International Journal of Recent Advances in Multidisciplinary Topics
Volume 6, Issue 1, January 2025
https://www.ijramt.com | ISSN (Online): 2582-7839

Strategic Agility and Organizational Performance: A Systematic Review

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***Abstract*: This systematic review explores the critical link between strategic agility and organizational performance in dynamic business environments, highlighting critical components such as environmental sensing, resource fluidity, and collective commitment. Findings reveal that environmental sensing enhances decision-making efficiency by 25%, while resource fluidity improves operational performance by 12% and competitive outcomes by 33%. Collective commitment fosters a 25% increase in team collaboration, enabling agility in dynamic markets. These factors collectively drive innovation, adaptability, and sustained organizational performance, underscoring their importance in navigating volatile business environments. The review is informed by Contingency Theory, Dynamic Capabilities Theory and Organizational Agility Theory.**

***Keywords*: strategic agility, environmental sensing, resource fluidity, dynamic capabilities theory and organizational agility theory.**

1. Introduction

The ideas of strategic agility and organizational performance have become critical for success in today's quickly changing corporate environment. Keeping a competitive advantage requires a business to have strategic agility, which is the capacity to respond quickly to external events and grasp new possibilities (AlTaweel & Al-Hawary, 2021). But organizational success includes a lot of different factors, such as financial results, market share, and how well operations are run (Moe & Mikalsen, 2020). These two ideas work hand-in-hand: companies that learn strategic speed are in a better position to do well in their work.

As a result of the fact that the business world is getting more volatile, unpredictable, complex, and ambiguous (VUCA), it is more vital than ever before to have an understanding of how strategic agility influences the success of an organization (Widjajani et al., 2021). According to Priyono et al.'s (2020) research, in order for organizations to survive and grow, they need to have the ability to swiftly adapt and transform. This level of agility is required.

An organization that possesses strategic agility is able to detect shifts in the market, make rapid adjustments to its resources, and commit itself entirely to making the most of emerging possibilities. In addition, strategic agility has the potential to enhance the overall performance.

This is because it enables the business to strike a balance between the competing demands of effectively utilizing existing capabilities and exploring new opportunities (Grześ, 2023).

Furthermore, the potential of innovation has been recognized as a crucial mediator in the link between strategic agility and the performance of a business. For businesses to be able to provide goods that are able to satisfy the ever-evolving requirements of their clients, they need to cultivate their capacity for innovation (Begum & Arshi, 2020).

This systematic review is underpinned by the Dynamic Capabilities Theory and the Organizational Agility Theory. A thorough and methodical evaluation of the existing literature is essential to better comprehend the connection between organizational success and strategic agility.

2. Literature Review

Strategic agility is a multifarious term embracing an organization's capacity to recognize environmental changes, fast transform its resources and capabilities to capitalize on developing prospects, and dedicate itself collectively to seize them (AlTaweel & Al-Hawary, 2021).

Rather than relying on rigid strategic planning, strategically agile companies can rapidly change their strategy orientation in response to changing market conditions.

Environmental sensing, resource flexibility, and collective commitment are critical characteristics of strategic agility (Sampath & Krishnamoorthy, 2017). Environmental sensing is a company's capacity to constantly track its environment and quickly recognize new trends and prospects. Resource fluidity refers to an organization's ability to rapidly and effectively adjust and reallocate resources in response to changing strategic goals. Collective commitment refers to an organization's shared resolve to implement strategic changes systematically.

Another aspect of strategic agility is the firm's ability to produce contemporary relevant products, services, and processes that answer changing consumer tastes and market expectations (Vrontis et al., 2022). Innovation capability is a critical complement to the flexible and responsive parts of strategy.

Previous studies have consistently found that strategic agility

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has a substantial and complex impact on enhancing organizational performance across a wide range of crucial outcomes (Grześ, 2023). Businesses that are strategically agile outperform their less agile competitors in terms of financial performance, market share, and operational effectiveness.

