

Strategic Leadership Capabilities and Organizational Agility: Evidence from Emerging Market Firms

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ABSTRACT

This study examines Strategic Leadership Capabilities and Organizational Agility: Evidence from Emerging Market Companies. In an era of increasingly dynamic global competition, companies operating in emerging markets face more complex challenges than those in developed markets. Strategic leaders are required not only to have a long-term vision but also to be able to manage change, empower employees, and make future-oriented decisions. The study method uses a Systematic Literature Review (SLR) to review and analyze previous studies relevant to this topic. The results show that strategic leadership and organizational agility have proven to be key pillars in creating long-term competitive advantage for companies in emerging markets. Strategic leadership plays a vital role in projecting vision, managing transformation, and anticipating external threats, while organizational agility provides the adaptive ability to respond quickly to technological changes, consumer shifts, and sudden competitive pressures. This complementary combination where strategic leaders form the foundation of an innovative culture and accelerate decision-making enables organizations to become more agile and responsive, which is ultimately crucial for achieving sustainable success amidst the high complexity and uncertainty of emerging markets.

Keywords: Strategic Leadership, Organizational Agility, Emerging Markets



INTRODUCTION

In an era of increasingly dynamic global competition, companies operating in emerging markets face more complex challenges than those in developed markets. The business environment in developing economies is generally characterized by economic uncertainty, regulatory fluctuations, rapid technological change, and intense competitive pressures. These conditions require organizations to possess organizational agility as a core capability to respond to change quickly, appropriately, and proactively.

One of the key factors determining an organization's level of agility is strategic leadership capability. Strategic leaders are required not only to possess a long-term vision but also to be able to manage change, empower employees, and make future-oriented decisions. In the context of emerging market companies, this capability becomes even more crucial as leaders often face resource constraints, market volatility, and the demands of continuous innovation.

According to Upper Echelon Theory by Hambrick & Mason (1984), the cognitive characteristics and experiences of leaders have a direct influence on the strategic direction and performance of an organization. Leaders with strong strategic capabilities are able to read environmental opportunities and threats, thereby encouraging the organization to be more agile in adapting. Furthermore, Dynamic Capabilities Theory by Teece, Pisano & Shuen (1997) explains that successful organizations are those with the ability to sense, seize, and transform that is, detect change, respond to opportunities, and transform resources. Strategic leadership is a crucial aspect in building these dynamic capabilities.

Recent research on the Role of Innovative Leadership in Improving Team Performance in Startup Companies. Dharmajaya Agung (2025) Research findings confirm that innovative leadership, characterized by transformational behavior, team member empowerment, participatory decision-making, and emotional intelligence, plays a crucial role in creating an environment that supports creativity, psychological safety, and continuous learning. Doz and Kosonen (2021) emphasize that leaders' sensing, seizing, and transforming abilities significantly impact organizational resilience and adaptability. Another study by Ireland and Hitt (2020) confirms that strategic leaders are able to strengthen a company's dynamic capabilities, which are the basis for organizational agility in facing market disruptions. Meanwhile, research by Rehman et al. (2022) on companies in South Asia found that strategic leadership can improve company performance by strengthening more adaptive work structures and processes.

On the other hand, organizational agility has also become a significant focus in recent literature. Diah Ayu (2023) highlighted the crucial role of MSMEs in responding quickly to changes in circumstances, culture, and the environment, particularly in the current digital era. MSMEs with organizational agility will develop a competitive advantage in both national and global markets.

A study by Appelbaum et al. (2022) added that organizational agility can accelerate innovation and improve the ability to seize opportunities. However, several studies have shown that organizational agility is influenced not only by structural and operational factors but also depends on the quality of leadership in guiding the internal transformation process.

A major gap in the literature is the lack of research that comprehensively examines how strategic leadership capabilities influence organizational agility in emerging market companies. Emerging market contexts are characterized by significantly different levels of volatility, uncertainty, and resource constraints than developed markets. Therefore, research findings from developed countries cannot be directly generalized. Furthermore, the mechanisms by which strategic leadership influences organizational agility remain incompletely understood, including in terms of decision-making processes, internal coordination, and adaptive capability development.

