

DBA AFRICA MANAGEMENT REVIEW

ISSN NO: 2224-2023

VOLUME 15 NO 1

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2025

A Quarterly publication of the Department of
Business Administration, Faculty of Business and
Management Sciences (FBMS) University of
Nairobi



DBA Africa Management Review

Received Date
18/12/2025
Review Date
18/01/2026
Accepted Date
27/01/2026

STRATEGIC AGILITY FOR INNOVATION AND COMPETITIVE ADVANTAGE OF FIRMS

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Abstract

Strategic agility has become a pivotal capability enabling firms to navigate volatile, uncertain, and complex environments while achieving sustained competitive advantage. Despite its growing prominence in management literature, research on the synergy between strategic agility, innovation, and competitive advantage remains fragmented and under-theorized. This paper presents a critical and integrative review of literature, examining how strategic agility encompassing strategic sensitivity, resource fluidity, and leadership unity acts as a catalyst for organizational innovation and superior performance. By synthesizing evidence from cross-industry and cross-country studies, the review situates strategic agility within the broader landscape of competitive dynamics, exploring its role as both a proactive and adaptive strategic mechanism. Drawing on the resource-based view, knowledge-based view, diffusion of innovation theory, and Porter’s Theory of Competitive Advantage, this paper offers a multi-theoretical perspective on how firms leverage agility to sense opportunities, reconfigure resources, foster innovation, and establish unique competitive positions. The analysis identifies three key gaps: (1) limited longitudinal studies that examine how agility and innovation co-evolve to deliver competitive advantage, (2) insufficient integration of emerging enablers such as digital transformation, artificial intelligence, and big data analytics into agility frameworks, and (3) lack of standardized, multi-dimensional measures of strategic agility across industries. To address these gaps, the paper proposes a conceptual framework positioning innovation capability as a mediating mechanism, with knowledge and technological resources acting as enablers of sustainable advantage. The findings of this review not only contribute to the scholarly discourse, but also provide actionable recommendations for managers and policymakers seeking to enhance organizational resilience and market responsiveness in today’s disruptive landscape. Ultimately, this paper aspires to bridge the gap between theory and practice, by providing a foundation for holistic strategies that integrate agility, innovation, and performance excellence.

Keywords: Strategic agility, innovation capability, competitive advantage, dynamic capabilities, Resource-Based View, organizational strategy.

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Introduction

Since Michael Porter's groundbreaking work in 1980, competitive advantage has remained central to strategic management, serving as the bedrock for achieving and sustaining superior organizational performance (Clara, Sulastri, & Maulana, 2025; Aponte-López & Torrealba, 2025). Porter's emphasis on positioning, cost leadership, and differentiation laid the foundation for firms to craft strategies that outmaneuver competitors (Porter, 1980; Ansoff, 1990). However, in the face of globalization, technological disruption, and rapidly shifting consumer demands, traditional models of competitive advantage have come under pressure (De Diego & Almodóvar, 2022; Dixit et al., 2021). Static strategies are increasingly inadequate in dynamic environments, prompting scholars and practitioners to seek more adaptive frameworks. This has brought strategic agility to the forefront, especially from the early 2000s onwards, as it emerged to fill a critical void left by rigid strategic planning paradigms that struggled to keep pace with accelerating change (Musa & Enggarsyah, 2025).

Strategic agility, often defined as the capacity to sense environmental shifts and respond rapidly through flexible strategies, has since become a vital dynamic capability (Samo, Gitonga, Mulumbi, & James, 2025). The survival of the firms is based on this model and supporting aspects Survival of firms is based on this model since it support them by facilitating continuous learning, rapid resource reallocation, and timely decision-making (Aponte-López & Torrealba, 2025). Importantly, strategic agility does not replace innovation; rather, it amplifies its effectiveness. In today's unpredictable business landscape, innovation whether incremental or radical requires an agile foundation that allows

organizations to pivot quickly, experiment, and adapt (Mata, Moleiro Martins, & Inácio, 2024). Scholars have increasingly positioned strategic agility as both an enabler and a mediator of innovation, allowing firms to sustain competitive positioning amid constant disruption (AlTaweel & Al-Hawary, 2021; Ansoff, 1990).

The conceptualization of strategic agility has evolved into a multidimensional construct (Arokodare & Asikhia, 2020). The aspect enables early detection of emerging trends and market signals. Leadership unity ensures alignment in decision-making and vision across hierarchical levels, while resource fluidity allows organizations to swiftly reallocate assets both tangible and intangible to where they are most needed (Clara et al., 2025; Musa & Enggarsyah, 2025). These dimensions collectively empower firms to remain proactive, rather than reactive, in the face of disruption. Beyond operational responsiveness, strategic agility is now understood as an overarching orientation that combines technological foresight, collaborative innovation, and knowledge management to create sustained value (Battour, Barahma, & Al-Awlaqi, 2021).

Innovation, central to this discourse, is broadly defined as the generation and implementation of novel ideas, products, processes, or services that yield value for firms and stakeholders (Olaleye et al., 2021; Aponte-López & Torrealba, 2025). It functions not merely as a technological capability but as a strategic imperative that cuts across all facets of an organization. Innovation can be incremental refining of existing offerings or radical disrupting of industries with entirely new models (Rani et al., 2025; Clara et al., 2025). The ability to innovate effectively is increasingly linked to a firm's strategic agility, as this agility ensures that innovative efforts are

aligned with market demands and executed with speed (AlTaweel & Al-Hawary, 2021). Moreover, innovation is now deeply intertwined with organizational culture, absorptive capacity, and strategic foresight, enabling firms to remain competitive and responsive in high-velocity environments (Mata et al., 2024).

Competitive advantage today is understood through more dynamic lenses, grounded in various frameworks (Dixit et al., 2021; Musa & Enggarsyah, 2025). Rather than solely relying on rare and inimitable resources, firms are now expected to possess the ability to reconfigure these resources in response to external turbulence. Strategic agility enhances this reconfiguration by aligning innovation with strategic foresight and market responsiveness (Samo et al., 2025). It acts as a strategic lever that links innovation capabilities to sustained performance. In firms, agility can offset resource limitations, allowing them to compete with larger firms by being faster, more adaptable, and closer to emerging market needs (Rocha, Ed-Dafali, & Sharma, 2025).