Furthermore, by allowing an organization to balance the demands of exploiting current strengths and investigating new prospects, strategic agility may contribute to the long-term resilience and success of the company. Because of its ambidextrous perspective, which keeps the business from becoming mired in a strict strategic approach, the company is able to continuously grow and adjust to changing circumstances.

Strategically agile businesses can improve their competitive position and attain better outcomes by being better equipped to recognize and respond to changes in their environment.

3. Strategic Agility

Strategic agility is operationalized by environmental sensing, resource fluidity and collective commitment (Enrique et al., 2024). Businesses need to take a proactive and vigilant approach to sensing, using big data and advanced analytics to gather information in real time. By developing robust sensing systems, organizations may anticipate technological advancements and market disruptions and make timely, well-informed decisions.

Companies with strong environmental sensing and monitoring capabilities are better able to anticipate and respond to market developments, even when volatility and uncertainty were increasing, according to Priyono et al. (2020). A key component of strategic agility is environmental sensing, which determines a company's capacity to quickly recognize and seize fresh opportunities. Effective sensing requires the application of a combination of advanced data analytics, market research, and environmental scanning techniques, claim Widjajani et al. (2021). These approaches give businesses the ability to gather data instantly and offer actionable insights.

According to Ganguly et al.'s research from 2009, organizations that thrive in sensing are frequently distinguished by their capacity to utilize big data analytics, artificial intelligence, and other cutting-edge technologies to extract meaningful patterns and signals from large amounts of information. Additionally, they ensure that the insights obtained from sensing activities are effectively integrated into strategic planning and execution by cultivating an organizational culture that encourages ongoing learning and is receptive to novel concepts (Lichtenthaler, 2020).

The capacity of an organization to quickly and efficiently reallocate its resources in order to adjust to changes in the environment is known as resource fluidity (Wicaksana et al., 2022). Strategically agile organizations can swiftly reallocate and rearrange their resources to accommodate shifting strategic aims (AlTaweel & Al-Hawary, 2021). Because of this resource flexibility, businesses can effectively change their resource base to capitalize on emerging market trends and enhance their performance.

Flexible organizational structures, modular production systems, and dynamic resource allocation techniques are commonly employed to attain such resource fluidity. By swiftly reorganizing their resources to adjust to shifting conditions, agile firms can outperform their competitors (Sampath and Krishnamoorthy, 2017).

A study by Song et al. (2020) looks into how businesses use both internal and external resources to manage environmental hazards and modify their development plans appropriately. Supply chain management, mergers and acquisitions, and technological advancement are the three main areas of focus for the scholars when it comes to resource allocation.

Employee commitment to implementing strategic changes increases an organization's capacity to do so in a coordinated and efficient manner (Sampath & Krishnamoorthy, 2017). When everyone works together, the business may outperform its rivals and achieve greater outcomes.

Strong leadership, outstanding communication, and a culture that embraces change and unpredictability are necessary to foster such a sense of shared commitment. Strategically agile firms may react swiftly to shifting market conditions by coordinating employees' actions throughout the company.

Collective commitment is crucial for increasing strategic agility in businesses and fostering an environment that encourages prompt and efficient responses to shifting market conditions. By building a shared dedication, strategically agile firms can effectively resolve internal arguments and impediments that might otherwise hamper the organization's potential to modify and react to new prospects (Vrontis et al., 2022).

One of the most important qualities of collective commitment is its ability to generate teamwork and integration, which is essential for the successful implementation of major projects. When all employees are committed to organization's strategic purpose, they are more likely to communicate, exchange information, and coordinate their efforts, which improves the firm's overall responsiveness and performance (Lee et al. 2020).

Another important aspect of group commitment is strategic consensus. AlTaweel and Al-Hawary (2021) emphasize the importance of a company's executive team's alignment in executing strategic goals and making decisions. In contrast, a lack of strategic agreement can lead to contradicting projects, confusion, and subpar performance.

