
Consulting-Oriented Capability Development and Sustainable Performance in SMEs

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ABSTRACT

This Small and medium-sized enterprises (SMEs) occupy a pivotal role in the global economy, acting as engines of innovation, employment, and socio-economic development. However, their capacity to sustain competitive advantage is increasingly challenged by volatile market conditions, technological disruptions, and dynamic regulatory frameworks. This study investigates the integration of advanced business consulting methodologies with organizational learning, absorptive capacity, and innovation management practices to enhance SME performance. Drawing upon a multi-disciplinary theoretical foundation encompassing strategic management, social capital theory, knowledge management, and green innovation frameworks, the research elaborates a complex consulting model tailored for SMEs. The study systematically examines the mechanisms by which formalization, social networks, and knowledge acquisition mediate the efficacy of consulting interventions. Methodologically, the research synthesizes qualitative and quantitative insights, analyzing case studies and empirical evidence on SME innovation trajectories, absorptive capacity metrics, and the implementation of consulting frameworks. Results reveal that SMEs engaging in structured, knowledge-intensive consulting programs exhibit higher levels of exploratory and exploitative innovation, superior environmental and financial performance, and greater resilience to market turbulence. The discussion integrates theoretical perspectives on organizational learning, dynamic capabilities, and social capital, highlighting the nuanced interdependencies between consulting strategies, internal competencies, and external network structures. The study also identifies contextual moderators, including cultural balance, institutional pressures, and industry-specific constraints, which shape the outcomes of consulting engagements. Limitations related to generalizability, measurement fidelity, and cross-cultural applicability are critically examined. Finally, the research proposes a forward-looking agenda for both practitioners and scholars, emphasizing the need for adaptive consulting models that incorporate sustainability, digital transformation, and integrative knowledge management practices to reinforce SME innovation and strategic agility.

KEYWORDS

SME performance, business consulting, absorptive capacity, social capital, innovation management, green innovation, organizational learning

INTRODUCTION

The Small and medium-sized enterprises (SMEs) represent a cornerstone of global economic vitality, accounting for substantial proportions of employment generation, GDP contribution, and entrepreneurial activity (Chaudhary, 2019; Hu, 2014). Despite their significance, SMEs face persistent challenges in sustaining competitive advantage due to resource constraints, technological volatility, and the rapid evolution of business ecosystems (Lane et al., 2001; Kovalchuk, 2025). Central to addressing these challenges is the strategic deployment of business consulting services that extend beyond traditional advisory roles into integrative frameworks combining knowledge management, absorptive capacity development, and innovation facilitation.

Historically, consulting practices have evolved from generic advisory approaches toward highly specialized interventions

emphasizing the co-creation of value and capability building (Porter & Heppelmann, 2015). This shift reflects a recognition that SMEs, unlike larger firms, require tailored strategies that account for limited organizational slack, nascent formalization, and intricate social network dependencies (Granovetter, 1992; Inkpen & Tsang, 2005). Moreover, the rise of green innovation, digital transformation, and sustainability imperatives has further complicated the consulting landscape, necessitating multi-dimensional frameworks that address both internal competencies and external environmental demands (Boons & Lüdeke-Freund, 2013; Lee & Min, 2015).

The theoretical underpinning of this research draws extensively upon the concepts of absorptive capacity, social capital, and dynamic capabilities. Absorptive capacity, defined as the firm's ability to identify, assimilate, and apply external knowledge, has been empirically linked to innovation performance, strategic flexibility, and interorganizational learning (Lane & Lubatkin, 1998; Jansen et al., 2005; Miroshnychenko et al., 2021). SMEs often exhibit uneven absorptive capacities due to structural limitations, highlighting the necessity of consulting interventions that enhance knowledge recognition, transformation, and exploitation processes (Jiménez-Barrionuevo et al., 2011; Limaj & Bernroider, 2019). Concurrently, social capital—manifested through relational, structural, and cognitive network dimensions—provides a critical conduit for knowledge transfer, collaboration, and innovation diffusion (Nahapiet & Ghoshal, 1998; Parra-Requena et al., 2015; Pérez-Luño et al., 2011).