Moreover, an important foundational contribution to understanding firm performance comes from the Profit Impact of Market Strategy (PIMS) study, which provided empirical evidence on how strategic decisions influence long-term profitability and competitive positioning (Clara et al., 2025). Conducted over several decades, the PIMS programme highlighted factors such as market share, investment intensity, product quality, and innovation as key drivers of performance across industries. While PIMS primarily emphasized stable strategic choices, its findings laid the groundwork for later theories that acknowledge the importance of adaptability (Olaleye et al., 2021). In the context of this study, strategic agility can be viewed as a dynamic extension of

the PIMS principle where the ability to rapidly adjust strategies, reallocate resources, and innovate becomes essential for sustaining competitive advantage in firms (Mata et al., 2024; Dixit et al., 2021).

Despite its growing significance, research on strategic agility remains fragmented. Scholars highlight inconsistent definitions, limited empirical testing across industries, and a lack of integration between agility, innovation, and competitive advantage in existing studies (Rani et al., 2025; Clara et al., 2025). Furthermore, insufficient attention has been paid on aspects of digital issues in firms and how changes influence this in firms (Rocha et al., 2025; Sheemaka et al., 2025). This is partly why this analysis aims to find out as well as determine how agility in strategic aspects can promote firm value in different ways.

Methodology

This study adopted a critical literature review methodology to systematically synthesize and evaluate scholarly contributions on strategic agility, innovation, and competitive advantage. This approach was chosen for its analytical rigor and capacity to integrate both theoretical and empirical insights while identifying conceptual gaps and emerging patterns in strategic management research (De Diego & Almodóvar, 2022). A structured and replicable search strategy was done. The review focused on literature published between 1980 and 2025, capturing the evolution of the competitive advantage concept from Porter's (1980) seminal framework to contemporary perspectives incorporating dynamic capabilities, agility, and innovation (Teece et al., 1997; Rani et al., 2025).

The search employed carefully selected keywords and Boolean operators including “strategic agility”, “organizational innovation”,

“competitive advantage”, and “dynamic capabilities” to identify relevant publications. The inclusion criteria was also done. Foundational theoretical works such as those by Wernerfelt (1984), Barney (1991), and Grant (1996) were included to anchor the review in established strategic management theory. In contrast, studies that lacked methodological transparency, conceptual clarity, or peer-review certification were excluded (Clara et al., 2025).

A total of 32 scholarly sources met the inclusion criteria and were subjected to in-depth qualitative analysis. These studies were thematically categorized into three analytical dimensions: (1) strategic agility as a dynamic capability, (2) innovation as a mediating and moderating mechanism, and (3) competitive advantage as an outcome variable. The selected works included recent empirical investigations such as AlTaweel & Al-Hawary (2021), Arokodare & Asikhia (2020), and Musa & Enggarsyah (2025), among others, ensuring both temporal breadth and thematic depth. Each study was critically appraised for theoretical contribution, methodological robustness, and empirical validity using a comparative synthesis approach. This ensured a comprehensive and nuanced understanding of how strategic agility and innovation interact to influence organizational competitiveness across diverse sectors and contexts.

Theoretical Foundations

This paper is anchored on four key theories that collectively explain the linkage on the constructs. All these are explained with the aim of expanding the views of various scholars. This covers aspects that relate to the topic of the study.

Resource-Based View

This was pioneered by Birger Wernerfelt (1984) and further developed by Jay Barney in 1991, originating from strategic management studies that emphasized the role of firm-specific resources in promoting firm value (Dixit, Singh, Dhir, & Dhir, 2021). The model emerged as a response to external market-based views, arguing that internal firm resources both tangible and intangible are central to explaining superior organizational performance (Samo et al., 2025). Scholars have applied it extensively to analyze how resources such as technology, intellectual property, and managerial expertise contribute to competitive differentiation (Mata et al., 2024).

The theory postulates that firms must have resources in their major plans (Barney, 1991). These resources enable organizations to create superior value that competitors cannot easily replicate (Samo et al., 2025). According to Clara et al. (2025), this theory is particularly relevant in volatile markets where leveraging unique internal capabilities can compensate for external uncertainties. This perspective positions resources such as strategic foresight, organizational culture, and leadership as critical enablers of innovation and long-term success (Rani et al., 2025).

Notably, it rests on the assumption that firms operate in heterogeneous environments where resources are unevenly distributed and not perfectly mobile (Dixit et al., 2021). It assumes that organizations can build, maintain, and protect unique resource configurations that competitors cannot easily imitate (Olaleye et al., 2021). Additionally, it presumes that firms have the capability to identify, develop, and deploy strategic assets effectively to exploit opportunities (Rani et al., 2025). These

assumptions underline the strategic importance of aligning internal resources with external demands to maintain competitive positioning.

However, the model has faced criticism for being static and overlooking the dynamic nature of competitive environments (De Diego & Almodóvar, 2022). Critics argue that the VRIN framework inadequately addresses how firms adapt and reconfigure resources in response to market disruptions (Arokodare & Asikhia, 2020). Moreover, it has been critiqued for limited empirical measurability and its narrow focus on internal factors while neglecting external competitive forces (Rocha et al., 2025).

The Resource-Based View is relevant to this paper as it highlights the need for firms to leverage unique internal capabilities such as strategic agility, leadership alignment, and knowledge management to drive innovation and competitive advantage (Samo et al., 2025). Strategic agility can be viewed as a critical resource that enables organizations to reconfigure assets, respond rapidly to disruptions, and sustain market leadership (Rani et al., 2025). By integrating RBV into the analysis, this paper underscores the interplay between internal competencies and innovation outcomes as key enablers of firm performance.

Knowledge-Based View

This originated in the 1990s. It shows that firms must use skills and other talent aspects associated with knowledge to promote their value. It also supports skills in managing all firms operations and activities (Arokodare & Asikhia, 2020). This is important to all firms in the current market dynamics (Clara et al., 2025).

This theory postulates that the ability to manage knowledge assets such as expertise, data, and organizational learning is a key driver of innovation and strategic agility (Mata et al.,

2024). It suggests that firms that develop robust knowledge systems can respond faster to market changes and create superior products and services (Sheemaka, Wanjau, & Maguta, 2025). According to Musa and Enggarsyah (2025), knowledge enables firms to integrate external information with internal capabilities, thereby fostering a culture of innovation and continuous improvement.