4. Organizational Performance

The COVID-19 outbreak has highlighted the need of strategic agility by revealing the shortcomings of businesses that are unable to adapt to unexpected and dramatic changes in their operating environments (Worley & Jules, 2020). Companies with strong strategic agility were better able to adapt to shifting demands from clients and stakeholders (Grześ, 2023).

One of the primary benefits of strategic agility is its capacity to drive organizational performance. Agile organizations consistently beat less agile competitors in financial performance, market share, and customer satisfaction (2023 Ludviga & Kalviņa).

Sampath and Krishnamoorthy (2017) found that an organization's ability to innovate frequently affects the association between strategic agility and organizational success. Businesses with strategic agility are better equipped to recognize and react to market shifts. Better performance results are the result of their capacity to create and launch innovative goods, services, and business plans that meet the changing demands of their customers.

An organization's operational and financial success can be evaluated using a variety of criteria, each of which captures a distinct aspect of the business. In these categories, financial returns, client loyalty, and productivity are common factors (Obradović et al., 2019). A key indicator of an organization's ability to generate value and use its resources efficiently is the growth of its output (Papathomas & Konteos, 2023). Analogously, building a solid foundation of loyal customers demonstrates how successfully a business can maintain a competitive advantage and meet the evolving needs of its target market. Achieving sustained growth in financial returns also signifies a company's overall profitability and viability (Krishnan, 2021).

Businesses with high levels of strategic agility are more likely to prosper in dynamic business environments because they can anticipate trends, meet customer demands, and swiftly adapt to changes in the market—all of which improve organizational performance (Deshati, 2023). Furthermore, a study on Malaysian private universities has shown that strategic agility acts as a bridge between organizational performance and human resources. According to Chan and Muthuveloo (2022), this study emphasizes the importance of developing strategic agility among employees in order to optimize organizational performance in dynamic marketplaces.

Furthermore, by guaranteeing that businesses remain flexible and proactive in the face of business disruptions, there is empirical evidence that improving agility not only improves performance now but also positions them for long-term success. Teece (2009) asserts that flexible and decentralized structures facilitate faster decision-making and offer increased responsiveness to environmental changes. To promote innovation and enable quick market responses, Alphabet Inc. (Google) is one corporation that the researcher cites as having a flat organizational structure.

Leadership is also very important. Leaders can improve strategic agility by creating an atmosphere that rewards creativity and risk-taking (Yves Doz & Mikko Kosonen, 2008). For example, Tesla. The company has kept its competitive edge in the automotive market under Elon Musk's leadership by promoting judicious risk-taking and rapid innovation cycles (Kim, 2020).

Technical proficiency is equally essential for strategic agility. Businesses are better equipped to anticipate changes in the market and modify their strategies accordingly when they leverage artificial intelligence and big data analytics (Ravichandran, 2021).

5. Empirical Review

Resource fluidity, a vital component of strategic agility, allows firms to reallocate resources quickly in response to market conditions, improving performance. According to van de Wetering et al. (2018), firms that aligned IT flexibility with dynamic capabilities improved their competitive performance by 33% compared to peers that did not align. Ashrafi et al. (2019) found that strategic agility improves company performance, with a greater impact in such dynamic situations.

Quantitative results from a survey of 215 enterprises across several industries demonstrated that organizations with effective knowledge management systems improved decision-making efficiency by 25% and adaptation to environmental changes by 30% (Ashrafi et al. 2019). These variables are critical for strategic agility, especially in changing marketplaces. The study also shows that knowledge management improves resource utilization, a critical component of resource fluidity, allowing businesses to successfully reallocate resources in response to changing business demands.

In modern enterprises, environmental sensing has become a key component of strategic agility through the use of technologies like artificial intelligence and big data analytics. The importance of this approach in promoting flexibility and well-informed decision-making is demonstrated by empirical data. Priyono et al. (2020) conducted an environmental sensing study that demonstrated how small and medium-sized firms (SMEs) navigated the COVID-19 pandemic using digital transformation and robust sensing methods. To remain competitive, these companies altered their business strategies in response to environmental changes.

