



Leveraging Organizational Agility for Sustainable Competitive Advantage: The Role of Innovation and Market Orientation

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ABSTRACT

Sustainable Competitive Advantage (SCA) hinges on integrating organizational agility, innovation, and market orientation to navigate dynamic markets. Agility enables rapid sensing and adapting to environmental shifts, while innovation transforms adaptability into novel solutions. Market orientation aligns strategies with evolving customer needs and competitive trends. Grounded in Resource-Based View, Dynamic Capabilities, and Market Orientation theories, this framework highlights their synergistic roles in fostering SCA. Practical strategies include embedding agile practices, fostering innovation ecosystems, and leveraging customer insights, empowering firms to sustain competitiveness in volatile environments.

1. Introduction

In an era of unprecedented market disruptions, technological advancements, and rapidly evolving consumer expectations, organizations face increasing difficulty in achieving sustainable competitive advantage (SCA). Traditional strategies rooted in static competencies are no longer sufficient, as firms must constantly adapt to shifting market dynamics and competitive pressures. Consequently, the focus has shifted toward organizational agility, innovation, and market orientation as critical drivers of resilience and long-term success. Organizational agility, defined as a firm's ability to sense, respond, and adapt swiftly to environmental changes, has emerged as a foundational capability for thriving in volatile markets (Clauss et al., 2020). Firms with high agility can reconfigure resources, pivot strategies, and maintain alignment with evolving customer demands. However, agility alone does not guarantee competitive success; its true potential is realized when paired with innovation the development of novel solutions that create customer value and drive differentiation. Research suggests that innovation acts as a mediator, transforming agility into actionable outcomes, such as improved products, disruptive processes, or entirely new business models (Yildiz & Aykanat, 2021). Meanwhile, market orientation amplifies these efforts by embedding customer-centricity into organizational strategies. By generating, disseminating, and responding to market intelligence, market-oriented firms ensure that innovation efforts align with customer needs, competitive dynamics, and broader market trends (Doucouré & Diagne, 2022). Despite growing attention to these constructs, the literature often examines organizational agility, innovation, and market orientation in isolation or within narrow industry contexts. Studies have predominantly focused on sectors such as SMEs (Aswan, 2023) or specific industries like agri-food (Doucouré & Diagne, 2022). Moreover, as digital transformation reshapes the competitive landscape, the role of digital innovation and strategic agility in achieving SCA remains underexplored. Addressing these gaps requires a comprehensive, integrated framework that captures the interplay between agility, innovation, and market orientation across diverse industries.

This paper seeks to fill this gap by synthesizing insights from Resource-Based View (RBV), Dynamic Capabilities Theory, and Market Orientation Theory to explore how these constructs collectively drive SCA. By examining their synergistic interactions, the study contributes to both academic literature and managerial practice, offering actionable strategies to navigate an era of constant change and disruption. The subsequent sections review the theoretical foundations of agility, innovation, and market orientation as key drivers of SCA. A conceptual framework is developed to illustrate their interdependencies, followed by practical implications and recommendations for managers aiming to sustain competitive advantage in dynamic environments.

2. Literature Review

This section examines the existing body of literature on the roles of organizational agility, innovation, and market orientation in achieving sustainable competitive advantage (SCA). To provide a coherent narrative, the review is divided into three subsections: (1) Organizational Agility and SCA, (2) Innovation as a Mediator for SCA, and (3) Market Orientation as a Catalyst for Agility and Innovation. The interplay between these constructs and identified research gaps are discussed in the final subsection.