The assumptions of the theory include the notion that knowledge is heterogeneous, context-specific, and difficult to imitate, making it a source of long-term advantage (Samo et al., 2025). It also assumes that knowledge resides not only in individuals but also within organizational routines, systems, and networks (Rani et al., 2025). Furthermore, it presumes that competitive advantage is achieved through superior knowledge integration and application rather than simply possessing knowledge (Mata et al., 2024).

Critics argue that the model lacks empirical measurability, as knowledge is intangible and difficult to quantify (Fakunmoju et al., 2020). Additionally, the theory has been critiqued for underestimating the role of environmental turbulence and overemphasizing internal knowledge management processes (Olaleye et al., 2021). Another criticism is that it often assumes knowledge is always beneficial without addressing the risks of obsolete or misaligned knowledge assets (Rocha et al., 2025).

The theory is highly relevant to this study as strategic agility depends on the timely creation and application of knowledge to drive innovation and sustain competitive advantage (Samo et al., 2025). By emphasizing knowledge as a critical resource, the model provides a lens for analyzing how firms leverage internal expertise and learning systems to maintain

responsiveness in dynamic markets (Clara et al., 2025).

Diffusion of Innovation Theory

This is building on earlier sociological research into how new technologies and ideas spread within societies and organizations (Rogers, 1962). It explores the processes through which innovations are communicated, adopted, and implemented over time across individuals, organizations, and markets (Olaleye et al., 2021). Roger's work has become one of the most influential frameworks for understanding innovation adoption, particularly in business and technology contexts (Clara et al., 2025).

This theory postulates that innovation adoption, follows a predictable pattern, typically categorized into different aspects (Satar et al., 2025). According to Olaleye et al. (2021), firms that understand these dynamics are better positioned to strategically manage innovation processes, ensuring faster market acceptance and competitive differentiation.

The assumptions of the theory include the belief that adoption decisions are influenced by social networks, communication channels, and cultural values (Clara et al., 2025). It assumes that innovation spreads over time following an S-shaped curve, with early adopters influencing subsequent groups (Rani et al., 2025). Moreover, it presumes that individuals and organizations adopt innovations based on perceived usefulness and alignment with existing practices (Yildiz & Aykanat, 2021).

Critics of this theory argue that it oversimplifies innovation adoption, failing to account for organizational complexity, resistance, and institutional barriers (De Diego & Almodóvar, 2022). Others highlight its linear focus on adoption stages, which may not reflect the iterative and dynamic nature of modern

innovation processes (Rani et al., 2025). Additionally, the theory has been critiqued for underexploring power dynamics and resource constraints in diffusion processes (Arokodare & Asikhia, 2020).

The relevance of this theory to the current study lies in its explanation of how strategic agility facilitates the diffusion and adoption of innovations within firms (Samo et al., 2025). By understanding the adoption process, managers can leverage agility to accelerate the implementation of new technologies and business models, thereby sustaining competitive advantage (Clara et al., 2025).

Michael Porter's Theory of Competitive Advantage

This model originated from industrial organization economics and sought to explain how firms achieve superior performance by positioning themselves strategically within their industries (Arokodare & Asikhia, 2020). His models, including the Five Forces Framework and Generic Strategies, have become foundational in strategic management literature (Rani et al., 2025).

Porter postulates that firms must use different models and this important in enabling them to create unique value that competitors cannot easily replicate (Dixit et al., 2021). He emphasizes that competitive positioning requires analyzing industry structure and aligning internal resources with external market forces. According to Samo et al. (2025), Porter's theory remains relevant as it provides a systematic approach to understanding how firms establish and sustain performance superiority.

The assumptions of Porter's theory include the idea that industry structure determines profitability, and firms can outperform competitors by exploiting favorable market

positions (; Clara et al., 2025). It also assumes that firms can deliberately choose strategic positions and develop activities that support either cost efficiency or differentiation (Olaleye et al., 2021). Moreover, the theory assumes that competitive advantage stems from a clear value proposition that resonates with target customers (Rocha et al., 2025).

Porter's theory has been criticized for being too static and inward-looking, failing to address the rapid changes and dynamic nature of contemporary markets (De Diego & Almodóvar, 2022). Critics argue that it does not sufficiently incorporate the role of innovation, knowledge, and agility in shaping competitive advantage in the digital age. Furthermore, the framework may oversimplify strategic choices by focusing narrowly on cost or differentiation without recognizing hybrid or evolving strategies (Clara et al., 2025).

The relevance of Porter's theory to this study lies in its foundational emphasis on how firms can achieve sustainable competitive advantage by leveraging unique value propositions and strategic positioning, which directly aligns with the interplay between strategic agility and innovation (Rocha et al., 2025). In contemporary markets characterized by disruption and rapid technological advancements, Porter's framework complements dynamic perspectives by highlighting the need for firms to continuously refine their cost, differentiation, or focus strategies while embedding agility and innovation to remain competitive (De Diego & Almodóvar, 2022).

Digital Dynamic Capability Frameworks

The frameworks introduce the traditional dynamic capabilities theory (Teece, Pisano, and Shuen, 1997) to the digital age by highlighting

the importance of digital technologies in increasing the agility and adaptability of a firm. Warner and Wäger (2019) define digital dynamic capabilities as the capacity of organizations to incorporate, create, and reorganize both internal and external skills in the wake of digital worlds that change at a very fast rate. This framework is in line with the existing discussion of strategic agility, in that it highlights how digital transformation can help firms sense, seize and reconfigure resources to attain long-term competitive advantage (Li, Teece, Baskaran, and Chandran, 2025). With this outlook, the review would be more explanatory of the role that technological improvements and digital systems play in improving innovation and resiliency two imperative pillars of organizational agility in turbulent markets (de Diego and Almodovar, 2022).

Ambidexterity Theory

Ambidexterity theory posits that firms must view innovations in their activities. In the context of strategic agility, this balance becomes critical-organizations that focus exclusively on flexibility may lose efficiency, while those that overemphasize stability may fail to innovate. The theory therefore enriches the conceptualization of agility by highlighting the need for structural and contextual mechanisms that enable both exploration and exploitation to coexist. Incorporating ambidexterity theory not only strengthens the theoretical depth of the review but also provides a nuanced understanding of how firms can manage the inherent tensions between adaptability and stability in dynamic business environments (Li et al., 2025; de Diego & Almodóvar, 2022).

