strong theoretical reasons, grounded in the upper-echelons perspective (Hambrick, 2007), to expect that the *alignment of the leadership team*—the degree to which senior managers share a common interpretation of priorities and a coherent understanding of how strategy will be enacted—is a principal conduit through which agility becomes execution. This possibility has rarely been modeled explicitly.

Second, the context gap. The dominant evidence base is drawn from large firms in Western economies. Whether and how agility pays off in SMEs, and in the institutional setting of an emerging economy such as China, is far less well understood. SMEs face acute resource constraints, thinner managerial ranks, and different exposure to environmental turbulence; they also vary widely in *organizational complexity*—the differentiation and interdependence of their internal structures—in ways that may condition the returns to agility. Contingency theory (Donaldson, 2001) and Teece et al.'s (2016) argument that agility's value depends on the conditions of its exercise both suggest that structure should moderate the agility–performance relationship, but this proposition has seldom been tested in the small-firm setting.

This study addresses both gaps by developing and testing an integrated model of strategic execution in Chinese SMEs. We ask three questions: (1) Does strategic agility improve strategic execution performance in SMEs? (2) Is this effect mediated by leadership alignment? (3) Is it moderated by organizational complexity? Using survey data from 413 senior managers and covariance-based structural equation modeling, we find support for a partially mediated, complexity-moderated model. The study makes three contributions. Theoretically, it specifies leadership alignment as an executional

mechanism, extending the upper-echelons perspective from strategic *choice* to strategic *execution*. It establishes organizational complexity as a boundary condition on the returns to agility, integrating organizational-design theory with the dynamic-capabilities view. And it relocates the empirical conversation to the resource-constrained SME context, where the trade-offs between agility and structure are most acute.

Research Objectives

This study pursues three objectives. First, it examines whether strategic agility improves strategic execution performance in Chinese small and medium-sized enterprises (SMEs). Second, it investigates whether leadership alignment mediates this relationship, thereby specifying the organizational mechanism through which agility is converted into execution. Third, it tests whether organizational complexity moderates the returns to agility, establishing the structural conditions under which agility is more or less effectively translated into performance.

Literature Review

Strategic agility as a dynamic capability

The dynamic-capabilities perspective holds that competitive advantage in changing environments rests not on a static bundle of resources but on higher-order capabilities to sense opportunities, seize them, and reconfigure the resource base accordingly (Teece, 2007). Where the resource-based view explains advantage by reference to valuable, rare, inimitable, and non-substitutable resources, the dynamic-capabilities extension asks how firms renew those resources when the environment shifts—shifting the analytical focus from resource *possession* to resource *renewal*. Strategic agility is a firm-level expression of this logic, typically decomposed into strategic sensitivity (the perceptual acuity to detect environmental change early), leadership unity or collective commitment (the capacity of the top team to make fast, committed decisions without fragmenting), and resource fluidity (the ability to redeploy capital, people, and attention rapidly) (Doz & Kosonen, 2010).

Two conceptual boundaries clarify the construct. Agility is distinct from operational flexibility in that it concerns the strategic direction of the firm—what the firm chooses to do—rather than the elasticity of its operations in executing a fixed plan. And it is distinct from organizational ambidexterity in that it emphasizes the *speed of redirection* between strategic postures rather than the *simultaneous pursuit* of exploration and exploitation; an ambidextrous firm balances two modes at once, whereas an agile firm switches between modes quickly as conditions warrant. These distinctions matter for the SME context, where firms rarely have the slack to sustain ambidextrous structures and where the competitive value of agility lies precisely in rapid redirection with limited resources. Positioning agility as a dynamic capability also implies that its returns should be conditional on the organizational context in which it is exercised—a premise that motivates the complexity moderation developed below.

Empirical work has linked agility to innovation, growth, and financial performance across a range of settings. Studies in large firms and in Western economies have repeatedly found positive associations between agility-related constructs and firm outcomes, and a parallel stream on strategic flexibility and improvisation reaches similar conclusions. Yet three features of this evidence base limit its usefulness for the present questions. First, the outcome is typically operationalized as generic firm performance—financial ratios, growth, or subjective performance relative to competitors—which conflates the *implementation* of strategy with its *formulation* and with market conditions outside managerial control. Second, the causal texture of the agility–performance relationship remains coarse: agility is frequently modeled as a direct antecedent of performance, with the intervening organizational processes left implicit. Third, the settings studied are dominated by large, structurally elaborated firms, so the findings may not transfer to SMEs, whose thin managerial ranks and resource constraints change both the meaning and the mechanics of agility.