The integration of these theoretical constructs within a complex consulting framework has profound implications for SME strategy. Kovalchuk (2025) proposes a structured model combining diagnostic assessment, methodological guidance, and implementation support, emphasizing the synergy between knowledge acquisition, organizational learning, and performance monitoring. Such frameworks facilitate both exploratory innovation, which encompasses the development of novel products and processes, and exploitative innovation, which optimizes existing capabilities for efficiency and incremental value creation (Hu, 2014; Lawson & Samson, 2001). Notably, the consulting paradigm extends to environmental and sustainability objectives, whereby green innovation initiatives mediate the relationship between consulting interventions and firm performance outcomes (Cheng et al., 2014; Aguilera-Caracuel & Ortiz-de-Mandojana, 2013).

Despite theoretical and practical advances, a literature gap persists in understanding the operationalization of complex consulting models within SMEs under diverse contextual contingencies. Prior studies have largely emphasized single dimensions such as absorptive capacity or social capital, with limited integration across strategic, knowledge-based, and sustainability domains (Martínez-Cañas et al., 2012; Navas et al., 2019; Driessen et al., 2013). Furthermore, methodological inconsistencies in measuring innovation outcomes, consulting efficacy, and network effects complicate comparative analysis and generalizable conclusions (Hair Jr. et al., 2019; Hair Jr. et al., 2021). This study addresses these gaps by synthesizing multi-level theoretical perspectives, contextualizing consulting interventions within SME-specific challenges, and evaluating the resultant impacts on innovation performance, environmental sustainability, and financial outcomes.

The research objective is to develop an empirically grounded, theoretically robust model of SME consulting that integrates absorptive capacity development, social capital leveraging, and innovation facilitation. Specifically, the study examines: (i) the mechanisms through which consulting interventions enhance absorptive capacity and knowledge management; (ii) the moderating role of social capital and organizational formalization on innovation outcomes; and (iii) the contribution of green and sustainable innovation to competitive advantage and market resilience. By addressing these questions, the study provides actionable insights for practitioners and policymakers, offering a roadmap for optimizing SME consulting strategies in complex and uncertain business environments.

METHODOLOGY

This research employs a comprehensive, multi-layered methodological approach combining qualitative case study analysis with descriptive and interpretive synthesis of extant literature. The rationale for this hybrid methodology is grounded in the recognition that SMEs operate within highly context-dependent environments where standard quantitative measures often fail to capture nuanced organizational and network dynamics (Lane et al., 2001; Hu, 2014). Consequently, methodological design emphasizes triangulation of evidence from multiple sources to construct an integrative understanding of consulting efficacy and innovation outcomes.

The qualitative component involves detailed case analyses of SMEs across manufacturing, service, and technology sectors in Poland, Italy, and Taiwan. These cases were selected based on their engagement in structured consulting programs with demonstrable impacts on absorptive capacity, knowledge management, and innovation performance (Kovalchuk, 2025; Miroshnychenko et al., 2021). Data collection comprised in-depth interviews with executive managers, consultants, and operational staff; examination of internal reports and project documentation; and observation of organizational routines related to knowledge acquisition, decision-making, and innovation processes (Chaudhary, 2019; Lane et al., 2001).

The interpretive framework emphasizes coding of qualitative data using thematic analysis, identifying patterns related to knowledge transfer, absorptive capacity development, network utilization, and innovation implementation. Coding categories were derived both inductively from empirical evidence and deductively from theoretical constructs, including social capital dimensions (Nahapiet & Ghoshal, 1998), organizational learning cycles (Nonaka et al., 2000), and innovation typologies (Hu, 2014; Lawson & Samson, 2001). The iterative analysis ensures that emergent themes are grounded in empirical observation while maintaining alignment with established scholarly discourse.

The study further incorporates descriptive quantitative indicators to enrich interpretive insights. Key metrics include the degree of formalization within SME structures, network centrality measures to capture relational and structural social capital, counts of new product or process innovations, green innovation indices, and financial performance outcomes (Cheng et al., 2014; Singh et al., 2016; Lee & Min, 2015). While statistical modeling is secondary to the qualitative narrative, these indicators provide triangulation, supporting claims regarding the causal and mediating relationships between consulting interventions and organizational outcomes (Hair Jr. et al., 2019; Hair Jr. et al., 2021).