Summary and Interaction Among the Theories

The review confirms that Resource-Based View and Knowledge-Based View collectively highlight that internal resources and knowledge assets form the foundation of competitive advantage, while the Dynamic Capability and Digital Dynamic Capability frameworks extend this logic by explaining how firms reconfigure these assets to respond to technological and market turbulence (De Diego & Almodóvar, 2022). The Diffusion of Innovation Theory adds an external perspective, illustrating how agile firms leverage internal capabilities to accelerate innovation adoption, while Ambidexterity Theory bridges the gap between adaptability and efficiency, showing how organizations balance exploration and exploitation to remain competitive. Porter's Theory of Competitive Advantage provides the strategic positioning lens that aligns these internal capabilities with external market dynamics. Together, these theories create a multi-layered framework that positions strategic agility as the integrating mechanism enabling firms to transform internal strengths into sustained competitive advantage in rapidly changing environments (Li et al., 2025).

Conceptual Review

The concept of competitive advantage is seen in unique aspects of firms and this perspective, rooted in economic structure analysis, emphasized static positioning rather than adaptive responsiveness. While immensely influential, Porter's framework did not fully account for environmental dynamism or the organizational capacities required to continuously adapt to change. Consequently, scholars have since expanded upon this foundation to explore how competitive

advantage can be sustained under conditions of volatility, uncertainty, complexity, and ambiguity.

The introduction of the resource-based view was a crucial development in the strategic management discourse that shifted the emphasis to the external market positioning and put it on the internal heterogeneity of the firms. Barney (1991) defines sustainable competitive advantage as based on the resources that are valuable, rare, inimitable and non-substitutable (VRIN). This theoretical perspective highlighted the significance of the firm-specific capabilities and intangible assets. Wernerfelt (1984) and subsequently Teece, Pisano and Shuen (1997) have elaborated on this reasoning by introducing the notion of dynamic capabilities that involve the capability of the firm to integrate, develop and restructure internal and external competences in respect to the fast changing environments. All these contributions shifted the strategic thinking towards a new direction of dynamics of resource and competencies orchestration instead of the traditional approaches of different organizational strategies.

Building on the dynamic capability's framework, scholars have conceptualized strategic agility as a higher-order capability that enables firms to sense environmental changes, seize opportunities, and transform operations accordingly (Teece, 2007; Arokodare & Asikhia, 2020). Unlike operational agility, which focuses on short-term responsiveness, strategic agility encompasses long-term strategic foresight and organizational adaptability. It involves anticipatory action, strategic flexibility, and rapid execution. Conceptually, strategic agility bridges the gap between RBV's resource focus and the demands of turbulent market environments by

emphasizing speed, learning, and strategic reconfiguration (Aponte-López & Torrealba, 2025; Nkuda, 2017).

An important dimension of strategic agility is its alignment with strategic foresight, a construct referring to the ability to anticipate future trends and proactively develop adaptive strategies. As argued by Dixit et al. (2021), strategic thinking encompassing foresight, insight, and action is a precursor to competitive advantage in unpredictable markets. Strategic agility thus emerges as a mechanism through which foresight is operationalized, allowing firms not only to respond to change but to shape it. This orientation is supported by Clara, Sulastri, and Maulana (2025), who identify agility and foresight as crucial for the continuous renewal of firms.

Others also argue that human resource strategies contribute to agility by cultivating leadership alignment, workforce adaptability, and decentralized decision-making. These conceptual arguments extend the scope of strategic agility from an isolated capability to an embedded organizational orientation that permeates structures, processes, and culture. It should also be noted that AI and digital systems are shaping new markets and various developed markets and emerging research on AI and digital agility shows that AI is important in managing firms agility in the long run based on reviews by Li et al. (2025) and Warner and Wäger (2019).

Notably, Ansoff (1990) highlighted the importance of real-time strategic management in responding to rapid technological and environmental changes. In his seminal work on strategic management, he underscored the necessity of continuous monitoring of weak signals and early indicators of environmental turbulence that can forewarn organizations of

impending disruptions. Ansoff (1988) posited that organizations must possess the capacity to act swiftly to these weak signals to prevent strategic inertia that could lead to missed opportunities or even organizational decline. In the context of innovation, strategic agility enables firms to not only react to emerging technological advances but also to proactively shape the industry landscape by seizing opportunities before competitors. As the pace of change accelerates, organizations that master real-time strategic issue management are better positioned to adapt, innovate, and sustain a competitive edge (Ansoff, 1990). This means that in *Implanting Strategic Management*, Ansoff (1990) emphasizes the importance of real-time strategic management to address the challenges posed by rapid environmental and technological changes. He argues that organizations must be able to swiftly identify and respond to weak signals-early indicators of potential disruptions in the market or industry. Ansoff suggests that failure to act quickly upon these weak signals can result in severe strategic consequences, as the inability to adapt in times of turbulence can lead to competitive disadvantage. The book underscores the need for organizations to build systems that facilitate proactive, agile decision-making to manage strategic issues and maintain competitive advantage in a constantly evolving environment (Ansoff, 1990).

Empirical Review

Strategic agility has emerged as a cornerstone for achieving value in firms. It is supported by creative minds and involve different aspects of agility in firms. Studies on this effectively captured resilience and creativity, and fail to explicitly explore how strategic agility fosters continuous innovation, an area critical to this review's focus. This is valuable to firms.

In Indonesia's banking sector, Rani, Kasali, Kusumastuti, and Hati (2025) explored continuous organizational agility and its pathways to competitive advantage. Using qualitative interviews with senior executives from leading banks, they demonstrated that agility enables rapid product innovation and superior customer value creation. In Spain, De Diego and Almodóvar (2022) conducted a bibliometric study mapping research trends on strategic agility over 25 years. Using a database of 500 publications from Scopus and Web of Science, the authors found a growing emphasis on agility as a driver of innovation and digital transformation.

In Colombia and Venezuela, Aponte-López and Torrealba (2025) investigated the shift from strategic planning to agility in strategic management approaches. Through a case study analysis of multiple firms, they determined that agile strategies outperform rigid planning in volatile environments, particularly when integrated with innovation practices. In Indonesia, Clara, Sulastri, and Maulana (2025) used a bibliometric approach to examine pathways to sustainable competitive advantage for SMEs. Their study identified strategic agility and knowledge management as critical factors enabling SMEs to remain competitive in global markets.

In the UK, Nkuda (2017) explored the variables and it was shown that firms have different capabilities and this is what allow them to orient their operations. It was also evident that firms can innovate based on the current issues in their operations market. This means that firms must find ways of increasing their creativity to achieve value and innovation aspects.