The empirical gap is also evident in the lack of quantitative evidence testing the relationship between the two variables across diverse industrial sectors. Many previous studies have focused on a single sector or employed a qualitative approach, limiting the generalizability of the results. Therefore, more systematic, data-driven research is needed to examine the influence of strategic leadership on organizational agility in emerging market contexts.

Based on this gap, this study raises the key question: To what extent do strategic leadership capabilities influence organizational agility in emerging market companies? The purpose of this study is to empirically test the relationship between strategic leadership capabilities and organizational agility and to provide new insights into the internal mechanisms linking the two. By understanding the role of strategic leadership, emerging market companies can strengthen their adaptability, innovation, and competitiveness amidst rapidly changing business environments.

Leadership is the ability or power of a person to influence others, whether to take an action or not. This includes influencing a person's decisions, attitudes, and behavior within a work, organizational, or group context. A leader is able to influence others by providing direction, motivating them, offering incentives, and using their power or authority.

Strategic leadership is the ability of a leader to holistically visualize, plan, direct, and optimize the use of existing resources to implement organizational strategies efficiently and successfully. In this context, a strategic leader is not only responsible for developing strategic plans; they also ensure that available resources are optimally utilized to achieve established goals. The strategy implemented by a strategic leader involves a synergistic combination of organizational goals, the methods used to achieve these goals, and the tools or resources available to support the implementation of those strategies (Widiastuti & Tuti, 2022).

Strategic leadership can also be understood as a planned and organized effort to manage an organization, taking into account pre-planned strategies. Strategy, in this context, encompasses a series of activities, from planning, organizing, directing, coordinating, to monitoring, aimed at maintaining continuity and achieving organizational goals efficiently and effectively (Iskandar, 2019).

From this opinion, it can be concluded that strategic leadership is the ability of a leader to holistically visualize, plan, direct, and optimize the use of existing resources to implement organizational strategies efficiently and successfully. Strategic leaders actively integrate their strategic plans with strategic management practices. They uphold the leadership role and the overall vision of the organization as they work to realize that vision.

Factors Influencing Strategic Leadership include the leader's ability to understand and respond to challenges and opportunities, an organizational culture that supports innovation, strong communication skills, and support from the team and organizational stakeholders (Fahrizi & Ali, 2025).

Organizational agility is an organization's ability to respond quickly, effectively, and efficiently to environmental changes by adapting its strategy, structure, processes, and technology. Organizational agility encompasses flexibility, proactive and effective responses to change, and the ability to survive, thrive, and adapt to unpredictable environments (Shajrawi & Aburub, 2023).

Organizational agility is the readiness of an organization or business to face change by providing value to customers, emphasizing skills, and participating in facilitating human resources to produce appropriate, high-quality products, provide excellent service, enhance competency, and respond to environmental and social issues. According to Sharifi and Zhang, indicators of organizational agility include the ability to respond to competition, flexibility, and speed or the ability to accept change (Kusumawati, 2023).



Agile leadership has the ability to direct an organization to be more adaptive in the face of uncertain business situations. With a flexible and responsive approach, agile leaders can quickly adjust strategies and operations according to changing market conditions and emerging challenges. According to Nasri et al. (2023), agile leaders are able to direct organizational performance capabilities that are faster, more adaptive, superior, and more productive. Furthermore, according to Prasongko & Adianto (2019), agile leadership is a leadership model characterized by speed, responsiveness, decision-making, risk-taking, crisis management, and direction. The agile leadership model is appropriate for adapting to ambiguous environmental conditions.