Because agility is a potential rather than an accomplishment, its translation into performance depends on organizational processes that convert the capacity to act into coordinated action. We label the realized outcome *strategic execution performance* (SEP)—the extent to which a firm implements its chosen strategy on time, within resources, and with the intended organizational commitment. SEP is conceptually distinct from generic firm performance in that it isolates the implementation problem: a firm can perform well for reasons unrelated to execution (favorable markets, prior positioning) and can execute well without immediately superior financial results. It is also distinct from adjacent implementation constructs such as strategic consensus and strategic commitment, which capture states of agreement rather than realized delivery. Treating SEP as the dependent construct sharpens the theoretical focus on precisely the problem that agility is meant to solve—turning responsiveness into coordinated organizational action—and makes visible the mediating and moderating processes that a generic-performance dependent variable would obscure.

H1. Strategic agility is positively related to strategic execution performance.

Leadership alignment as an executional mechanism

The upper-echelons perspective argues that organizations are reflections of their top managers, whose interpretations and choices shape strategic outcomes (Hambrick & Mason, 1984; Hambrick, 2007). Extending this logic from choice to execution, we contend that the *alignment* of the top team—shared understanding of priorities, coherent framing of the strategy, and agreement on how it will be enacted—is a proximate determinant of whether strategy is executed. Alignment reduces the coordination losses, mixed signals, and sub-unit divergence that dissipate implementation effort.

Agility and alignment are theoretically linked in two steps. First, the practice of strategic agility—joint sensing, collective decision-making, and shared resource reallocation—builds alignment: the very routines that make a firm agile require and reinforce a common cognitive frame within the leadership team. When a top team senses the environment together, debates and commits to decisions

jointly, and reallocates resources through shared deliberation, it develops a convergent interpretation of what matters and why. Agility, in this sense, is not merely a capability the leadership team *possesses* but a set of interactive routines that *produce* alignment as a by-product. This is especially consequential in SMEs, where the top team is small, roles overlap, and the same executives who sense the environment also enact the response, so that the cognitive integration built through agile routines translates directly into implementation coherence.

Second, alignment enables execution: a leadership team that interprets the environment coherently and agrees on priorities can mobilize the organization faster and with less friction. Aligned leaders send consistent signals down the hierarchy, resolve resource conflicts without prolonged bargaining, and avoid the cross-purposes that dissipate implementation effort. The upper-echelons literature has largely treated top-team characteristics as antecedents of strategic *choice*; here we argue they are equally consequential for strategic *execution*, because implementation is itself a coordination problem whose solution runs through the shared understanding of the senior team. Together these two steps imply a mediated pathway from agility to execution through alignment—though we do not expect the mediation to be complete, because agility also reaches execution through channels such as resource fluidity and operational responsiveness that bypass the leadership team's cognitive alignment.

H2a. Strategic agility is positively related to leadership alignment.

H2b. Leadership alignment is positively related to strategic execution performance.

H2. Leadership alignment mediates the relationship between strategic agility and strategic execution performance.

Organizational complexity as a boundary condition

Organizational-design theory treats structural complexity—horizontal differentiation, vertical layering, and the density of internal interdependencies—as a condition that shapes how information flows and how coordinated action is achieved (Galbraith, 1974). Complexity is not merely an outcome of growth; it is a standing feature of the organization that conditions the returns to other capabilities. We argue that complexity attenuates the conversion of agility into execution through four pathways: it raises coordination costs; it filters and distorts the information on which sensing depends; it organizes sub-unit resistance to reconfiguration; and it consumes the top team's attentional bandwidth in the management of complexity itself (Ocasio, 1997; Joseph & Gaba, 2020). Each pathway blunts the marginal execution return to a given increment of agility.

Consistent with the contingency premise (Donaldson, 2001) and with Teece et al.'s (2016) argument that agility's value is conditional on the setting in which it is exercised, we predict that complexity weakens—rather than eliminates—the positive agility–execution relationship.

H3. Organizational complexity negatively moderates the relationship between strategic agility and strategic execution performance, such that the positive effect of agility is weaker when complexity is high.

The Chinese SME context

The theoretical relationships are given particular salience by the institutional and organizational features of Chinese SMEs. SMEs account for the majority of employment and a large share of value creation in the Chinese economy, yet they operate under distinctive conditions: rapid and often discontinuous market change, comparatively limited access to external finance, dense competition, and a policy environment that shifts the terms of competition faster than in more mature economies. These conditions raise the premium on strategic agility while simultaneously constraining the resources available to build it, sharpening the trade-offs the model examines.