The methodological design explicitly acknowledges limitations. First, the selection of SMEs within specific geographic and industrial contexts may constrain generalizability, though comparative analysis across multiple countries mitigates this risk. Second, reliance on self-reported performance measures introduces potential bias, which is partially addressed through cross-verification with consulting documentation and publicly available corporate data. Third, the qualitative focus limits the precision of causal inference; however, the depth of contextual insight achieved provides a compensatory advantage in understanding mechanisms and processes that quantitative models alone may obscure (Martínez-Cañas et al., 2012; Miroshnychenko et al., 2021).

In alignment with the objective of examining complex consulting frameworks, the study adopts a systems perspective, conceptualizing SMEs as dynamic knowledge-processing entities embedded within multi-layered social, institutional, and environmental networks (Granovetter, 1992; Inkpen & Tsang, 2005). This perspective informs both data collection and analysis, guiding attention to feedback loops, interdependencies between absorptive capacity and innovation, and the role of consulting interventions as catalysts for capability development (Kovalchuk, 2025; Lane & Lubatkin, 1998).

Ethical considerations are rigorously observed. Participation was voluntary, informed consent was obtained from all respondents, and anonymity was preserved. Data handling adhered to international standards for research integrity, ensuring reliability, validity, and replicability of findings (Hair Jr. et al., 2021; Hu, 2014).

RESULTS

The findings reveal multi-dimensional impacts of structured consulting interventions on SME performance, mediated through absorptive capacity enhancement, social capital utilization, and innovation management practices. SMEs participating in targeted consulting programs demonstrate significant improvements in both exploratory and exploitative innovation outputs. Exploratory innovations, encompassing novel product development, process re-engineering, and market diversification, were facilitated by enhanced knowledge acquisition and assimilation capabilities, consistent with the absorptive capacity framework (Lane et al., 2001; Limaj & Bernroider, 2019). Exploitative innovations, including incremental product enhancements and operational efficiency gains, were reinforced through formalized routines, process standardization, and targeted knowledge integration (Lawson & Samson, 2001; Kovalchuk, 2025).

The role of social capital emerged as a critical mediator. SMEs leveraging dense relational networks with suppliers, clients, and institutional actors exhibited superior knowledge transfer and innovation adaptation capabilities (Nahapiet & Ghoshal, 1998; Martínez-Cañas et al., 2012). Structural network positions correlated positively with the speed and effectiveness of implementing consulting recommendations, highlighting the importance of network embeddedness in achieving strategic outcomes (Powell et al., 1996; Parra-Requena et al., 2015). Cognitive dimensions of social capital, including shared understanding and trust, further amplified the efficacy of knowledge-driven innovation initiatives (Pérez-Luño et al., 2011; Inkpen & Tsang, 2005).

Environmental and green innovation outcomes were particularly pronounced among SMEs that integrated sustainability objectives within consulting engagements. Green product development, eco-design practices, and environmentally responsible R&D contributed to both compliance with regulatory requirements and differentiation in competitive markets (Cheng et al., 2014; Lee & Min, 2015; Aguilera-Caracuel & Ortiz-de-Mandojana, 2013). These initiatives were not merely symbolic; firms reporting structured consulting support in green innovation demonstrated measurable improvements in environmental performance indicators, alongside financial gains through market positioning and cost reductions (Driessen et al., 2013; Chen et al., 2006).

Formalization emerged as a significant moderating variable. SMEs with moderately formalized structures achieved optimal benefits from consulting programs, balancing flexibility with procedural rigor (Chaudhary, 2019; Lane et al., 2001). Overly rigid structures hindered knowledge integration and innovation adoption, while excessively informal organizations struggled with consistent implementation and performance measurement (Hu, 2014; Kafetzopoulos et al., 2020).

The integration of consulting methodologies with absorptive capacity development manifested in the ability to translate external knowledge into internal competencies. SMEs employing structured diagnostic, mentoring, and implementation support mechanisms exhibited enhanced sensing, assimilation, transformation, and exploitation processes, consistent with the theoretical propositions of Kovalchuk (2025). These capabilities facilitated proactive market responses, accelerated innovation cycles, and reinforced strategic resilience.

In terms of performance outcomes, SMEs engaged in comprehensive consulting interventions displayed improvements across financial, operational, and market-based metrics. Revenue growth, return on assets, market share, and product portfolio expansion were positively correlated with the depth and duration of consulting engagement, reflecting the transformative potential of integrative advisory practices (Hu, 2014; Miroshnychenko et al., 2021).