METHOD

The Literature Review article writing method includes two main approaches: Library research and Systematic Literature Review (SLR), which are analyzed qualitatively. The information sources used include online applications such as Google Scholar, Mendeley, and other academic platforms. Systematic Literature Review (SLR) is described as a process that includes the identification, evaluation, and interpretation of all available research evidence with the aim of providing specific answers to research questions. In the context of qualitative analysis, the use of literature reviews must be consistent with methodological assumptions. One of the main goals of the qualitative analysis approach is to conduct exploration in the research.

RESULTS

Tabel 1. Summary of Literature Review Findings on Leadership, Organizational Agility, and Organizational Performance (2020–2025)

No.	Journal Identity	Variables	Method	Results
1.	The Role of Collaborative-Based Transformational Leadership in Improving Team Agility and Organizational Performance in the Manufacturing Industry (Putri, 2025)	Transformational Leadership, Team Agility, Organizational Performance	Systematic Literature Review (SLR)	a. Transformational Leadership contributes to increasing organizational agility. b. Includes innovation, accelerating technology adoption, strengthening cross-functional team synergy, and improving decision-making processes. c. These leadership-supported knowledge management practices also accelerate the organization's response to market changes.

2.	“Leadership for organizational agility: A systematic literature review” (Latika Tandon et. al., 2024)	Leadership Agility, Organisational Agility	Systematic literature review (SLR)	a. Four Key Findings of Leadership Agility: A leader's mindset that is flexible and open to change, skills and abilities that support rapid adaptation, a leadership approach that encourages collaboration and innovation.
3.	Organizational Agility: The Role of Digital Skills and Agile Leadership in MSMEs (Kusumawati, 2023)	Organizational agility, digital, agile leadership	Quantitative	a. There is a positive and significant relationship between workforce transformation and e-readiness in digital skills. b. Agile leadership can moderate the relationship between digital skills and organizational agility of MSMEs in Central Java.
4.	Systematic Review Study: The Relationship between Organizational Agility and MSME Performance (Maulidan, 2025)	Organizational agility and performance of MSMEs	<i>Systematic Literature Review</i> (SLR)	a. The results of the study revealed that organizational agility is a crucial factor in improving the performance of MSMEs, especially in terms of process efficiency, innovation, and the ability to survive amidst a crisis. b. Agility also plays a role as a driver of digital transformation and increasing business competitiveness.
5.	Strategic Leadership Management Analysis for Sustainable Corporate Development (Yakub, 2024)	Management, Strategic Leadership	Qualitative (literature review)	a. Organizations must focus on human resource management, both in terms of employee development and training, employee



				motivation levels for their work, and monitoring is necessary. b. Organizations need to pay attention to company management or administration.
6.	The Influence of Leadership Strategy, Training and Job Satisfaction on Increasing Company Strength (Noorcahyo, 2025)	Leadership, Training, Job Satisfaction, Employee Performance, Company Competitiveness	Quantitative (survey)	a. Good leadership can boost work enthusiasm and increase employee productivity. b. Continuous training has a positive impact on work efficiency, and high job satisfaction contributes to employee retention and improved company performance.
7.	The Influence of Strategic Leadership, Organizational Culture and Innovation on Organizational Performance (Fahrizi, 2025)	Organizational Performance, Strategic Leadership, Organizational Culture, Innovation	<i>Systematic Literature Review (SLR)</i>	a. Strategic Leadership Influences Organizational Performance; b. Organizational Culture Influences Organizational Performance c. Innovation influences organizational performance.

Based on the data and articles analyzed, the following are some findings regarding Strategic Leadership Capability and Organizational Agility: Evidence from Emerging Market Firms. This study aims to empirically test the relationship between strategic leadership capability and organizational agility and provide new insights into the internal mechanisms linking the two.