Two features make the mechanisms especially visible in this setting. First, the leadership teams of Chinese SMEs are typically small and centralized, often founder-led, so the alignment (or misalignment) of the senior group is directly and quickly transmitted into organizational action—there is little bureaucratic buffer between top-team cognition and execution. This tightens the alignment–execution link the model posits. Second, Chinese SMEs vary widely in organizational complexity even within a narrow size band, because rapid growth, diversification, and the layering of ownership and control structures produce heterogeneity in internal differentiation and interdependence. This variance in the moderator is what makes it possible to detect the complexity boundary condition empirically. Studying the model in this context is therefore not merely a matter of generalization to a new setting; it is a setting in which the theorized processes are unusually observable.

The integrated model

The four hypotheses jointly describe a partially mediated model with a moderated focal path: agility raises execution both directly (H1) and through leadership alignment (H2), while organizational complexity conditions the strength of the direct agility–execution relationship (H3). The model integrates three theoretical traditions—dynamic capabilities (the source of agility), upper echelons (the alignment mechanism), and organizational design (the complexity boundary)—around the under-examined problem of strategic execution in SMEs.

Methodology

Research design and philosophy

The study adopts a post-positivist, deductive stance and a cross-sectional explanatory survey design appropriate to theory testing with latent constructs. The unit of analysis is the firm, with one senior informant per firm reporting on firm-level constructs, consistent with the upper-echelons premise that senior executives possess the vantage point to characterize strategic processes (Hambrick, 2007).

Sample and data collection

The sampling frame comprised Chinese SMEs with 100–1,000 employees—the band defined by the Ministry of Industry and Information Technology and the range within which structural complexity exhibits meaningful firm-level variance. Firms below this band tend to have flat,

undifferentiated structures; those above it approach large-enterprise governance regimes whose execution dynamics differ qualitatively. Respondents were required to hold senior-manager, director, vice-president, or chief-executive roles.

Data were collected between September and December 2024 through a structured online questionnaire administered in Mandarin, distributed via cooperating industry associations under institutional ethics approval. Several procedural remedies for common-method variance were built into the design: separation of predictor, mediator, and criterion sections with intermediate filler items; assurances of anonymity and of the absence of right or wrong answers to reduce evaluation apprehension; and review of item wording to remove ambiguity. Of 487 initiated questionnaires, 413 met completion and quality criteria (full completion, response time exceeding eight minutes, and absence of straight-lining), a retention rate of 84.8%.

A priori power analysis established the target sample size. The most demanding of three benchmarks—the ten-cases-per-parameter rule (Kline, 2016), Westland's (2010) minimum for covariance-based SEM, and the inverse-square-root method (Kock & Hadaya, 2018)—implied a minimum of approximately 400 cases; the achieved sample of 413 satisfies this requirement and provides adequate power for confirmatory factor analysis, structural estimation, bootstrapped mediation, and latent-interaction moderation.

The final sample is dominated by manufacturing firms (52.5%), followed by services (38.7%). Firm size skews toward the lower band, with 40.7% in the 100–299-employee bracket. Firm age is broadly distributed, with 67.8% in the 5–20-year range. Respondents are senior: 75.3% hold CEO/GM or functional-head roles.

Measures

All focal constructs were measured with multi-item, seven-point Likert scales adapted from established instruments and refined through translation (back-translation following Brislin, 1970) and pilot testing. *Strategic agility* (five items) captured strategic sensitivity, decision commitment, and resource fluidity. *Leadership alignment* (five items) captured shared interpretation of priorities and coherence of strategic understanding within the top team. *Organizational complexity* (five items) captured horizontal differentiation, vertical layering, and internal interdependence. *Strategic execution performance* (five items) captured on-time, on-resource implementation with intended organizational commitment. Firm size, firm age, industry, and respondent role were included as controls.

