



EFFECT OF STRATEGIC COMPETENCY AND NETWORKING CAPABILITY ON SUSTAINABLE PERFORMANCE OF STARTUPS IN LAGOS

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Abstract

This study examines the effect of strategic competency and networking capability on sustainable performance in the context of startups in Lagos, Nigeria. The population of this study is made up of 480 startups in Lagos State Nigeria. This study sample was 218 startups that are located in Lagos state Nigeria, as obtained through Taro Yamane formula and gathered randomly through questionnaire. The data was examined using the structural equation modeling (SEM) via SmartPLS4. The results indicate a significant positive effect of strategic competency on sustainable performance, highlighting the importance of developing and leveraging core competencies to achieve long-term success. Additionally, the study reveals the significant mediating role of networking capability between strategic competency and sustainable performance, indicating that the ability to build and exploit external relationships and connections positively impacts performance outcomes. The findings of this study align with previous research and theoretical expectations, emphasizing the significance of strategic competency and networking capability in the startup context. These results have important managerial implications, suggesting that entrepreneurs and startup managers should prioritize the development of strategic competencies that differentiate their firms from competitors and drive sustainable performance. Furthermore, fostering networking capability can enhance access to valuable resources, knowledge, support, and opportunities, thereby amplifying the impact of strategic competencies on performance outcomes. While this study provides valuable insights, there are limitations to consider. The focus on startups in Lagos may restrict the generalizability of the findings, and the use of self-reported data introduces potential biases. Future research could address these limitations by expanding the sample, employing multiple data sources, and exploring additional mediating or moderating variables. By addressing these suggestions, researcher scan advance our knowledge of the complex interplay between strategic competency, networking capability, and sustainable performance in startup ventures.

Keywords: strategic competency, networking capability, sustainable performance

INTRODUCTION

Startups need to perform well over the long term to succeed, grow, and contribute to the economy. Sustainable performance means they consistently succeed by staying competitive, profitable, and making positive social and environmental impacts (Adamu, Wen & Gorondustse, 2019). However, low levels of sustainable performance pose significant challenges for startups, particularly in developing countries (Hasan & Ali, 2017; Syed, Li & Junaid, 2020). This is evidence in the large percentage of startups in Nigeria who failed to continue

operating within the first few years of operation. For example, Deal Dey, Efiko, Easy Taxi, Gokada and Bio Care among the many startups that have failed in Lagos alone.

The low level of sustainable performance in startups not only affects individual startups but also hinders economic development. Startups are considered drivers of innovation, job creation, and economic growth, and their failure to achieve sustainable performance limits the potential benefits they can bring to the local economy. Enhancing the sustainable performance of startups in developing countries is crucial for building vibrant entrepreneurial ecosystems, attracting investments, and promoting inclusive economic development.

The large percentage of startups in developing countries fail within the first few years of operation, mainly due to the inadequate entrepreneurial competencies of their founders or managers as well as low level of sustainable performance (Alloush & Al-Haddad, 2022; Abawa, 2023). Entrepreneurial competencies encompass a range of skills, knowledge, and behaviors that enable individuals to identify opportunities, allocate resources effectively, and manage uncertainties inherent in entrepreneurial ventures (Fazal, Mamun, Mansori & Abir, 2019; Pulka, Ramli & Mohamad, 2021). It involves the ability to develop and implement strategies that align with the organization's goals, adapt to changing market conditions, and achieve sustainable competitive advantage.

In the context of Lagos, Nigeria, which has emerged as a vibrant hub for startups and entrepreneurial activities, understanding the effect of strategic competency on sustainable performance becomes imperative. Lagos boasts a diverse and dynamic entrepreneurial ecosystem, characterized by a mix of local and international startups operating in various sectors. However, limited empirical research has been conducted to investigate the specific role of strategic competency and its impact on the sustainable performance of startups in Lagos.

The startup ecosystem in Lagos, Nigeria, is experiencing rapid growth and competition. However, many startups struggle to achieve sustainable performance and long-term success. Networking capability is one additional factor that can potentially mediate the relationship between strategic competency and sustainable performance in the startup context (Ibeabuchi, Ehido & Abdullah, 2020). Effective networking can facilitate access to resources, knowledge sharing, and business opportunities, ultimately influencing the sustainable performance of startups. Therefore, exploring the mediating role of networking capability can provide valuable insights into how strategic competency translates in to sustainable performance outcomes for startups in Lagos.

Statement of the Problem

The startup ecosystem in Lagos, Nigeria, is experiencing rapid growth and competition. However, many startups struggle to achieve sustainable performance and long-term success. To address this challenge, this study aims to examine the effect of strategic competency and networking capability on the sustainable performance of startups in Lagos.

The specific problem to be addressed is twofold:

- (i) *Strategic Competency*: Many startups in Lagos face difficulties in developing and executing effective strategies to differentiate themselves, establish a strong market position, and optimize resource allocation. This lack of strategic competency may hinder their ability to achieve sustainable performance. Strategic competency, in particular, plays a vital role in shaping the direction and long-term success of startups (Maden, Göztaş & Topsümer, 2014; Tehseen, Yafi, Sajilan, Rehman & Butt, 2019).