2.1 Organizational Agility and Sustainable Competitive Advantage

Organizational agility is defined as a firm's ability to sense, respond, and adapt quickly to changes in the external environment. It has been recognized as a cornerstone for achieving SCA, particularly in volatile and uncertain markets (Clauss et al., 2020; Nsour, 2021). Agility operates through three key dimensions: sensing, responding, and adapting. Sensing involves scanning the external environment for opportunities, threats, and emerging trends, while responding refers to a firm's capacity to act swiftly and decisively to mitigate risks or capitalize on these opportunities. Adapting, the third dimension, emphasizes the reconfiguration of internal resources and processes to maintain alignment with dynamic market demands (Zainal et al., 2020; Clauss et al., 2020). These dimensions collectively enable firms to manage uncertainty, mitigate risks, and exploit opportunities, positioning them ahead of less agile competitors. The role of agility is particularly pronounced in industries undergoing rapid technological change or digital transformation, where continuous adaptation is required to navigate disruptions and shifting customer preferences (Gonçalves et al., 2020). For instance, Zainal et al. (2020) demonstrated that firms with agility capabilities are better able to realign their strategies and resources, ensuring resilience in the face of market disruptions. Similarly, Alqarni et al. (2023) argued that agility facilitates rapid decision-making and resource reconfiguration, both of which are essential for maintaining competitive positioning. However, while agility provides flexibility and responsiveness, it may lead to short-term gains if not complemented by mechanisms like innovation, which transforms adaptive capabilities into long-term value creation. Moreover, challenges such as organizational inertia or siloed decision-making can limit the effective implementation of agility, further underscoring the need for integration with other capabilities.

2.2 Innovation as a Mediator in Achieving Competitive Advantage

Innovation plays a critical role in bridging the gap between organizational agility and SCA. It refers to the process of developing and implementing novel ideas, products, or processes that create value for customers and differentiate firms from their competitors (Chen, 2019; Guimarães et al., 2019). Scholars emphasize that agility is a key enabler of innovation, as agile organizations create environments that foster experimentation, collaboration, and iterative problem-solving (Yildiz & Aykanat, 2021). For example, AlTaweel and Al-Hawary (2021) found that innovation mediates the relationship between agility and organizational performance, amplifying the positive effects of agility on competitive outcomes. Agile organizations are better positioned to translate their adaptive capabilities into creative solutions, enabling them to outperform less innovative competitors. Innovation can be categorized into two primary forms: incremental and radical. Incremental innovation focuses on improving existing products, processes, or services to enhance operational efficiency and customer satisfaction. Radical innovation, on the other hand, involves the creation of entirely new offerings or business models that redefine industries and disrupt existing markets (Guimarães et al., 2019). Both types are crucial for achieving SCA, as incremental innovation ensures continuity and operational excellence, while radical innovation drives long-term differentiation and market breakthroughs.

Open innovation, which involves collaboration with external partners, has also emerged as a significant strategy for leveraging agility to drive innovation. This approach allows firms to access external resources, ideas, and expertise, fostering resource optimization and enhancing innovation outcomes. For instance, Mulyono and Syamsuri (2023) demonstrated that open innovation helps agile organizations overcome resource constraints, particularly in small and medium enterprises (SMEs), by enabling them to co-create value with external stakeholders. These insights underscore the mediating role of innovation in translating agility into sustained competitive advantage.

2.3 Market Orientation as a Catalyst for Innovation and Agility

Market orientation, which refers to a firm's ability to generate, disseminate, and respond to market intelligence, is another critical driver of SCA. It ensures that organizational efforts are aligned with customer needs, competitive dynamics, and broader market trends (Kohli & Jaworski, 1990; Na et al., 2019). Market orientation is operationalized through three core dimensions: customer orientation, competitor orientation, and interfunctional coordination. Customer orientation emphasizes understanding and addressing customer preferences, while competitor orientation involves monitoring and responding to competitors' strategies. Interfunctional coordination ensures that internal departments collaborate effectively to execute market-driven strategies (Doucouré & Diagne, 2022). The role of market orientation in driving innovation is well-documented. Market-oriented firms are better positioned to guide their innovation efforts by ensuring that they address unmet customer needs and align with competitive trends. For example, Doucouré and Diagne (2022) demonstrated that market orientation enhances the customer-centricity of innovations, leading to higher adoption rates and sustained market relevance. Similarly, Na et al. (2019) emphasized that market intelligence enables firms to prioritize and allocate resources strategically, ensuring that their innovations deliver maximum competitive impact.

Market orientation also enhances organizational agility by providing actionable insights that guide adaptive decision-making. Firms with strong market orientation are more effective in sensing and responding to environmental changes, as they rely on real-time intelligence about customer and market needs. For instance, Nurcholis (2020) found that market-oriented firms prioritize agility-driven initiatives that yield high competitive returns, while Manurung and Kurniawan (2021) argued that interfunctional coordination ensures the seamless alignment of agility efforts with market demands.