Analytical strategy

Analysis proceeded in five stages using covariance-based SEM in the lavaan package for R with maximum-likelihood estimation. Stage 1 assessed common-method bias through Harman's single-factor test, an unmeasured latent method construct, and full-collinearity variance-inflation factors (Kock, 2015). Stage 2 evaluated the measurement model via confirmatory factor analysis, assessing convergent validity (standardized loadings, composite reliability, average variance extracted) and

discriminant validity (Fornell–Larcker and the heterotrait–monotrait ratio). Stage 3 estimated the structural model, evaluating fit against Hu and Bentler's (1999) cut-offs. Stage 4 tested mediation with bias-corrected bootstrap confidence intervals (5,000 resamples; Hayes, 2018) and moderation via latent-interaction modeling with simple-slope decomposition. Stage 5 conducted robustness checks, including PLS-SEM re-estimation, a full-mediation nested-model comparison, a reverse-causality test, and multi-group invariance across manufacturing and service subsamples. Decision thresholds were fixed in advance to guard against data-driven specification.

Results

Common-method bias and measurement model

Common-method bias diagnostics were reassuring: Harman's first factor accounted for 32.7% of variance (below 50%); the latent-method-construct comparison yielded ΔCFI = 0.008 (below 0.01); and full-collinearity VIFs ranged 1.42–2.18 (below 3.3). The measurement model achieved acceptable fit, $\chi^2(734) = 1389.2$, $\chi^2/df = 1.89$, CFI = 0.934, TLI = 0.929, RMSEA = 0.047, SRMR = 0.052. Standardized loadings ranged 0.75–0.88, all significant at $p < 0.001$. Composite reliabilities exceeded 0.89 and average variance extracted (AVE) ranged 0.62–0.72 (strategic agility 0.66, leadership alignment 0.69, organizational complexity 0.62, strategic execution performance 0.72), satisfying convergent-validity thresholds (Fornell & Larcker, 1981). Discriminant validity held: the square root of each construct's AVE exceeded its correlations with other constructs, and all heterotrait–monotrait ratios fell below 0.85 (Henseler et al., 2015).

Table 1. Descriptive statistics and construct correlations (N = 413).

Variable	Mean	SD	1	2	3	4
1. Strategic agility (SA)	5.12	0.94	(0.81)			
2. Leadership alignment (LA)	5.08	0.97	0.54***	(0.83)		
3. Organizational complexity (OC)	4.21	1.12	0.18**	0.22***	(0.79)	
4. Strategic execution performance (SEP)	5.21	0.91	0.61***	0.66***	0.15*	(0.85)

Note. Diagonal values in parentheses are square roots of AVE. *p < 0.05, **p < 0.01, ***p < 0.001.

Structural model and hypothesis tests

The structural model fit the data well (CFI = 0.934, TLI = 0.929, RMSEA = 0.047, SRMR = 0.052) and explained 41.1% of the variance in leadership alignment and 56.2% of the variance in strategic execution performance.

Table 2. Structural path estimates.

Hypothesis	Path	β	SE	t	p	Result
H1	SA → SEP (direct)	0.42	0.05	8.40	< 0.001	Supported
H2a	SA → LA	0.64	0.04	16.00	< 0.001	Supported
H2b	LA → SEP	0.33	0.05	6.60	< 0.001	Supported
H3	SA × OC → SEP	−0.18	0.053	−3.40	0.001	Supported

All hypothesized direct paths were significant in the predicted direction, supporting H1, H2a, and H2b. The SA → LA path (β = 0.64) was the strongest in the model, indicating that agility is a particularly potent antecedent of leadership alignment.

Mediation

A bias-corrected bootstrap (5,000 resamples) confirmed a significant indirect effect of agility on execution through leadership alignment (indirect = 0.21, 95% CI [0.15, 0.28]), alongside a significant direct effect (0.42, 95% CI [0.32, 0.52]) and total effect (0.63, 95% CI [0.55, 0.71]). Leadership alignment transmitted 33.3% of the total effect (variance accounted for), indicating partial mediation. A nested-model comparison decisively rejected the full-mediation specification ($\Delta\chi^2 = 78.4$, $\Delta df = 1$, $p < 0.001$), confirming that agility retains a substantial direct effect on execution beyond the alignment pathway. H2 is supported.

Moderation

The latent interaction of agility and complexity on execution was significant and negative (β = −0.18, p = 0.001), supporting H3. Simple-slope analysis showed the effect of agility on execution falling monotonically from 0.60 at low complexity (−1 SD; 95% CI [0.46, 0.74]) through 0.42 at the mean to 0.24 at high complexity (+1 SD; 95% CI [0.10, 0.38])—a roughly 60% reduction in slope. Crucially, the conditional effect remained positive and significant across the entire observed range of complexity: complexity dampens the returns to agility but does not extinguish them.

Table 3. Conditional effect of strategic agility on execution across levels of complexity.