In Iran, Dehmolaee and Rashnavadi (2019) investigated strategic agility in the telecom

industry and its impact on competitive advantages. Through a quantitative design with 180 respondents, the authors highlighted that agility enhances firms' responsiveness to technological shifts. In Turkey, Yildiz and Aykanat (2021) examined the mediating role of organizational innovation in the relationship between strategic agility and firm performance. Using a quantitative survey of 250 firms across various sectors, the study employed structural equation modeling (SEM) to establish that innovation acts as a significant mediator, amplifying the effects of agility on competitiveness. Using data from 220 small and medium-sized enterprises, they found that collaborative innovation strengthens the relationship between agility and competitive advantage, particularly when knowledge management practices are robust.

In Indonesia, Satar, Musadieq, Hutahayan, and Solimun (2025) explored the variables and it was shown different value. Employing a multi-criteria decision-making model with survey data from 210 firms, they concluded that technological innovation and agility have a synergistic impact on performance. Firms should foster innovation capability as well as other factors associated with knowledge-based strategies as shown in the study.

In the Gulf region, Battour, Barahma, and Al-Awlaqi (2021) did the same. Their quantitative study of 180 firms revealed that HRM strategies that promote flexibility and learning significantly enhance strategic agility, which in turn improves competitiveness. In Nigeria, Fakunmoju, Arokodare, and Makinde (2020) investigated the models. Using a survey-based research design with regression analysis, they concluded that IT capability significantly strengthens the agility-performance relationship. Nevertheless, the study did not

explore broader innovation mechanisms, leaving a theoretical and practical gap that the current review addresses by connecting agility, innovation, and competitive advantage through multi-theoretical frameworks. Another study by Olaleye, Anifowose, Efuntade, and Arije (2021) studied the role of innovation and strategic agility in building resilience among tertiary institutions. Their case study design revealed that agile institutions can adopt innovative teaching and operational models to sustain performance during crises. Arokodare and Asikhia (2020) analyzed how strategic foresight and agility contribute to superior organizational performance. Their conceptual paper concluded that strategic agility acts as a dynamic capability, enabling firms to anticipate and respond to environmental changes effectively. This is a clear indication that firms need to consider environmental issues in their operations.

In Kenya, Sheemaka, Wanjau, and Maguta (2025) studied the aspects and used cross-value

models with 150 respondents, revealed that strategic innovation agility fosters sustainable organizational performance through product diversification and adaptive teaching models. This means that firms should adopt strategic innovation-agility models to improve their success.

Notably, Kenyan empirical research demonstrates that strategic agility significantly enhances firm performance across diverse sectors. Karoney et al. (2024) investigated the same and the study revealed that stations with greater agility paired with disruptive innovation strategies achieved superior market positioning. This adds to the empirical literature by showing that internal contextual factors (organizational culture) shape how agility translates into performance outcomes, enhancing the generalizability of empirical findings on agility-innovation-advantage dynamics. All these are summarized in table 1 below.

Table 1: Empirical Review Summary

Authors & Study Objective	Review Type	Overarching Goal/Aim	Search Strategy	Studies Included	Analysis & Synthesis	Key References
Musa & Enggarsyah (2025) - To investigate the interplay between absorptive capacity, organizational creativity, agility, resilience, and	Narrative	Firms value using innovations aspects.	Comprehensive online data view	Studies from multiple regions (e.g., Indonesia, Spain, Colombia, Kenya, UK, etc.)	Summarized findings on strategic agility as a driver of competitive advantage. Identified methodological gaps and research needs.	Musa & Enggarsyah (2025); Rani et al. (2025); De Diego & Almodóvar (2022); Aponte-López & Torrealba (2025);

competitive advantage in disruptive environments.						Clara et al. (2025); Nkuda (2017); Yildiz & Aykanat (2021)
Rani et al. (2025) - To explore continuous organizational agility and its pathways to competitive advantage.	Systematic	To synthesize empirical findings on the constructs	Structured search strategy focusing on studies published in the last 5 years, filtered by specific industries and methodologies (SEM, survey, qualitative).	Studies focusing on strategic agility in diverse industries like manufacturing, banking, telecom, SMEs, and education.	Critical evaluation of findings from diverse sectors. Identified a need for multi-theoretical frameworks to connect agility and innovation in practical settings.	Fakunmoju et al. (2020); Satar et al. (2025); Battour et al. (2021); Sheemaka et al. (2025); Karoney et al. (2024)

Synthesis

The reviewed literature collectively underscores the value of agile firms and how this improve their success (Ndegwa & Kiilu, 2025). The reviewed literature reveals that strategic agility is increasingly linked to innovation capacity and superior organizational performance, particularly in contexts characterized by disruption, uncertainty, and technological change (Arokodare & Asikhia, 2020).

A substantial body of literature positions strategic agility as part of issues firms must address. Strategic foresight, a key enabler of agility, allows firms to anticipate change and proactively adjust their strategic direction (Dixit et al., 2021). Innovation, in this context, is seen as a mediating force that transforms agile

responses into competitive outcomes (Yildiz & Aykanat, 2021). When supported by absorptive capacity and knowledge systems, agility enables firms to convert market signals into actionable innovation strategies that support long-term advantage (Mata et al., 2024).

The literature highlights that strategic agility is reinforced through complementary organizational capabilities. For example, adaptive human resource management fosters agile cultures and responsive teams, while decentralized decision-making supports faster execution (Battour, Barahma, & Al-Awlaqi, 2021). These internal enablers create an environment where agility translates into continuous innovation and strategic responsiveness. Furthermore, bibliometric

analyses confirm an increasing scholarly focus on agility as part of broader innovation and knowledge ecosystems, especially within SMEs and in emerging markets (De Diego & Almodóvar, 2022).

However, key theoretical and contextual gaps remain. Most studies rely heavily on singular frameworks and few studies integrate the knowledge-based view or re-examine Porter's (1980) competitive positioning model to reflect the agility required in modern strategy formulation (Wernerfelt, 1984; Aponte-López & Torrealba, 2025). As a result, the strategic management discourse lacks a unifying framework that conceptualizes agility as a dynamic bridge between internal capabilities and external innovation demands (Musa & Enggarsyah, 2025).