This alignment enhances the effectiveness of agility-driven innovations, ensuring that adaptive efforts translate into meaningful outcomes for customers and markets.

2.4 The Interconnections Between Agility, Innovation, and Market Orientation

The interplay between organizational agility, innovation, and market orientation has been identified as a critical factor in driving sustainable competitive advantage. Jerdea (2023) conducted a bibliometric analysis of these constructs, revealing that their integration significantly enhances firm performance. Agile organizations are better equipped to foster innovation, which, when guided by market orientation, leads to customer-focused solutions and long-term competitiveness. Van Lieshout et al. (2021) proposed a conceptual framework that integrates organizational ambidexterity, dynamic capabilities, and open innovation, highlighting the interconnectedness of these constructs. Their study demonstrated that strategic agility facilitates the exploration and exploitation of new opportunities, while market orientation ensures that these efforts align with customer needs and market demands. Similarly, Lee and Yoo (2021) argued that firms that balance agility, innovation, and market orientation achieve superior performance and long-term competitive advantages. The importance of these interconnections is further reinforced by industry-specific studies. For instance, Mulyono and Syamsuri (2023) examined the role of agility in driving open innovation among SMEs in Indonesia, while Noronha et al. (2022) highlighted the role of market orientation and digital innovation in enhancing competitiveness in the cleantech industry. These studies demonstrate that the synergy between agility, innovation, and market orientation is critical for achieving SCA across different contexts.

2.5 Research Gaps

Despite the growing body of research, several gaps remain. First, most studies examine agility, innovation, and market orientation in isolation or within specific industries, limiting the generalizability of findings. There is a need for an integrated framework that captures the interdependencies between these constructs across diverse contexts. Second, the role of digital transformation in shaping the agility-innovation-market orientation nexus remains underexplored. Digital tools such as artificial intelligence and big data analytics offer new opportunities for enhancing these capabilities, but their implications for SCA warrant deeper investigation. Third, limited attention has been given to the potential trade-offs and challenges associated with implementing these constructs. For instance, balancing short-term agility with long-term innovation goals or managing resource constraints poses significant managerial challenges. Finally, the role of sustainability practices in this triadic relationship remains underexplored, particularly as firms increasingly integrate environmental and social considerations into their competitive strategies. Addressing these gaps will advance both theoretical understanding and practical applications, equipping firms to navigate dynamic environments and achieve long-term success.

3. Theoretical Review

This section examines the theoretical foundations underpinning the interplay between organizational agility, innovation, market orientation, and sustainable competitive advantage (SCA). Drawing on key frameworks such as the Resource-Based View (RBV), Dynamic Capabilities Theory, Market Orientation Theory, Schumpeterian Innovation Theory, and Contingency Theory, this review provides a structured understanding of how these constructs contribute to long-term organizational success.

3.1 Resource-Based View (RBV)

The Resource-Based View (RBV) asserts that firms achieve competitive advantage by leveraging valuable, rare, inimitable, and non-substitutable (VRIN) resources. This perspective, introduced by Barney (1991), emphasizes the importance of internal capabilities, such as organizational agility and innovation, as strategic assets for achieving SCA. Agility, as a VRIN resource, enables firms to reconfigure their assets and capabilities swiftly to respond to environmental changes (Alqarni et al., 2023). Similarly, innovation capabilities whether through new products, processes, or technologies serve as unique resources that help firms outperform competitors by offering differentiated value propositions (Guimarães et al., 2019). The RBV also aligns with the role of market orientation by highlighting the importance of external resource alignment. Firms with a strong market orientation effectively utilize market intelligence as a resource to develop customer-focused innovations, further enhancing their competitive positioning (Na et al., 2019). By integrating these perspectives, the RBV provides a foundation for understanding how organizational agility, innovation, and market orientation act as complementary resources in achieving and sustaining competitive advantage.