- (ii) *Networking Capability*: Startups of ten face challenges in building and leveraging relationships with relevant stakeholders, such as customers, suppliers, investors, and industry experts. Limited networking capability may restrict startups' access to resources, collaboration opportunities, and market insights, which can impact their sustainable performance. Networking capability refers to the ability of startups to establish and leverage relationships with relevant stakeholders, including investors, customers, suppliers, and other industry players (Karami & Tang, 2019).

Despite the potential impact of strategic competency and networking capabilities on startup performance, limited research has been conducted specifically in the context of Lagos. The unique characteristics of the local market, cultural dynamics, and resource constraints make it essential to explore how these factors interact and influence startup sustainability in Lagos.

Previous research has provided evidence of a positive association between strategic competency and sustainable performance (Alloush, 2018; Reshma & Sripirabaa, 2019; Mustapha, Al Mamun, Mansori & Balasubramaniam, 2020; Chadha, Devi & Upadhaya, 2022). However, alternative findings suggest that the relationship between strategic competency and performance may not follow a direct path, as highlighted by the studies conducted by Karami and Tang (2019) and Kurniawan, Budiastuti, Hamsal and Kosasih (2021).

The aim of the study is to fill the existing research gap by examining the effect of strategic competency on the sustainable performance of startups in Lagos, Nigeria, with a specific focus on the mediating role of networking capability. By investigating these dynamics, the study seeks to contribute to the understanding of the factors influencing startup success and provide practical implications for entrepreneurs, policymakers, and ecosystem stakeholders in fostering sustainable entrepreneurship in Lagos

LITERATURE REVIEW

Conceptual Review

Strategic Competency

Strategic competence refers to the knowledge, skills, and behaviors associated with formulating, evaluating, and implementing strategies to achieve organizational objectives and sustainability (Fazal *et al.*, 2019; Hawi Alkhodary & Hashem, 2015; Kabiret *et al.*, 2017). It involves the capacity of individuals in entrepreneurship to identify internal and external factors that impact the organization's performance and to develop strategies that align with the organization's vision and long-term goals (Kabir, Ibrahim & Shah, 2017; Abawa, 2023). Strategic competency is characterized by proactive action, goal setting, and the creation of competitive scope and organizational capabilities (Fazaletal., 2019). Effective strategic competency enables organizations, including startups, to design and implement strategies that contribute to their sustainability and success (Alloush & Al-Haddad, 2022). By identifying favorable and unfavorable factors in the internal and external environment, organizations can make informed decisions and take proactive measures to achieve their objectives (Hawi *et al.*, 2015). Strategic competence also involves developing long-term strategic plans that align with the organization's vision and mobilizing resources and

capabilities to realize those plans (Abawa, 2023). In the context of startups in Lagos, Nigeria, strategic competency plays a vital role in their ability to navigate the competitive business landscape and achieve sustainable performance. Startups face numerous challenges, including limited resources, intense market competition, and rapidly changing market dynamics.

Networking Capability

Networking capability refers to a firm's ability to utilize social ties, contacts, and connections effectively and strategically with external entities to enhance its performance and achieve its objectives (Tuwei, Korir, & Komen (2022). It involves the systematic and competent exploitation and exploration of these relationships to access valuable resources, knowledge, support, and opportunities (Anseret *al.*, 2021). The definition of networking capability provided by Arasti, Garousi Mokhtarzadeh, and Jafarpanah (2022) emphasizes the importance of leveraging complementary social ties and connections. It suggests that networking capability involves not only establishing relationships but also effectively utilizing and benefiting from them. The concept encompasses both the proactive search for and the competent utilization of social connections for the firm's advantage. Nikmah, Sukma, Suwarni, and Rahmawati (2022) highlight that networking capability, particularly for small and medium-sized enterprises

(SMEs), plays a crucial role in facilitating their internationalization efforts. They emphasize that networking enables SMEs to access external support from entities such as government institutions and larger companies. This support enhances the capacity of SMEs to be more dynamic and competitive in the international market (Karami & Tang, 2019; Chinyamurindi, Mathibe & Hove-Sibanda, 2023). Networking capability helps SMEs identify opportunities and gain access to valuable resources, knowledge, and partnerships necessary for successful international expansion.