There is also a methodological gap in the agility literature. Many studies are based on cross-sectional data, limiting insights into how agility evolves over time (Fakunmoju, Arokodare, & Makinde, 2020). While bibliometric approaches provide valuable overviews of research trends, they do not capture causal relationships or real-time shifts in strategic behavior. This calls for longitudinal and integrative research designs that critically synthesize conceptual advancements across contexts and industries (Clara et al., 2025; De Diego & Almodóvar, 2022).

Notably, there is a significant gap in longitudinal studies examining the long-term effects of strategic agility on innovation outcomes and competitive advantage across various industries, with most research offering only cross-sectional analyses (Arokodare &

Asikhia, 2020; Kiilu et al., 2024). Practically, there is a disconnect between academic research and industry application, highlighting the need for research that bridges the divide and translates theoretical insights into actionable strategies (Nkuda, 2017; De Diego & Almodóvar, 2022; Clara et al., 2025). Policy-wise, the influence of regulatory environments on strategic agility and innovation has been largely overlooked, despite its importance in shaping organizational behavior (Samo et al., 2025; Fakunmoju et al., 2020; Musa & Enggarsyah, 2025).

Emerging from this review is the clear need for a holistic synthesis that unites fragmented theoretical approaches and links agility to innovation and sustainable performance. Agility must be understood not as a standalone capability, but as part of a dynamic system of knowledge, foresight, leadership, and strategic learning (Rani et al., 2025). Integrating these perspectives enables a deeper understanding of how firms not only survive in dynamic markets but shape them through strategic innovation. Notably, this review contributes to the ongoing discourse by consolidating multi-theoretical perspectives and advancing a conceptual view of agility as an enabler of innovation-driven competitive advantage. It emphasizes the role of leadership foresight, digital adaptation, and organizational learning in embedding agility within strategic management. By drawing from and synthesizing current literature, this paper provides a roadmap for future research and a conceptual foundation for firms navigating disruption in the global marketplace (Rocha et al., 2025). All these are summarized in the table 2 below.

Table 2: Synthesis of Literature

Authors & Study Objective	Review Type	Overarching Goal/Aim	Search Strategy	Studies Included	Analysis & Synthesis	Key References
Dixit et al. (2021) - To explore the antecedents of variables	Scoping	To assess the theoretical gaps and synthesize diverse perspectives on how agility enables sustained innovation and competitive advantage.	Broader search across multiple theoretical frameworks, focusing on dynamic capabilities, resource-based view, and knowledge-based view.	A broad set of literature from various theoretical lenses (dynamic capabilities, resource-based view, and innovation theory).	Identified gaps in conceptualizing agility as a dynamic bridge between internal capabilities and external opportunities.	Dixit et al. (2021); Aponte-López & Torrealba (2025); Musa & Enggarsyah (2025); Yildiz & Aykanat (2021)
De Diego & Almodóvar (2022) - To conduct a bibliometric study mapping research trends on strategic agility over 25 years.	Descriptive	To highlight the evolution of research on strategic agility and its relationship with innovation and competitive advantage.	Systematic collection of articles from leading journals published in the last 10 years, focusing on bibliometric studies and trend analysis.	Bibliometric and systematic reviews on strategic agility, such as those by De Diego & Almodóvar (2022) and Clara et al. (2025).	Identified trends in research on agility and its increasing link to innovation, particularly in the context of SMEs and digital transformation.	De Diego & Almodóvar (2022); Clara et al. (2025); Rocha et al. (2025); Nkuda (2017)

Discussion

The critical review of literature reveals that strategic agility consistently emerges as a fundamental enabler of organizational innovation and competitive advantage across industries and geographical contexts. Studies such as Samo, Gitonga, Mulumbi, and James (2025) and Rani, Kasali, Kusumastuti, and Hati (2025) highlight that firms demonstrating agility characterized by rapid responsiveness, proactive sensing of opportunities, and adaptive strategic behavior are better equipped to achieve superior performance outcomes. This is consistent with the resource-based view, which posits that unique capabilities, including agility, are essential for creating sustained competitive advantage (Arokodare & Asikhia, 2020; Clara, Sulastri, & Maulana, 2025; De Diego & Almodóvar, 2022). Notably, the findings underscore that agility alone is insufficient unless coupled with a culture of continuous innovation and knowledge integration.

The findings underscore the critical role of knowledge management, absorptive capacity, and collaborative innovation in enhancing the agility–innovation–performance nexus (Ndegwa & Kiilu, 2025). Moreover, the review highlights sectoral variations in the adoption of agility, ranging from banking and telecommunications to SMEs and education, demonstrating that agility is contextually dependent yet universally vital (Dixit et al., 2021; Rocha et al., 2025).

A dominant theme across the reviewed studies is the value of innovations. It is also evident that innovation as well as creativity can empower firms to success. This is seen across and supported by different models as well as theories. This means that firms must model their operations along innovation lines.

The findings also point to sectoral differences in the manifestation of agility. For example, Dehmolaee and Rashnavadi (2019) focus on the telecom industry, illustrating how technological turbulence necessitates rapid strategic pivoting, while Sheemaka, Wanjau, and Maguta (2025) highlight the role of agility in enhancing educational institutions' performance through innovative teaching models. Conversely, Rani et al. (2025) show that in the banking sector, continuous organizational agility is crucial for customer-centric innovation and maintaining trust. These sectoral differences underscore the importance of tailoring agility frameworks to industry-specific dynamics, an area this study addresses by synthesizing evidence from multiple sectors.

The studies also confirmed that strategic agility is essential for organizational success in rapidly changing environments, whether in real estate, television, or education as shown by Ndegwa and Kiilu (2025) and Karoney et al. (2024). They also underscore the importance of organizational culture and innovation in enabling the effective implementation of strategic agility. Their findings provide valuable insights into how strategic agility, when supported by innovation and a conducive culture, can drive organizational performance and competitiveness across different sectors in Kenya (Kiilu et al., 2024).

Another critical finding is the strategic role of human capital and HRM strategies in enabling agility. Battour, Barahma, and Al-Awlaqi (2021) establish that HRM practices fostering flexibility, learning, and innovation enhance firms' ability to respond to market disruptions. Similarly, Olaleye, Anifowose, Efuntade, and Arije (2021) emphasize that resilient organizations combine human capital agility with technological adaptation to withstand

crises. These findings suggest that strategic agility is not solely a structural or process-driven capability but also a human-centric construct reliant on leadership foresight, team adaptability, and knowledge-sharing cultures.