Complexity level	Slope of SA → SEP	SE	t	p	95% CI
Low (−1 SD)	0.60	0.07	8.57	< 0.001	[0.46, 0.74]
Mean	0.42	0.05	8.40	< 0.001	[0.32, 0.52]
High (+1 SD)	0.24	0.07	3.43	0.001	[0.10, 0.38]

Robustness

Conclusions were stable across checks. PLS-SEM re-estimation returned coefficients within 0.03 of the CB-SEM estimates (0.41 direct, 0.20 indirect, −0.17 interaction). A reverse-causality specification (SEP → SA) fit worse (CFI = 0.89) and is theoretically untenable. Multi-group analysis established configural, metric, and scalar invariance across the manufacturing (n = 217) and services (n = 160) subsamples, and a test of structural-path invariance was non-significant ($\Delta\chi^2(3) = 4.32$, $p = 0.23$), indicating that the model operates equivalently across the two sectors.

Discussion

Summary and interpretation

The study set out to open the black box between strategic agility and realized performance in the SME context. Three findings emerge. First, agility does improve strategic execution performance (H1), confirming in the small-firm, emerging-economy setting a relationship established mainly in large Western firms. Second, this effect is *partially* mediated by leadership alignment (H2): a third of agility's total effect flows through the top team's shared understanding of priorities, while the majority operates directly. Third, organizational complexity is a genuine boundary condition (H3): the executional payoff to agility is substantially larger in structurally simple firms than in complex ones, though it never turns negative within the observed range.

The pattern is theoretically coherent. That agility is the strongest predictor of alignment ($\beta = 0.64$) supports the argument that the routines constituting agility—joint sensing, collective commitment, shared reallocation—are precisely the routines that build a common cognitive frame in the leadership team. That alignment in turn predicts execution ($\beta = 0.33$) locates the top team as a proximate conduit of implementation. And that a direct agility–execution path survives the inclusion of alignment indicates that agility also reaches execution through channels not captured by leadership alignment alone—plausibly resource fluidity and operational responsiveness.

The moderation result refines rather than contradicts the main effect. The positive zero-order association between complexity and execution ($r = +0.15$) shows that complexity is not intrinsically harmful to performance; complex SMEs are not, on average, worse executors, and may indeed benefit from the differentiation and specialization that complexity brings. What complexity does is *reduce the marginal return to agility*: the coordination costs, information distortion, sub-unit resistance, and attentional load that accompany structural complexity blunt the conversion of agility into execution. This is a statement about interaction, not about the direct value of structure, and the two should not be conflated in interpretation. The distinction matters practically as well as theoretically: a manager who reads the negative interaction as "complexity is bad" would draw the wrong lesson, when the correct reading is "complexity raises the cost of relying on agility alone."

The finding that the conditional effect of agility remains positive and significant even at high complexity is itself substantively important. It means that agility is not rendered useless by structural complexity—the returns diminish but do not vanish—so agility-building remains worthwhile across the full range of firms observed. This tempers any prescription that complex firms should abandon agility in favor of structural solutions; rather, the evidence suggests that complex firms earn a smaller but still positive return on agility and would benefit from addressing complexity in parallel rather than as a substitute.

It is worth situating these results against the broader debate over whether structure enables or constrains dynamic capability. One tradition holds that structure provides the stable platform on which capabilities are exercised; another holds that structure ossifies and impedes reconfiguration. The present findings suggest both are partly right but at different margins: complexity does not depress execution directly (consistent with the enabling view), yet it attenuates the agility–execution conversion (consistent with the constraining view). The reconciliation is that structure and agility are partial substitutes in the production of execution—each can carry implementation, so the marginal value of one falls as the other rises.

Theoretical contributions

The study contributes to three literatures. To the dynamic-capabilities and agility literature, it supplies an explicit executional mechanism, moving beyond the treatment of the agility–performance link as direct and self-evident and showing that leadership alignment carries roughly a third of the total effect. This matters because a large body of work has established *that* agility pays off without specifying *how*; by opening the mechanism and by using an implementation-specific dependent construct, the study moves the conversation from the existence of the effect to its organizational production. The partial-mediation result also disciplines the theory: it shows that alignment is a substantial but not exhaustive conduit, warning against monocausal accounts that would reduce agility's value to any single intervening process.

To the upper-echelons perspective, it extends the reach of top-team cognition from strategic *choice*, where it has been most studied, to strategic *execution*. The upper-echelons tradition has richly documented how the composition and cognition of the top team shape what firms decide; the present study argues and shows that the same cognitive integration shapes whether decisions are enacted. Positioning leadership alignment as an implementation variable, rather than solely an antecedent of choice, opens a line of inquiry into the executional consequences of top-team processes.