The significance of networking capability lies in its potential to provide firms, especially SMEs, with several benefits. First, networking capability enables firms to tap into external knowledge, expertise, and resources that may not be readily available within the organization (Anseret *al.*, 2021). By establishing and nurturing relationships with external entities, firms can access new ideas, technologies, market insights, and business opportunities (Ibeabuchi *et.al.*, 2020). Second, networking capability enhances a firm's ability to form strategic alliances, partnerships, and collaborations (Chinyamurindi *et.al.*, 2023). These alliances can lead to joint ventures, distribution agreements, research collaborations, and other forms of cooperation that contribute to the firm's growth, innovation, and market expansion (Nikmahet *al.*, 2022). Third, networking capability increases a firm's visibility and reputation within its industry and broader business community (Tuwei *et al.*, 2022). By actively participating in networking activities, firms can build their brand, establish credibility, and develop a positive reputation (Karami & Tang, 2019). This can lead to enhanced trust and increased opportunities for business development and customer acquisition. Fourth, networking capability allows firms to navigate complex and dynamic business environments more effectively (Anser *et.al.*, 2021). By maintaining strong relationships with external stakeholders, firms can stay informed about market trends, industry developments, regulatory changes, and other factors that may impact their operations (Ibeabuchiet *al.*, 2020). This knowledge and understanding enable

firms to adapt, respond, and seize opportunities in a timely manner (Nikmah *et.al*, 2022). Overall, networking capability is a valuable organizational capability that enables firms to leverage external connections and relationships to their advantage (Karami & Tang, 2019). It enhances a firm's competitiveness, facilitates internationalization efforts, promotes innovation, and contributes to overall business success. Developing and nurturing networking capability should be a strategic priority for firms seeking to thrive in today's interconnected and dynamic business landscape.

Sustainable Performance

Sustainable performance encompasses the ability of organizations to achieve long-term success while considering the economic, environmental, and social dimensions (Khan, Yasi, Shah & Majid, 2021; Al-Abbadi & Abu Rumman, 2023; AL-Tabtabae & Harbiun, 2022; Omar, Ali & Jaharadak, 2019; Hammou & Oulfarsi, 2022; Iqbal, Ahmad, Nasim & Khan, 2020). Economic performance, as a dimension of sustainable performance, involves the organization's ability to achieve growth, development, and financial stability (AL-Tabtabae & Harbiun, 2022). This includes meeting the diverse needs of clients, creating value, and ensuring cost, time, and quality considerations (AL-Tabtabae & Harbiun, 2022; Omar *et al.*, 2019). Social performance, another crucial dimension, focuses on the effective utilization of human resources and aims to achieve economic and social well-being, equal employment opportunities, decent working conditions, and social responsibility (AL-Tabtabae & Harbiun, 2022; Iqbal *et.al*, 2020). This dimension encompasses aspects such as social dialogue, delegation of responsibilities, protection of culture and heritage, and the promotion of equity and standards of living (Syed *et.al*, 2020; Khan *et al.*, 2021). The environmental performance dimension emphasizes the organization's active contribution to environmental development through waste reduction, proper disposal, resource and energy optimization, and the development of environmentally friendly products (AL-Tabtabae & Harbiun, 2022). By focusing on these three dimensions, organizations aim to align their economic goals, environmental sustainability, and social well-being, integrating their business activities with sustainable objectives (Syed *et al.*, 2020; Hammou & Oulfarsi, 2022). It is crucial for startups and developing countries to prioritize sustainable performance, as it enables them to meet the needs of various stakeholders, contribute positively to society and the environment, and secure long-term viability (Omar *et al.*, 2019; Iqbal *et al.*, 2020). By understanding and enhancing sustainable performance in startups, we can pave the way for their success and contribute to the overall development of the economy and society.

Mediating Effect of Networking Capability

Several previous empirical studies have provided valuable insights into the relationship between networking capability and various performance outcomes in different contexts. These studies highlight the importance of networking capability for the success and performance of small- and medium-sized enterprises (SMEs) across different industries and countries. For example, Karami and Tang (2019) conducted a study that examined the mediating role of networking capability and experiential learning in the relationship between entrepreneurial orientation (EO) and international performance of small- and medium-sized enterprises (SMEs) in New Zealand. The study found that networking capability and experiential learning played a mediating role in the relationship between EO and

international performance, highlighting the importance of these factors in SME internationalization. Tuweiet *al* (2022) conducted a study in Nairobi County, Kenya, to explore the mediating effect of networking capability on the relationship between entrepreneurial orientation and manufacturing firms' performance. The study found that networking capability positively mediated the relationship between entrepreneurial orientation and firm performance among manufacturing firms in Kenya. This suggests that networking capability plays a crucial role in enhancing performance outcomes for manufacturing firms. Ibeabuchi *et.al* (2020) focused on the impact of networking capability as a mediator between entrepreneurial orientation and export performance of SMEs in New Zealand. The study emphasized the importance of networking capability in enabling SMEs to create and capture value in international markets. The findings highlighted the mediating role of networking capability in the relationship between entrepreneurial orientation and export performance of SMEs. Chinyamurindi *etal* (2023) examined the role of strategic planning and networking capability in the performance of social enterprises in South Africa. The study found a positive relationship between strategic planning and social enterprise performance, as well as a positive relationship between networking capability and social enterprise performance. Additionally, networking capability was found to partially mediate the relationship between strategic planning and social enterprise performance. Anser *etal*. (2021) investigated the relationship between network capability, structural flexibility, and strategic business performance (SBP) in large textile sector firms in Pakistan. The study found that network capability positively influenced structural flexibility, which, in turn, contributed to SBP. The study also revealed that entrepreneurial orientation strengthened the positive relationship between structural flexibility and SBP. Overall, these empirical studies highlight the significance of networking capability as a mediator or factor influencing various performance outcomes, such as international performance, firm performance, export performance, and social enterprise performance.