The regional dimension of the reviewed studies highlights that emerging markets are leading the discourse on strategic agility, with substantial evidence from African and Asian economies (Samo et al., 2025; Fakunmoju, Arokodare, & Makinde, 2020; Musa & Enggarsyah, 2025). While these studies offer valuable insights, there is limited empirical evidence from developed economies, which could provide contrasting perspectives on agility in technologically advanced markets. Furthermore, many studies adopt cross-sectional research designs, which, as Dixit, Singh, Dhir, and Dhir (2021) note, fail to capture the dynamic, evolving nature of agility in real-world settings.

A notable gap identified in the literature is the lack of integrated multi-theoretical frameworks to explain the interplay between strategic agility, innovation, and competitive advantage. Most studies rely on single theories such as RBV or Dynamic Capability, yet the complex and multi-faceted nature of agility requires a combination of perspectives, including Porter's Theory of Competitive Advantage and Diffusion of Innovation Theory (Nkuda, 2017; De Diego & Almodóvar, 2022; Clara et al., 2025). This paper addresses this gap by proposing a comprehensive framework that synthesizes these theories, providing a holistic lens to examine how firms leverage agility to innovate and outperform competitors.

Notably, the discussion highlights that strategic agility is a multi-dimensional capability that requires alignment with innovation processes, knowledge-based resources, and human capital

strategies to deliver sustainable competitive advantage. The reviewed studies collectively suggest that firms that successfully integrate agility with continuous learning and adaptive innovation are better positioned to navigate uncertainty and disruption (Satar et al., 2025; Rani et al., 2025; Musa & Enggarsyah, 2025). This paper contributes by offering a critical synthesis of these findings and by advancing a conceptual model that bridges the gaps identified in both theory and empirical research.

Moreover, the findings of the literature review confirm that strategic agility plays a critical role in shaping firm innovation and performance, aligning closely with the central postulations of the dynamic capability theory and the resource-based view. These theories suggest that firms can achieve sustained competitive advantage by developing capabilities that allow for timely sensing and responding to environmental changes (Teece, Pisano, & Shuen, 1997; Barney, 1991). The review supports this by showing that agility, when integrated with innovation and absorptive capacity, enables firms to reconfigure resources effectively in response to market turbulence (Mata et al., 2024). In addition, agility dimensions such as strategic foresight and leadership alignment resonate with the theoretical emphasis on leveraging rare and valuable organizational capabilities to sustain advantage (Arokodare & Asikhia, 2020; Kiilu, Machuki, Aosa, & Ngahu, 2024). This suggests that strategic agility not only fits within existing theoretical constructs but also operationalizes them in more dynamic and competitive settings.

However, the literature also identifies theoretical gaps and contradictions. While Porter's theory of competitive advantage emphasizes deliberate positioning and industry structure (Porter, 1980), many recent studies

suggest that agility-driven firms often transcend industry boundaries by innovating faster than the environment changes, thus redefining competitive spaces (Samo et al., 2025). This indicates a shift from static models to more fluid, adaptive approaches to strategy. Additionally, few studies apply an integrated theoretical lens combining resource based, knowledge based and Porter's framework, limiting a comprehensive understanding of how agility, innovation, and performance interact. The review also reveals that organizational culture and digital transformation are underexplored moderators in agility-performance models, suggesting that existing theories may require expansion to include contextual enablers and emerging technological dynamics (Karoney et al., 2024; De Diego & Almodóvar, 2022). These findings highlight the need to refine traditional theories to reflect the dynamic realities of modern strategic environments.

Empirically, there is a paucity of longitudinal studies that assess the enduring impact of strategic agility on innovation outcomes and competitive advantage across diverse industries. Most existing research offers cross-sectional analyses, limiting the understanding of long-term effects and causal relationships (Arokodare & Asikhia, 2020; Kiilu, Machuki, Aosa, & Ngahu, 2024). Furthermore, the role of organizational culture as a moderator in the agility-innovation-performance nexus remains underexplored, despite its potential influence on strategic outcomes.

Practically, there is a disconnect between academic research and industry application, leading to an application gap (Nkuda, 2017; De Diego & Almodóvar, 2022; Clara et al., 2025). While theoretical frameworks abound, their translation into actionable strategies for practitioners remains limited. This gap underscores the need for research that bridges the divide between theory and practice, ensuring that academic insights are accessible and applicable to real-world business challenges.

Policy-wise, existing studies often overlook the influence of regulatory environments on strategic agility and innovation (Samo et al., 2025; Fakunmoju, Arokodare, & Makinde, 2020; Musa & Enggarsyah, 2025). Understanding how policies, such as environmental regulations, impact firms' agility and innovation strategies is crucial for developing comprehensive frameworks that guide organizational behavior within specific policy contexts.

Population gaps also exist, particularly concerning underrepresented groups in research studies. Additionally, studies often neglect the perspectives of employees at various organizational levels, focusing predominantly on top management. Addressing these population gaps can provide a more holistic understanding of strategic agility across different organizational contexts (Ndegwa & Kiilu, 2025). All the above have been summarized in table 3 below.

Table 3: Summary of Empirical Literature Review and Research Gaps

Research er(s)	Focus/Title of the Study	Methodology	Major Findings	Research Gaps	How the Current Study Fills the Research Gap
Musa at al. (2025)	Creativity influence in firms	Structural Equation Modeling (SEM), 225 firms	Agility is importnt in firms	Did not explore how strategic agility fosters continuous innovation.	Investigates the role of agility in driving continuous innovation.
Rani et al. (2025)	Continuous Organizational Agility and Pathways to Competitive Advantage	Qualitative interviews, Senior Executives	Agility enables rapid product innovation and superior customer value.	Lack of focus on continuous innovation pathways.	View agility as key in firms sucess
De Diego & Almodóvar (2022)	Bibliometric Study on Strategic Agility Over 25 Years	Bibliometric Analysis, 500 publications	Agility is a key driver of innovation and digital transformation.	Does not capture causal relationships or real-time shifts.	Provides a longitudinal perspective and addresses real-time shifts in strategic agility.
Aponte-López & Torrealba (2025)	Shift from Strategic Planning to Agility in Strategic Management	Case study, Multiple Firms	Agile strategies outperform rigid planning in volatile environments.	Lack of integration with innovation practices in agile strategies.	Links agile strategies with innovation practices for better competitive advantage.
Clara et al. (2025)	Why firm need value in their operations	Bibliometric approach	Strategic agility and knowledge management enable SMEs to remain competitive in global markets.	Does not examine long-term effects of agility on innovation.	Longitudinal analysis of agility's impact on competitive advantage and innovation outcomes in SMEs.