To organizational-design theory, it demonstrates that structural complexity functions as a contingency on the returns to a dynamic capability rather than as a direct determinant of performance. This integrates design logic with the dynamic-capabilities view around a moderated model and offers a resolution to the long-standing debate over whether structure enables or constrains capability: the evidence here suggests structure and agility are partial substitutes in producing execution. Cutting

across all three, the study relocates the conversation to the resource-constrained SME setting, where the tension between building agility and managing structure is most consequential and least studied, and where the tight coupling between top-team cognition and organizational action makes the theorized mechanisms unusually observable.

Practical implications

For SME managers, the results imply a sequencing logic. Because leadership alignment is both strongly driven by agility (β = 0.64) and a significant driver of execution (β = 0.33), investments that build the top team's shared strategic frame—joint sensing routines, collective decision forums, transparent priority-setting, and disciplined post-decision review—are high-leverage: they compound the executional payoff of agility rather than substituting for it. The practical corollary is that agility-building initiatives should be designed to be *collective* rather than concentrated in a single champion, because it is the shared cognitive frame, not individual responsiveness, that carries the mediating benefit.

Because complexity dampens the returns to agility, firms that have accumulated structural complexity should not expect agility initiatives alone to deliver full executional benefit; they may need to simplify structures, decentralize decision rights, or reduce internal interdependencies in parallel. The evidence that agility's return remains positive even at high complexity means this is a matter of *degree*—complex firms still gain from agility—but the diminished slope implies that the return on a marginal unit of managerial attention may be higher when spent on structural simplification than on further agility-building, once complexity is high. For growing SMEs specifically, the finding carries a developmental warning: as firms scale, structural complexity tends to accumulate faster than the leadership team's capacity to maintain alignment, so growth can silently erode the executional payoff of the very agility that fueled it. Managers should therefore monitor complexity as an active design variable, not a passive consequence of growth, and should pair expansion with deliberate investment in leadership alignment. For policymakers supporting SME development, the results suggest that capability-building programs emphasizing leadership-team processes and organizational design—not only technology adoption or financing—address a genuine constraint on the translation of strategic capability into performance.

Limitations and future research

Several limitations bound the findings and mark directions for future work. First, the cross-sectional, single-informant design supports associational rather than strictly causal inference. Although the design incorporated procedural remedies for common-method variance and the statistical diagnostics were reassuring—and although a reverse-causality specification fit worse and is theoretically less plausible—the strongest causal claims would require longitudinal data that observe agility, alignment, and execution in temporal sequence, and ideally multi-informant designs that separate the source of the predictor from that of the criterion. Incorporating objective or archival

execution indicators alongside the perceptual measures would further reduce reliance on single-source self-report.

Second, the sample is confined to Chinese SMEs of 100–1,000 employees recruited through cooperating industry associations. This bounds generalizability in two ways: the institutional specificity of the Chinese setting may condition the strength of the relationships, and association-based recruitment may over-represent firms with above-average managerial engagement. Replication across national settings, size bands, and recruitment frames would establish the boundaries of the findings. The invariance of the model across manufacturing and service subsamples is encouraging on this point but does not substitute for cross-context replication.

Third, the model captures a single mediating mechanism and a single moderator. The partial-mediation result explicitly signals that agility reaches execution through channels the model does not capture; future work could specify resource fluidity, operational responsiveness, or middle-management alignment as complementary mediators, testing a fuller multiple-mediator model. On the moderation side, a natural extension is to ask whether the complexity boundary itself depends on environmental dynamism—whether, that is, complexity is more damaging to the returns to agility when the environment moves faster—which would specify a three-way interaction of agility, complexity, and turbulence. Finally, future research could examine the temporal dynamics of complexity accumulation in growing SMEs, tracing whether and when structural elaboration begins to erode the executional payoff of agility.

Conclusion

Strategic agility improves strategic execution performance in Chinese SMEs, and it does so both directly and through the alignment of the leadership team, but its returns are conditioned by organizational complexity. The value of agility, in short, is real but not unconditional: it is realized most fully in firms whose leadership is aligned and whose structures remain simple enough to convert responsiveness into coordinated action. For resource-constrained firms deciding where to invest managerial attention, that conditional logic—build alignment, watch complexity—is the study's central practical message.

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