Networking capability can mediate the relationship between strategic competency and sustainable performance by enhancing a firm's access to valuable resources, knowledge, support, and opportunities. By effectively leveraging networking capabilities, firms can amplify the impact of their strategic competencies on sustainable performance outcomes. Networking capability enables firms to establish and maintain relationships with external stakeholders, including customers, suppliers, partners, and industry experts. These relationships provide access to critical information, market intelligence, and collaborative opportunities that can enhance a firm's strategic competency. Through networking, firms can gain insights into market trends, customer needs, and emerging technologies, allowing them to align their strategic competencies with market demands more effectively.

Theoretical Review

Dynamic capability refers to a firm's ability to integrate, build, and reconfigure its internal and external resources and capabilities to effectively respond and adapt to changing market conditions and environmental dynamics (Penrose, 2009). It encompasses a firm's capacity to sense, seize, and transform opportunities into sustainable competitive advantage (Vogel & Güttel, 2013). In the context of the effect of strategic competency on sustainable performance, with networking capability as a mediating variable, dynamic capability provides a theoretical lens to understand how firms can leverage their strategic

competencies to achieve sustainable performance outcomes. Strategic competency acts as a foundation for a firm's sustainable performance by enabling it to differentiate itself from competitors, create value for customers, and achieve long-term profitability and growth (Madenet *al.*, 2014; Aidaraet *al.*, 2022). Networking capability enhances a firm's access to valuable resources, knowledge, support, and opportunities (Kurniawan*etal.*,2021).

When networking capability is considered as a mediating variable between strategic competency and sustainable performance, dynamic capability provides a theoretical framework to explain the underlying mechanisms and processes. Dynamic capability enables firms to effectively integrate and leverage their strategic competencies with networking capability to drive sustainable performance (Yang, Jaafar, Yeng & Al Mamun, 2022). Firstly, dynamic capability facilitates the alignment and integration of strategic competencies with networking capability. Firms with strong dynamic capabilities are adept at identifying and understanding the networking opportunities that align with their strategic competencies (Zhou & Li, 2010). They can effectively leverage their strategic competencies to build and maintain relationships that are mutually beneficial, leading to enhanced networking capability (Vogel & Güttel, 2013; Mu, 2017). Secondly, dynamic capability enables firms to continuously adapt and reconfigure their strategic competencies and networking practices in response to changing market dynamics and evolving business environments. Firms with strong dynamic capabilities can proactively adjust their strategic competencies to align with emerging networking opportunities (Yang *etal.*, 2022). They can identify new sources of competitive advantage, form strategic alliances and collaborations, and exploit market trends through effective networking. Thirdly, dynamic capability facilitates learning and knowledge transfer between strategic competencies and networking capability (Vogel & Güttel, 2013). Firms with strong dynamic capabilities can foster a learning culture that promotes the acquisition, assimilation, and application of knowledge from networking activities. They can leverage insights gained from networking to enhance and refine their strategic competencies, leading to sustained performance improvements (Mu,2017).

Ultimately, the mediating role of networking capability between strategic competency and sustainable performance suggests that the effective utilization of networking capability enhances the impact of strategic competency on sustainable performance outcomes. By leveraging networking capability, firms can access resources, knowledge, and opportunities that amplify the value generated from their strategic competencies (Maden *etal.*, 2014;Kurniawan*et al.*, 2021). Dynamic capability provides the underlying mechanisms through which firms can continuously integrate and reconfigure their strategic competencies and networking practices to achieve sustainable performance in dynamic and competitive markets.

In summary, the integration of dynamic capability, strategic competency, and networking capability provides a comprehensive framework to understand how firms can leverage their distinctive skills and capabilities to drive sustainable performance. By effectively integrating their strategic competencies with networking capability and continuously adapting to changing environments, firms can enhance their competitiveness, create value, and achieve sustainable long-term success.

Empirical Review

Relationship between Strategic Competency and Sustainable Performance

Strategic competency can positively influence sustainable performance by enabling firms to differentiate themselves from competitors, create value for customers, and achieve long-term profitability and growth. According to Tehseen*et al* (2019), by effectively leveraging their unique competencies, firms can differentiate their products or services in the market,

creating a competitive advantage that leads to sustainable performance. This differentiation allows firms to meet the evolving needs of customers, increase customer satisfaction, and establish strong brand equity, which in turn contributes to long-term profitability and growth. Similarly, Zhou and Li (2010) argue that firms with superior strategic competency are better equipped to respond to environmental changes, adapt their strategies, and seize market opportunities. This agility and adaptability enable firms to maintain a competitive edge in dynamic markets, leading to sustained performance improvements over time. Moreover, the study by Aidara *et al.* (2022) argue that SMEs with strong strategic competency are better equipped to navigate market challenges, adapt to changes, and identify new growth opportunities.