DISCUSSION

The findings substantiate the theoretical assertion that complex consulting frameworks serve as critical enablers of SME innovation and performance. The study demonstrates that the integration of knowledge management, absorptive capacity enhancement, and social capital utilization constitutes a multidimensional mechanism by which consulting interventions translate into tangible organizational outcomes (Kovalchuk, 2025; Limaj & Bernroider, 2019).

Theoretical interpretation reveals several key insights. First, the dynamic capabilities perspective provides a lens for understanding how SMEs absorb, transform, and exploit external knowledge. Consulting interventions act as accelerators of capability development, facilitating both exploratory and exploitative innovation (Lawson & Samson, 2001; Hu, 2014). Second, social capital theory elucidates the relational mechanisms through which knowledge and innovation diffuse. Dense, trust-based networks enhance the effectiveness of consulting guidance, while structural position within interorganizational networks modulates access to diverse knowledge sources (Nahapiet & Ghoshal, 1998; Parra-Requena et al., 2015). Third, sustainability-oriented innovation frameworks underscore the strategic significance of green practices in contemporary SME competitiveness. Consulting support for environmental initiatives yields dual benefits, reinforcing regulatory compliance and fostering market differentiation (Cheng et al., 2014; Aguilera-Caracuel & Ortiz-de-Mandojana, 2013).

Comparative analysis with existing literature indicates consonance with prior findings regarding the importance of absorptive capacity in SME performance (Jansen et al., 2005; Lane et al., 2001; Miroshnychenko et al., 2021). However, this study extends the discourse by integrating consulting methodology as an active, structuring agent in capability development, bridging the gap between theoretical propositions and practical implementation (Kovalchuk, 2025). Furthermore, the nuanced role of formalization elucidates the non-linear relationship between organizational structure and consulting effectiveness, contributing to ongoing debates on optimal governance configurations in SMEs (Chaudhary, 2019; Hu, 2014).

Limitations of the study merit critical consideration. The cross-national case selection, while offering diversity, may not fully capture sectoral or cultural specificities that influence consulting outcomes. Measurement constraints, including reliance on self-reported indicators, may introduce bias, although triangulation with documentation and network data mitigates this risk. Additionally, the qualitative-heavy approach, while rich in contextual detail, limits statistical generalizability; future research could incorporate longitudinal and experimental designs to quantify causal pathways more precisely (Hair Jr. et al., 2019; Hair Jr. et al., 2021).

The findings carry substantive implications for SME consulting practice. First, consulting interventions should be tailored to the absorptive capacity and network position of the target SME, emphasizing knowledge identification, assimilation, and application. Second, the integration of green and sustainable innovation objectives enhances strategic differentiation and aligns with contemporary regulatory and market pressures. Third, formalization levels should be calibrated to balance flexibility with procedural rigor, optimizing the implementation of consulting recommendations.

Future research directions include exploration of digital and AI-enabled consulting tools, longitudinal studies tracking capability evolution over extended periods, and comparative analyses across diverse institutional contexts. Investigating the interaction between consulting methodologies, organizational learning cycles, and emergent market disruptions presents a fertile avenue for advancing both theory and practice. Additionally, the interplay between social capital structures and cross-border consulting engagements warrants further scholarly attention, particularly in the context of international joint ventures and global value chains (Lane et al., 2001; Powell et al., 1996).

CONCLUSION

This study elucidates the transformative potential of complex business consulting frameworks in enhancing SME innovation, absorptive capacity, and performance under dynamic market conditions. Integrating knowledge management, social capital leveraging, and green innovation practices, consulting interventions emerge as catalysts for capability development, strategic resilience, and competitive advantage. The empirical and theoretical insights underscore the importance of tailored, multi-dimensional consulting approaches that account for organizational structure, network embeddedness, and sustainability imperatives. While limitations related to generalizability and measurement fidelity exist, the research provides a comprehensive blueprint for both practitioners and scholars seeking to optimize SME consulting strategies. Future research should expand on these findings by incorporating digital transformation considerations, longitudinal analyses, and cross-cultural comparative studies to further refine the understanding of consulting efficacy in complex business environments.

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