3.2 Dynamic Capabilities Theory

Dynamic Capabilities Theory extends the RBV by focusing on an organization's ability to adapt to rapidly changing environments. According to Teece et al. (1997), dynamic capabilities enable firms to integrate, build, and reconfigure their internal and external competencies to remain competitive. These capabilities are essential in environments characterized by uncertainty and constant change, where organizational agility plays a central role. Clauss et al. (2020) and Nsour (2021) argue that agility acts as a dynamic capability that helps firms sense opportunities, seize them, and transform their operations to sustain competitiveness. Dynamic Capabilities Theory identifies three core processes

sensing, seizing, and transforming that align with the constructs under investigation. Agility enables firms to sense emerging trends and disruptions in the market, while innovation capabilities allow them to seize opportunities by developing new products, services, or business models (Yildiz & Aykanat, 2021). Market orientation, in turn, ensures that these innovations are aligned with customer needs, maximizing their impact (Nurcholis, 2020). By framing agility, innovation, and market orientation as dynamic capabilities, this theory underscores their interdependence and collective importance in achieving SCA.

3.3 Market Orientation Theory

Market Orientation Theory, developed by Kohli and Jaworski (1990), highlights the importance of generating, disseminating, and responding to market intelligence to achieve superior business performance. It emphasizes three key dimensions: customer orientation, competitor orientation, and interfunctional coordination. These dimensions ensure that firms remain responsive to external demands, providing a basis for competitive differentiation. Firms with strong market orientation align their strategies with customer needs and market trends, ensuring that their innovations are relevant and impactful (Na et al., 2019). For example, Doucouré and Diagne (2022) demonstrated that market orientation enhances customer-focused innovations, strengthening a firm's competitive positioning. Additionally, Pratonó et al. (2019) argued that market orientation, when combined with entrepreneurial and green innovation capabilities, enables firms to maintain competitiveness in volatile environments. Market orientation also facilitates interfunctional coordination, ensuring that internal processes and resources are effectively aligned to support agility and innovation (Manurung & Kurniawan, 2021). Thus, Market Orientation Theory provides a critical external perspective on how firms can leverage agility and innovation to achieve sustainable competitive advantage.

3.4 Schumpeterian Innovation Theory

Schumpeterian Innovation Theory, introduced by Joseph Schumpeter (1934), positions innovation as the primary driver of competitive advantage and economic growth. The theory emphasizes the role of entrepreneurial and organizational innovation in disrupting markets and creating new opportunities. Schumpeter's framework highlights the transformative potential of innovation, whether in the form of new products, processes, or business models, to reshape industries and establish market leadership. This theory aligns closely with the role of organizational agility and market orientation in enabling innovation. Agile organizations are better positioned to explore and exploit opportunities for disruptive innovation, especially in dynamic and unpredictable environments (Chen, 2019; Gonçalves et al., 2020). At the same time, market-oriented firms ensure that these innovations address customer needs and market demands, increasing their likelihood of success (Doucouré & Diagne, 2022). Together, these insights highlight the central role of innovation in achieving and sustaining competitive advantage while reinforcing the importance of agility and market alignment.

3.5 Contingency Theory

Contingency Theory emphasizes that there is no universal approach to organizational success; instead, the effectiveness of strategies depends on the specific context in which a firm operates (Burns & Stalker, 1961). This theory supports the notion that the interplay between agility, innovation, and market orientation is highly context-dependent, varying across industries, organizational sizes, and environmental conditions. For instance, Aswan (2023) and Mulyono and Syamsuri (2023) demonstrated that SMEs rely on agility and open innovation to overcome resource constraints, while large firms often leverage structured innovation processes to sustain competitiveness. Similarly, Noronha et al. (2022) highlighted that firms in cleantech industries must adapt their strategies to meet regulatory requirements and technological advancements. These examples illustrate how the effectiveness of agility, innovation, and market orientation in achieving competitive advantage is contingent upon external and internal factors, emphasizing the need for tailored strategies.

3.6 Integration of Theoretical Perspectives

The integration of these theoretical perspectives provides a comprehensive framework for understanding how organizational agility, innovation, and market orientation contribute to sustainable competitive advantage. The RBV and Dynamic Capabilities Theory highlight the importance of internal capabilities and adaptability, while Market Orientation Theory emphasizes the role of external responsiveness in aligning organizational efforts with market demands. Schumpeterian Innovation Theory underscores the transformative potential of innovation as a key driver of competitive advantage, while Contingency Theory provides a context-sensitive lens for examining these relationships. Together, these theories form a multidimensional framework that captures the complexity and interdependence of agility, innovation, and market orientation in achieving SCA. By synthesizing these perspectives, this study aims to offer a holistic understanding of the strategic pathways organizations can adopt to navigate dynamic environments and sustain competitiveness.