Past empirical studies have shown also that strategic competency can positively influence sustainable performance. For example, Abawa (2023) investigated important entrepreneurial competencies that could contribute to improving farmers' welfare in Ethiopia's agricultural. The study revealed that strategic competency and relationship competency had a significant association with farmers' welfare in the agricultural sector. Ndeti, Ngugi and Paul (2022) examined the relationship between entrepreneurial competences and the performance of youth-owned micro and small enterprises in Kenya. The study employed a descriptive survey research design and collected data from 384 youth-owned micro and small enterprises in Kenya using questionnaires. Regression analysis found that strategic competency and conceptual competences had a positive and significant relationship with the performance of youth-owned micro and small enterprises in Kenya. Alloush and Al-Haddad (2022) examined the impact of entrepreneurial competencies (opportunity, organizing, strategic, relationship, commitment, and learning) on firm performance. Additionally, the study investigates the moderating effect of firm capabilities on the relationship between entrepreneurial competencies and firm performance. The findings revealed that opportunity competency, strategic competency, and commitment competency have a significant impact on firm performance. Additionally, firm capabilities were found to moderate the relationship between entrepreneurial competencies and firm performance. Mustapha *et al* (2020) investigated the effect of strategic competency on micro-enterprise income and assets in Malaysia. The study adopted a cross-sectional design and collected quantitative data from 300 randomly selected micro-entrepreneurs in Peninsular Malaysia. The findings revealed that strategic competency was found to have a negative and significant effect on micro-enterprise income. Babayayi, Zubairu and Badara (2021) examine the impact of strategic competency on the performance of small and medium-sized enterprises (SMEs) in the North-East region of Nigeria. The findings showed that strategic thinking, strategic actions, visionary leadership, organizing competencies, and opportunity competencies are positively related to SME performance. The study also found that strategic competency has a significant positive impact on SME performance. Chadha *et al* (2022) examined the relationship between entrepreneurial competencies and entrepreneurial intention among students in Kashmir, North India. A total of 193 filled questionnaires were suitable for data analysis. Structural equation modeling was used to analyze the data. The findings indicate strategic competency significantly contribute to students' entrepreneurial intention. Reshma and Sripirabaa (2019) examine the role of entrepreneurial competencies in predicting firm performance among women entrepreneurs in Coimbatore city. The findings reveal that strategic competency is

positively related to firm performance among women entrepreneurs. Based on the above discussion, this study makes the following hypothesis:

Theoretical Framework

The study framework development is guided by the Resource Based Value -RBV (Barney1986) and the Dynamic Capability (DC) (Teece & Pisano, 1994) theories.

The theory of resource-based view (RBV) describes the firm competitive advantage through the uniqueness, rare and imitable resources that the firm created which lead to firm growth. However, the RBV only explain the firm competitive advantage in the static environment, and this has become a limitation especially when the firm is dealing in the fast and changing market environment. The dynamic capabilities (DC), conceptualized as a firm's potential to reconfigure, integrate, and coordinate the internal as well as external competencies to address rapid turbulence in their business environments (Teece, Pisano & Shuen, 1997). According to Lin & Wu (2014) , the dynamic capabilities can be regarded as a link between firm resources and performance. This link represents the mediating variable of the dynamic capabilities.

Conceptual Framework

Based on the above discussions, a research model was developed to depict the causal relationship between the study variables. The research model explains the hypothesized relationship between strategic competency, networking capability and sustainable performance. The conceptual framework presents and defines the relationship between the strategic competency as independent variable, sustainable performance as dependent variable as well as the mediating effects of networking capability as the mediating variable.

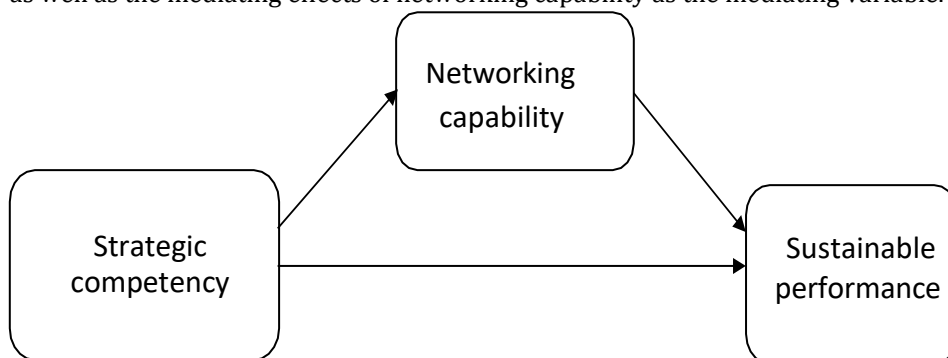


Figure1`:Research'smodel

Research Questions

The study will address the following key research questions:

- 1) To what extent does strategic competency influence the sustainable performance of startups in Lagos?
- 2) How does networking capability mediate the relationship between strategic competency and sustainable performance of startups in Lagos?

By answering these questions, the study aims to contribute to the understanding of the factors that drive sustainable performance among startups in Lagos. Additionally, it seeks to identify the specific effects of strategic competence and networking strategies that can be leveraged by startups to enhance their performance and long-term viability in the highly competitive startup ecosystem of Lagos.