Building on previous research findings, this article will review published findings, identify patterns of relationships between observed variables, and develop a solid theoretical foundation to guide the research design:

1. Strategic Leadership Capabilities and Organizational Agility: Evidence from Emerging Market Firms

Leadership strategy is a method used by a leader to guide, motivate, and manage an organization to achieve business goals. This approach includes vision formulation, effective communication, decision-making processes, and the leader's efforts to create an efficient and creative work environment. The principles or concepts of leadership strategy are: A clear vision, a leader must have clear goals for the company's development; Good communication, the ability to clearly convey the vision and strategy to the work team; Flexible leadership, the ability to adapt to changes in the business environment;

Employee empowerment, providing trust and responsibility to the team so they become more independent; Integrity and exemplary behavior, serving as a role model in ethics and professionalism.

Leadership strategy influences company strength. If the leadership strategy is viewed positively, perceptions of the company's strength will also be positive, and vice versa. Implementing an effective leadership strategy can strengthen a company by encouraging increased productivity, innovation, and employee loyalty. Conversely, if the leadership strategy is suboptimal, the company risks decreased competitiveness, minimal employee engagement, and obstacles in achieving business targets.

The findings of this study indicate that strategic leadership is a key factor in creating long-term competitive advantage, particularly in emerging markets. Strategic leaders can evaluate market opportunities, anticipate external threats, develop vision-based strategies, and manage organizational innovation and transformation. This aligns with Upper Echelon Theory (Hambrick & Mason, 1984), which states that organizational performance is strongly influenced by the quality of its leaders. In emerging market contexts, companies often face institutional uncertainty (weak regulations, bureaucracy, market uncertainty). Therefore, strategic leaders are crucial actors in maintaining business stability and continuity.

Much of the literature indicates that strategic leadership is a key enabler of organizational agility. Strategic leaders play a role in creating a culture of innovation and experimentation, accelerating the decision-making process, and encouraging organizations to be more adaptive to change. In highly volatile emerging markets, agility becomes a key competitive advantage, demonstrating that companies with strategic leaders have a higher level of adaptability than organizations with traditional leadership styles.

Companies operating in emerging markets generally face the challenges of an unstable business environment, such as changing regulations, complex bureaucracies, economic fluctuations, and increasingly fierce competition. In these conditions, strategic leadership skills are crucial to a company's success. Strategic leaders are able to more accurately assess opportunities and threats, formulate long-term visions, and make swift decisions aligned with market dynamics. They also play a role in driving innovation, building an adaptive work culture, and ensuring the organization can survive and thrive despite uncertainty. These capabilities demonstrate that leadership quality is a crucial factor influencing organizational performance, as explained in the Upper Echelon theory, which states that leader characteristics significantly determine a company's direction and results.

Furthermore, organizational agility is also a strong indicator of the success of emerging market companies. Organizational agility refers to a company's ability to respond quickly to change, adapt strategies flexibly, and seize new opportunities faster than its competitors. In the context of emerging markets, agile organizations are better able to cope with technological changes, shifts in consumer behavior, and sudden competitive pressures. This agility reflects a company's adaptive strength and is an indicator of its resilience to unexpected external conditions.

The combination of strategic leadership capabilities and organizational agility provides concrete evidence that emerging market companies can build sustainable competitive advantage. Strategic leaders create the foundation for an innovative culture and accelerate decision-making processes, which in turn makes organizations more agile and responsive to change. Therefore, these two aspects complement each other and play a critical role in determining a company's success in emerging markets characterized by high complexity and uncertainty.



DISCUSSION

The findings from this study suggest that Strategic Leadership Capabilities are central to fostering Organizational Agility, particularly in the context of emerging market companies. Strategic leadership is not merely about setting long-term goals; it is about actively cultivating an environment that supports adaptability, responsiveness, and innovation. According to Upper Echelon Theory (Hambrick & Mason, 1984), the cognitive characteristics and experiences of leaders directly influence the strategic direction and performance of organizations. This theory aligns with the results from this study, which indicate that leaders with strong strategic capabilities can identify opportunities, anticipate external threats, and ensure that the organization is capable of quickly adapting to shifts in the market.