4. Conceptual Framework Development

The conceptual framework of this study provides a structured understanding of how organizational agility, innovation, and market orientation interact to create and sustain sustainable competitive advantage (SCA). This framework synthesizes insights from key theoretical perspectives, including the Resource-Based View (RBV), Dynamic Capabilities

Theory, and Market Orientation Theory, to explain the pathways through which organizations adapt, innovate, and align with market demands to achieve long-term success. By integrating these constructs into a unified framework, the study captures their individual contributions and synergistic effects in driving competitiveness.

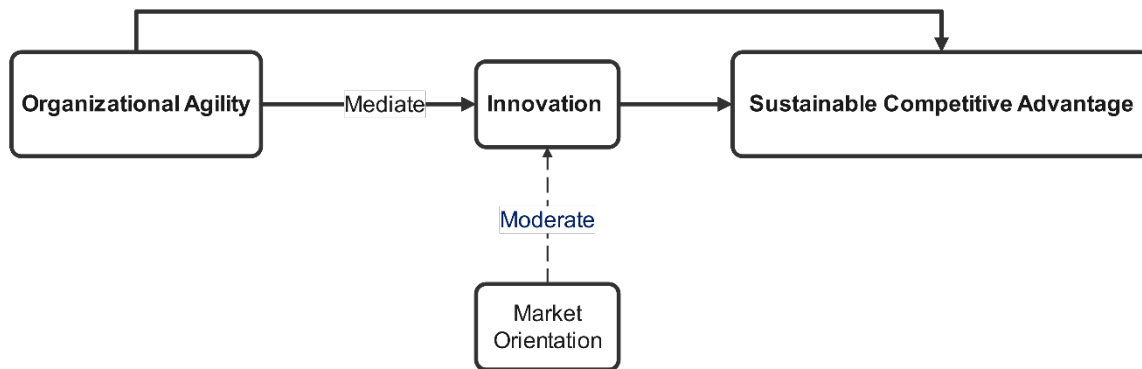


Figure1: Conceptual Framework

4.1 Rationale for Developing the Framework

Organizations today operate in increasingly volatile and competitive environments driven by rapid technological advancements, changing consumer preferences, and global economic uncertainty. The need to adapt quickly, innovate consistently, and align with market demands has become critical for achieving and sustaining a competitive edge. Consequently, researchers and practitioners have recognized the importance of integrating capabilities such as agility, innovation, and market orientation to help firms navigate these challenges (Clauss et al., 2020; Alqarni et al., 2023). While the individual roles of organizational agility, innovation, and market orientation in enabling competitive advantage have been studied extensively, their synergistic interaction has received less attention. This conceptual framework addresses this gap by exploring how these constructs work together to create SCA. By integrating agility’s adaptability, innovation’s creative potential, and market orientation’s external alignment, the framework provides a comprehensive approach to understanding how firms can thrive in dynamic and uncertain business environments.

5. Organizational Agility: A Foundation for Adaptability

Organizational agility is conceptualized as the cornerstone of the framework, representing a firm’s ability to sense, respond, and adapt to changes in the external environment. Agility enables firms to navigate uncertainty by reconfiguring resources and processes, allowing them to respond to opportunities and threats more effectively than their competitors (Zainal et al., 2020; Clauss et al., 2020). Agility operates through three dimensions: sensing, responding, and adapting. Sensing involves scanning the external environment to identify trends, customer needs, and emerging threats. Responding refers to the organization’s ability to act swiftly and effectively based on insights gained. Adapting focuses on the reconfiguration of internal processes and capabilities to sustain alignment with the evolving market environment. Together, these dimensions ensure that agile organizations remain flexible and resilient in the face of change (Nsour, 2021). In this framework, agility plays a dual role. First, it directly contributes to SCA by enabling firms to maintain alignment with dynamic market conditions. Second, it serves as a driver of innovation by fostering a culture of experimentation and creativity. Agility’s ability to quickly reallocate resources, experiment with solutions, and execute changes enables firms to develop innovative products, services, and processes that enhance their competitive positioning. Hence, agility is positioned as a foundational capability that underpins both innovation and competitive advantage.