Objectives of the Study

The main objective of this study is to determine the effect of strategic competence and networking strategies on the performance of startups in Lagos state, Nigeria. The specific objectives are to:

- (i) Examine the influence of strategic competency on the sustainable performance of startups in Lagos; and
- (ii) Evaluate the mediating role of networking capability between strategic competency and sustainable performance of startups in Lagos.

Research Hypotheses

Based on the objectives of the study, the following null hypotheses are formulated:

H01: There is no significant effect of strategic competency on sustainable performance of startups in Lagos.

H02: Networking capability does not significantly mediate the relationship between strategic competency and sustainable performance of startups in Lagos

RESEARCHMETHOD

The study adopts the cross-sectional survey designed to investigate the relationship between strategic competency, networking capability and sustainable performance of start-up business in Nigeria. In a country like Nigeria, the definition of a start-up business can vary, but generally, a start-up business refers to a newly established entrepreneurial venture that is in the early stages of its development. While there is no universally accepted definition of a start-up, the term typically applies to businesses that are innovative, technology-driven, and have high growth potential. In Nigeria, where the entrepreneurial ecosystem is vibrant and evolving, the definition of a start-up business can be influenced by various factors, including the stage of development, business model, and growth aspirations.

This study area is Lagos State, covering all the startups in Lagos. The rationale behind the choice of Lagos State, is that more than 80% of the Startups in Nigeria are based in Lagos. (Disrupt Africa, 2022). The population of this study is made up of 480 startups in Lagos State Nigerian. (Disrupt Africa, 2022). This study sample was 218 firms located in Lagos state Nigeria, obtained through Taro Yamane Formula, and gathered randomly through questionnaire. In total, 198 firms provided effective information for this research. The questionnaire used in this research has been built in accordance with the existing literature. The respondents were randomly selected and obtained mainly by administering the structured questionnaire for the collection of data from the owners of startups in Lagos. The addresses of the startups in Lagos were obtained from the list of registered SMEs under the National Association of Small and Medium Enterprises (NASME) Lagos chapter. The data was examined using the structural equation modeling (SEM) via SmartPLS4.

According to previous studies, Strategic Competence (SC) is assessed using three items derived from the scale created by Maden *et al* (2014). For example, one item states, "The development of innovative marketing techniques is crucial to the strategic approach of my company." Networking Capability is evaluated using three items adapted from the work of Karami and Tang (2019). An example of such an item is, "Our organization relies on building close individual relationships to secure personnel and financial resources." Sustainable performance is measured based on the work of Syed *et al.* (2020). An example of an item used in this regard is, "The production cost of our organization is reasonable and competitive."

RESULTS AND DISCUSSIONS

Measurement Model

In the study, the researchers employed the PLS-SEM (Partial Least Squares-Structural Equation Modeling) path modeling measurement model to evaluate the reliability and validity of the research model. This approach was utilized to ensure the accuracy and robustness of the measurement model. Table 1 and figure 1 presents the results depicting the reliability and convergence validity of the research framework.

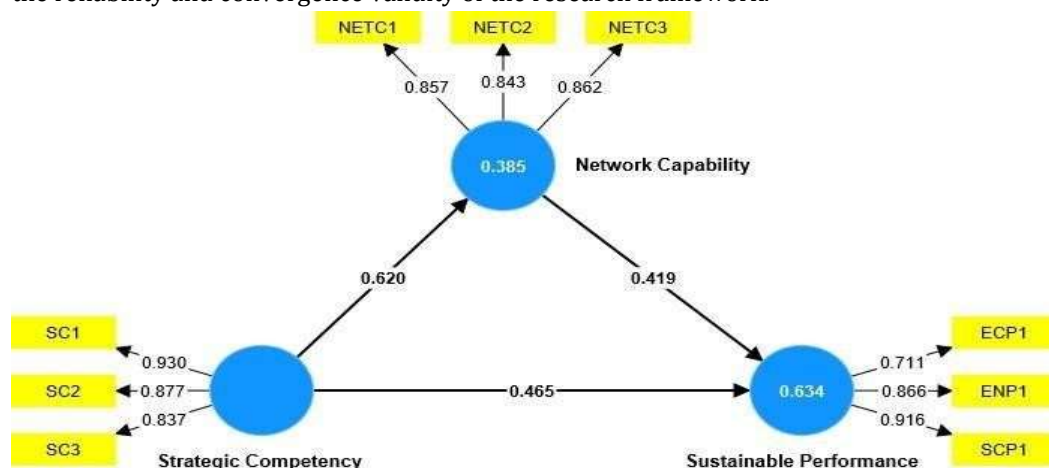


Figure 1: Measurement Model

Table 1. Construct Reliability and Validity

Construct	Items	Loadings	AVE	CR
Strategic Competence	SC1	0.930	0.778	0.863
	SC2	0.877		
	SC3	0.837		
Networking Capability	NETC1	0.857	0.729	0.828
	NETC2	0.843		
	NETC3	0.862		
Sustainable Performance	ECP1	0.711	0.698	0.816
	ENP1	0.866		
	SCP1	0.916		

Note: AVE=average variance extracted, CR=Composite Reliability.