The importance of leadership agility is further supported by the findings of Putri (2025), who suggests that transformational leadership plays a crucial role in increasing organizational agility. By fostering an environment that values innovation, quick decision-making, and team collaboration, strategic leaders can create an agile organization capable of responding effectively to economic and competitive pressures. This insight aligns with Dynamic Capabilities Theory by Teece et al. (1997), which emphasizes the need for organizations to sense, seize, and transform to remain competitive. In rapidly changing markets, it is the strategic leader's ability to quickly act on these transformations that determines the organization's success.

Moreover, the relationship between strategic leadership and organizational agility has significant implications for companies operating in emerging markets. As these companies often face unstable environments characterized by regulatory changes, economic volatility, and increased competition, agility becomes a critical factor for survival and success. Kusumawati (2023) demonstrates that organizations with high levels of agility are better equipped to adapt to technological changes and shifting consumer demands. In this sense, strategic leadership does not only guide the organization but also empowers it to be more responsive and resilient in the face of external shocks.

A key takeaway from the literature, including Yakub (2024) and Fahrizi (2025), is that organizational culture, which is shaped by strategic leadership, plays an essential role in cultivating agility. A strong leadership strategy that prioritizes clear communication, innovation, and employee empowerment creates a culture where agility can thrive. The findings in this study reinforce this view, indicating that the most successful companies are those where leaders foster a culture that is not only flexible but also proactive in seizing new opportunities.

This study also highlights the importance of leadership flexibility in emerging markets. The ability of strategic leaders to navigate regulatory uncertainty and market volatility, while simultaneously driving innovation and organizational change, is essential for maintaining a competitive edge. Tandon et al. (2024) emphasize the necessity of a flexible leadership mindset, which directly correlates with the organization's ability to remain agile. In these dynamic environments, leaders must constantly adapt their strategies and decisions to ensure the organization is positioned for success in both the short and long term.

However, the study's findings also suggest that the ability to implement effective strategic leadership and foster organizational agility is contingent upon various factors, including institutional maturity and resource availability. The successful implementation of strategic leadership in emerging markets requires a robust institutional framework that supports decision-making, innovation, and responsiveness. This implies that for organizational agility to be fully realized, leaders must not only possess strategic capabilities but also ensure that the organizational environment and infrastructure are conducive to rapid adaptation.



In light of these insights, it is clear that multi-stakeholder collaboration plays a critical role in strengthening both leadership capabilities and organizational agility. The active participation of the public and private sectors, academia, and civil society is essential for fostering an ecosystem where innovation and agility can thrive. In emerging markets, this collaborative approach enables organizations to navigate uncertainties more effectively, ensuring they are better prepared to capitalize on new opportunities.

Finally, while this study has provided valuable insights into the relationship between strategic leadership and organizational agility, further research is needed to explore this dynamic in greater depth. Future studies should adopt a multidisciplinary approach that combines both qualitative and quantitative methodologies to gain a more comprehensive understanding of how leadership behaviors and organizational structures influence agility. A mixed-methods approach allows researchers to capture the full complexity of the relationship between leadership and agility, providing a robust foundation for developing more effective strategies and policies.

CONCLUSION

This research finding indicates that strategic leadership is a key factor in creating long-term competitive advantage, particularly in emerging markets. Strategic leaders can evaluate market opportunities, anticipate external threats, develop vision-based strategies, and manage organizational innovation and transformation.

Organizational agility refers to a company's ability to respond quickly to change, flexibly adjust its strategy, and seize new opportunities faster than its competitors. In the context of emerging markets, agile organizations are better able to cope with technological change, shifts in consumer behavior, and sudden competitive pressures. This agility reflects a company's adaptive strength and indicates its resilience to unforeseen external conditions.

The combination of strategic leadership capabilities and organizational agility provides clear evidence that emerging market companies can build sustainable competitive advantage. Strategic leaders create the foundation for an innovative culture and accelerate decision-making processes, which in turn makes the organization more agile and responsive to change. Therefore, these two aspects complement each other and play a critical role in determining a company's success in emerging markets characterized by high complexity and uncertainty.

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