Nkuda (2017)	Ontological and Epistemological views on firms agile nature	Conceptual Analysis	Agility is rooted in dynamic capabilities that allow firms to sense and seize opportunities.	Does not fully capture relational dynamics between agility and innovation.	Uses multi-theoretical frameworks to capture relational dynamics and gaps in understanding agility and innovation.
Rocha et al. (2025)	Entrepreneurial Orientation, Agility, and Responsibility in SMEs	Survey, PLS-SEM	Agility amplifies in firms	Lack of focus on the mediating role of innovation processes.	Investigates innovation as a mediating force between agility and performance.
Yildiz & Aykanat (2021)	Role of Innovation in Strategic Agility and Firm Performance	Quantitative survey, 250 firms	Innovation is valuable	Few studies explore the impact of organizational culture on this relationship.	Explores different views on agility
Satar et al. (2025)	Technological Innovation, Knowledge Management, and Organizational Agility	Multi-criteria decision-making model, 210 firms	Technological innovation and agility have a synergistic impact on performance.	Does not explore the role of leadership in fostering agile cultures.	Investigates the role of leadership
Battour and others (2021)	HRM agility in firms value	Quantitative study, 180 firms	HRM strategies promoting flexibility and learning enhance strategic agility, improving competitiveness.	Lack of focus on the role of regulatory environments in shaping organizational agility.	Examines the role of regulatory environments in shaping strategic agility and innovation.
Fakunmoju et al. (2020)	Competition in markets of oil	Survey, Regression analysis	IT capability strengthens the agility–	Did not explore broader	Links agility with broader innovation mechanisms through

			performance relationship.	innovation mechanisms.	multi-theoretical frameworks.
Sheemaka et al. (2025)	Agility long view in schools	Descriptive research design, 150 respondents	Strategic innovation agility fosters sustainable organizational performance.	Lack of integration with innovation-driven strategies in other sectors.	Extends strategic innovation agility to other sectors such as education and beyond.
Karoney et al. (2024)	Changing agile views and aspects in TV Stations	SEM, 210 stations	Strategic agility, coupled with disruptive innovation, positively impacts sustainable competitive advantage.	Focus on a single industry limits generalizability to other sectors.	Generalizes findings across multiple sectors and emphasizes disruptive innovation's role.

Recommendations

This review identifies several important implications for theory, practice, and policy. From a theoretical perspective, there is a need to broaden the conceptualization of strategic agility beyond isolated frameworks. Integrating multiple theoretical lenses allows for a more comprehensive understanding of how agility interacts with innovation to sustain competitive advantage. Future research should explore this integrative approach further, testing conceptual models across various industries and cultural contexts to enhance their applicability and explanatory power.

Practically, organizations must intentionally develop strategic agility as a core capability. This involves cultivating the ability to sense market shifts early, respond rapidly to environmental changes, and reconfigure

resources effectively. Businesses should prioritize building systems that facilitate continuous learning and innovation while maintaining operational flexibility. Emphasis should be placed on nurturing leadership that supports decentralized decision-making and encourages a culture of experimentation. Firms in dynamic sectors such as banking, telecommunications, and small and medium-sized enterprises are especially urged to embed agility into their strategic operations as a key lever for long-term success.

From a policy standpoint, there is a need for institutional support to foster agility and innovation, especially among resource-constrained organizations. Policymakers should design initiatives that promote access to digital infrastructure, innovation financing, and collaborative ecosystems. Public-private partnerships should be encouraged to create

environments conducive to adaptive learning and joint problem-solving. This is especially important in sectors facing accelerated technological transformation, where regulatory frameworks must support agile organizational responses.

Looking forward, future research should prioritize longitudinal designs to track how strategic agility evolves and influences innovation and performance over time. Cross-industry comparisons would provide richer insights into how sectoral dynamics affect the agility–performance relationship. There is also a need for mixed-methods approaches that combine quantitative data with qualitative insights to capture the nuanced and iterative nature of agility. Furthermore, more attention should be given to emerging drivers of agility, including digital transformation, artificial intelligence, and data analytics, which are reshaping how organizations anticipate and respond to change in real time.

Conclusion

This paper set out to critically examine the variables and it is evident that agile firms view success on long term. This is important and it is true that when effectively combined with innovation, agility becomes a powerful driver of sustainable competitive advantage, allowing firms to outperform competitors in rapidly changing environments.

The review highlights that strategic agility is multi-dimensional, encompassing leadership foresight, knowledge integration, and adaptive organizational structures. Innovation acts as the connective tissue that transforms agility into tangible performance outcomes, ensuring that firms remain relevant and resilient in the face of technological disruption and global market volatility. This paper contributes by developing

an integrative conceptual framework that unites diverse theoretical perspectives to explain how agility and innovation co-evolve to create long-term value.

The paper also emphasizes the practical need for organizations to embed agility into their culture, processes, and strategic vision. Firms that prioritize knowledge sharing, digital transformation, and continuous learning are better positioned to sustain competitive advantage. These findings serve as a roadmap for managers seeking to build future-ready organizations capable of thriving under uncertainty.

In conclusion, this critical literature review not only consolidates current knowledge but also sets a foundation for future inquiry. By identifying theoretical, methodological, contextual, practical, policy and population gaps, the paper provides clear directions for research that can further advance the understanding of strategic agility as both a managerial practice and a strategic resource.

Study Limitations

While this critical literature review provides a comprehensive synthesis of studies on strategic agility, innovation, and competitive advantage, it subject to some limitations. Firstly, it can be argued that although major data systems were searched, some grey literature and non-indexed studies might have been overlooked. Secondly, the inclusion period (1980–2025) captures a wide temporal span but may not fully reflect emerging post-2025 trends in digital transformation and organizational agility. Additionally, the thematic synthesis relied on subjective interpretation, which, despite efforts to ensure rigor, could introduce researcher bias. Finally, the review’s reliance on secondary data limits empirical validation of its conceptual

insights, suggesting the need for future studies to employ primary research methods to test the identified frameworks and relationships.

Ethical Approval

This research did not involve field and primary data collection.

Funding

There was no external funding for this research

Conflicts of Interest

There are no any conflicts of interests in the research.

Acknowledgements

The author would like to acknowledge and thank the Department of Business Administration for their support as well as the anonymous peer reviewers for their insights.

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