Collective commitment is critical to improving strategic agility because it guarantees that strategic changes are implemented efficiently throughout a business. AlTaweel and Al-Hawary (2021) researched the mediating function of collective commitment in promoting organizational agility and creativity in Jordanian firms. Their study polled 230 managers from various industries and concluded that collective commitment improves an organization's ability to adapt and survive in changing conditions. Companies with high levels of collective commitment reported a 25% increase in team collaboration and a 20% improvement in strategic consensus across leadership teams, facilitating speedier decision-making and reducing project redundancy, causing a 30% increase in operational efficiency (AlTaweel & Al-Hawary, 2021).

Efeomo et al., (2022) found that organizations in Nigeria that utilized resource fluidity to reallocate assets achieved a 12% gain in operational efficiency and a 9% increase in market share. Resource reallocation enables businesses to respond dynamically to changes, increasing customer satisfaction (by 7%). The ability to react to market changes is linked to improved profitability, with firms reporting up to a 15% rise in profit margins following strategic resource reallocation (Efeomo et al., 2022).

Deshati's (2023) study underlines that organizations with higher levels of strategic agility are better positioned to react to market changes, anticipate future trends, and respond to customer wants, hence boosting competitiveness. These findings highlight the vital need of strategic agility in managing

complicated and constantly changing business environments.

Mccall (2024) studied Amazon and Apple as case studies to demonstrate how effective sensing capabilities create market leadership, with Amazon dominating e-commerce and cloud computing by adjusting to user preferences and technological advances. Similarly, Apple's ability to anticipate developments in consumer electronics has resulted in market-defining advancements, demonstrating how incorporating sensing into strategic decision-making promotes agility and creativity (Mccall, 2024).

6. Summary of the Findings

The systematic review findings highlight how strategic agility improves organizational performance by allowing organizations to quickly adjust to changing market conditions, foresee trends, and maximize resource allocation. Empirical research shows that factors such as resource flexibility and environmental sensing increase decision-making efficiency by 25%, operational performance by 12%, and competitive performance by 33%. Case examples, such as those from Amazon and Apple, demonstrate how agility promotes innovation and market leadership. Furthermore, collective commitment increases team collaboration by 25%, reinforcing agility's significance in long-term corporate success.

7. Critique of Empirical Studies

The studies reviewed provide useful details about the relationship between strategic agility and organizational performance. Similarly, Groenewald et al. (2024) underscores the impact of IT flexibility in increasing agility, stating that firms that leverage IT-aligned dynamic capabilities obtained a 25% increase in adaptability. However, these findings may overstate the impact of technology on agility in many organizational contexts. Likewise, Jayampathi et al. (2022) emphasize the relevance of knowledge management orientation (KMO) in developing organizational agility, although their study is mainly based on qualitative data, which limits its generalizability. Both studies and the empirical studies concur that strategic agility requires integrated frameworks, but they disagree on whether agility should prioritize technical enablement or management consensus.

On the contrary, Franco et al. (2023) question the exclusive emphasis on agility, claiming that its impact weakens without a strong cultural base. Their analysis reveals that organizations with weak leadership cohesion but strong agility frameworks frequently underperform, refuting Ashrafi et al.'s (2019) claims regarding agility's universal applicability. Alhosseiny (2023) supports Ashrafi et al.'s findings, offering empirical evidence linking agility to a 20% gain in competitive advantage, particularly in volatile markets.

8. Conclusion

In conclusion, strategic agility remains vital for organizational performance, enabling businesses to adapt, innovate, and remain competitive in dynamic environments. By leveraging environmental sensing, resource fluidity, and collective commitment, organizations achieve enhanced efficiency, innovation, and market leadership. These capabilities, supported by strong cultural and leadership foundations, ensure sustainable growth and resilience in volatile and ever-changing markets.

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