Reliability assesses how accurately and consistently the measures used in the model reflect the underlying constructs. Conversely, convergence validity evaluates the extent to which the measurement model effectively captures the intended constructs it aims to measure. In this study, researchers evaluated convergence validity by analyzing indicators such as factor loadings, average variance extracted (AVE), and composite reliability (CR). Higher factor loadings, AVE, and CR values indicate stronger convergence validity. To achieve internal consistency reliability, each reflective construct should have a CR value ≥ 0.7 (Hair Jr, Hult, Ringle & Sarstedt, 2021), and an AVE value ≥ 0.5 to attain convergence validity (Hair, Ringle & Sarstedt, 2011). The findings presented in Table 1 confirm that all constructs achieved reliability. Additionally, construct convergent validity is determined by the AVE, and Table 1 indicates that the AVE values for all constructs exceed the threshold of 0.5. Therefore, both construct validity and reliability are established.

Table 2: Discriminant Validity Heterotrait-Monotrait Ratio (HTMT)

Constructs	NC	SC	SP
Network Capability(NET)			
Strategic Competency(SC)	0.735		
Sustainable Performance(SP)	0.867	0.871	

The outcomes of discriminant validity, evaluated using HTMT, are displayed in Table 2. According to Hair *et al.* (2021), a HTMT ratio below 0.90 between latent constructs suggests the presence of discriminant validity. In other words, if the HTMT ratio is less than 0.90 between two latent constructs, it indicates that there is differentiation between them. The results from this study confirm that none of the HTMT ratios between the latent variables surpasses 0.90. As a result, it can be concluded that discriminant validity is established.

Structural Model

Coefficient of Determination (R squared)

From the information presented in Table 3 and Figure 1, it can be observed that the R² value demonstrates that strategic competency, serving as the independent variable in the model, accounts for 38.48% of the variance in the mediating variable, network capability.

Table 3: Coefficient of Determination (R Square)

	R Square	R Adjusted Square
Networking capability	0.385	0.382
Sustainable performance	0.634	0.630

Likewise, the overall R² value indicates that when the two exogenous variables, strategic competency, and network capability, are considered together in the model, they explain 63.37% of the variance in the endogenous variable, sustainable performance. Therefore, by evaluating the R² values of the endogenous latent variable, sustainable performance (63.37%), and network capability (63.37%), it can be inferred that the model possesses substantial predictive validity.

Test of Hypotheses

The findings of the study are presented in Table 4 and Figure 2, displaying the hypothesized relationships. As depicted in Table 4, the impact of strategic competency on the sustainable performance of start-ups in Lagos is observed to be significantly positive ($\beta= 0.465$, $p<0.01$). Consequently, the study empirically rejects the null hypothesis H01. Similarly, the empirical analysis demonstrates that networking capability plays a positive and significant mediating role in the relationship between strategic competency and the sustainable performance of start-ups in Lagos ($\beta=0.260$, $p<0.01$). Therefore, the null hypothesis H02 is also rejected, and as a result, the two alternative hypotheses are accepted

Table 4: Test of Hypotheses

Hypo	Relationship	Beta	t-value	p-value	Decision
H01	Strategic Competency->SP	0.465	7.018	0.000	Rejected
H02	Strategic Competency-> NET->SP	0.260	5.984	0.000	Rejected

Note: NET=Networking capability, SP=Sustainable performance

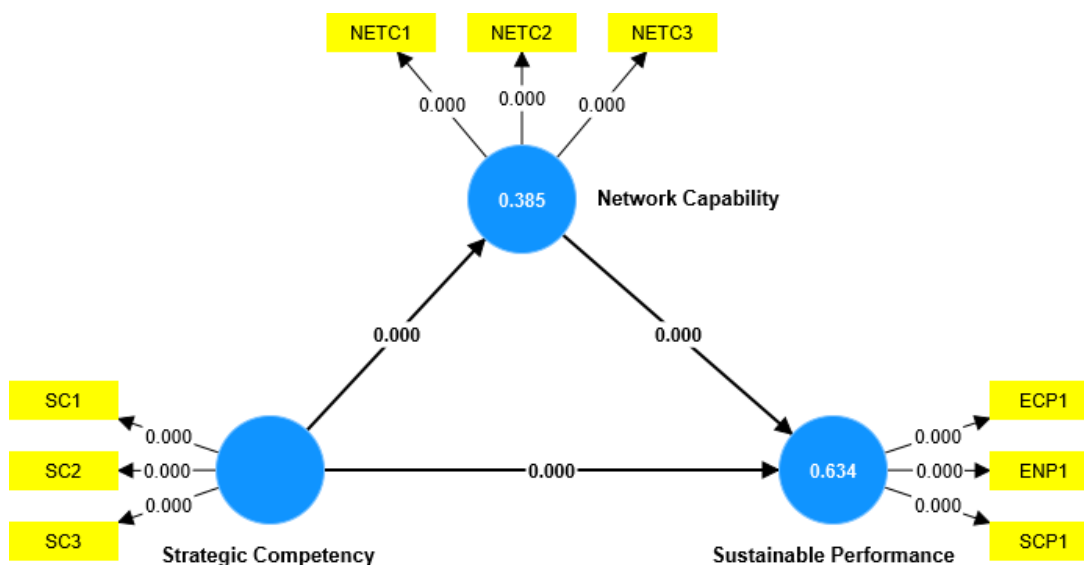


Figure 2: Structural Model

Discussion of Findings

This study filled the existing research gap by examining the effect of strategic competency on the sustainable performance of startups in Lagos, Nigeria, with a specific focus on the mediating role of networking capability. First, the result revealed that strategic competency has significant positive effect on sustainable performance of startups in Lagos. This result implies that by effectively leveraging their competencies, startups can enhance their production cost and operational efficiency to make them competitive, focuses on worker safety and health and adopts processes and procedures to decrease air emission. This, in turn, can lead to improved financial performance, increased market share, and enhanced customer satisfaction. This result aligns with previous research and theoretical expectations, highlighting the importance of strategic

competency in driving favorable performance outcomes for entrepreneurial ventures. For example, authors such as Reshma and Sripirabaa (2019), Babayayi *etal*(2021) and Chadha *et al* (2022) also reported that strategic competency has a significant positive impact on SME performance. Even though Mustapha *et al* (2020) found that strategic competency was found to have a negative and significant effect on micro-enterprise income. Dynamic capabilities theory also supported the positive relationship between strategic competency and sustainable performance. Dynamic capabilities perspective argues that firms that possess unique and valuable resources and capabilities, including strategic competencies, are more likely to achieve sustained competitive advantage and superior performance over time. This theory emphasizes the role of strategic competency in enabling firms to develop and deploy resources effectively to create value and achieve long-term success.

Lastly, the result also indicates that the mediatory effect of networking capability between strategic competency and sustainable performance is significant. The significant mediating effect of networking capability between strategic competency and sustainable performance, as indicated by this study findings, is an important contribution to the understanding of the mechanisms through which strategic competency influences firm performance in the context of startups in Lagos. Previous research has recognized the importance of networking capability as a valuable resource for startups (Anser*etal.*, 2021; Chinyamurindi *etal.*, 2023). Networking capability allows startups to expand their networks, establish strategic alliances, and tap into valuable information and resources that may not be readily available within their own organization. The theoretical expectation that networking capability would mediate the relationship between strategic competency and sustainable performance is supported by the dynamic capability theory According to these perspectives, networking capability acts as a complementary resource that enhances the value and effectiveness of strategic competency. By leveraging their strategic competencies through networking, startups can access new markets, gain market intelligence, acquire funding, and form partnerships that contribute to their sustainable performance. The mediating role of networking capability suggests that the positive impact of strategic competency on sustainable performance is partly channeled through the firm's networking activities. Startups with higher levels of strategic competency are more likely to have the knowledge, skills, and resources necessary to build and maintain valuable relationships with external stakeholders. This, in turn, enhances their networking capability, leading to increased access to resources, opportunities, and support that positively influence their sustainable performance outcomes. The findings of this study align with previous studies such as Karamiand Tang (2019) who found that networking capability and experiential learning played a mediating role in the relationship between entrepreneurial orientation and international performance. In addition, Tuwei *etal* (2022) also found that networking capability positively mediated the relationship between entrepreneurial orientation and firm performance among manufacturing firms in Kenya.

CONCLUSION AND RECOMMENDATIONS

In view of the findings of the study , it was concluded that there is significant mediating effect of networking capability between strategic competency and sustainable performance . This finding supports the theoretical expectations and previous research in the field. It emphasizes the importance of networking as a complementary capability that enhances the impact of strategic competency on firm performance. By recognizing and cultivating their networking capabilities, startups in Lagos can maximize the value generated from their strategic competencies and

improve their prospects for sustainable growth and success. This study recommends that it is important for startups in Lagos to recognize the value of strategic competency and invest in developing and nurturing their capabilities. This may involve building a talented and skilled workforce, fostering a culture of innovation and strategic thinking, and actively monitoring and adapting to market trends and customer preferences. In addition, this study recommends that managers should actively investing networking activities, such as attending industry events, participating in business networks, and engaging in collaborative partnerships, to enhance their firm's networking capability. This can lead to improved access to funding, knowledge sharing, market insights, and other forms of support that can positively impact sustainable performance. A limitation of the present study is its focus on startups in Lagos, Nigeria. While this provides valuable insights into the specific context, it may limit the generalizability of the findings to startups in other regions or countries. Therefore, future studies could expand the scope and include a more diverse sample of startups from different geographical locations to enhance the external validity of the findings. Furthermore, this study focused on the mediating role of networking capability between strategic competency and sustainable performance. Future research could explore other potential mediating or moderating variables that may influence this relationship. For example, digital capabilities could be considered as additional factors that might influence the relationship between strategic competency, networking capability, and sustainable performance.

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