5.1 Innovation: The Mechanism for Value Creation

Innovation is positioned in the framework as the mechanism through which organizational agility translates into sustainable competitive advantage. It refers to the process of developing and implementing novel ideas, products, processes, or business models that create value for customers and differentiate the firm from its competitors (Guimarães et al., 2019; Chen, 2019). Agility enhances a firm’s ability to foster innovation by creating an environment that supports creative problem-solving and collaborative experimentation. For example, agile organizations can adapt their strategies and resources to focus on developing new solutions that address emerging market needs (Yildiz & Aykanat, 2021). This adaptability is particularly valuable in industries characterized by rapid technological advancements or intense competition, where continuous innovation is essential to remain competitive. In the framework, innovation plays two critical roles. First, it acts as a mediator, linking agility to competitive advantage by ensuring that adaptive capabilities are transformed into value-creating activities. Second, innovation serves as a differentiator, allowing firms to introduce new offerings that meet customer needs, enhance efficiency, and disrupt existing market dynamics. However, the success

of innovation depends heavily on its alignment with external demands, which is where market orientation becomes critical.

5.2 Market Orientation: A Guide for External Alignment

Market orientation is conceptualized in the framework as both a direct driver of sustainable competitive advantage and a moderator that enhances the relationship between agility and innovation. It refers to a firm's ability to generate, disseminate, and act upon market intelligence to align strategies and capabilities with customer needs and market trends (Na et al., 2019; Kohli & Jaworski, 1990). The construct has three dimensions: customer orientation, competitor orientation, and interfunctional coordination. Customer orientation emphasizes the importance of understanding and delivering value to customers. Competitor orientation involves monitoring and responding to competitors' strategies. Interfunctional coordination ensures that all internal departments work cohesively to execute market-driven strategies effectively.

In this framework, market orientation ensures that organizational agility and innovation efforts are aligned with external demands. For example, market-oriented firms are better able to guide their innovations by identifying customer pain points and unmet needs (Doucouré & Diagne, 2022). Similarly, they can use market intelligence to prioritize agility-driven initiatives that yield the greatest competitive returns (Pratono et al., 2019). Additionally, market orientation moderates the relationship between agility and innovation by providing the external alignment needed for innovation success. Agile organizations may develop innovative solutions, but without market orientation, these innovations risk being irrelevant or mismatched with customer needs. By integrating market orientation into the framework, this study highlights the importance of combining adaptability with customer and market focus to achieve sustainable competitive advantage.

5.3 Sustainable Competitive Advantage: The Desired Outcome

Sustainable competitive advantage (SCA) is the ultimate outcome of the framework and represents a firm's ability to consistently outperform its competitors and maintain its market position over time. SCA is achieved through the integration and effective use of organizational capabilities such as agility, innovation, and market orientation (Barney, 1991). The framework posits that SCA emerges from the synergy between these three constructs. Agility ensures that firms can respond quickly to changes, innovation enables the creation of differentiated products and services, and market orientation ensures that these efforts are aligned with customer needs and market trends. Together, these constructs create a dynamic and integrated system that allows firms to sustain a competitive position in dynamic and uncertain markets. However, achieving SCA also depends on context. For example, in industries with rapid technological advancements, agility and innovation may play a dominant role. Conversely, in stable markets, the strategic alignment provided by market orientation may have a stronger influence. These contextual variations highlight the adaptability of the framework to different organizational and industry settings.

6. Discussion

This section discusses the insights derived from the conceptual framework, focusing on the interconnected roles of organizational agility, innovation, and market orientation in achieving sustainable competitive advantage (SCA). By elaborating on the relationships among these constructs, this discussion highlights their individual contributions, the synergy they create, and their implications for theory, practice, and future research. The findings demonstrate the significance of integrating internal adaptability, creative capability, and market responsiveness in building and sustaining competitive advantage. Organizational agility is confirmed as a critical capability for achieving sustainable competitive advantage in dynamic and unpredictable environments. The ability to sense, respond, and adapt to external changes allows firms to navigate uncertainty while capitalizing on emerging opportunities. Agility facilitates rapid decision-making and the reconfiguration of resources, enabling firms to mitigate risks and maintain alignment with shifting market demands (Clauss et al., 2020; Nsour, 2021). For example, during the COVID-19 pandemic, firms with high agility pivoted their strategies to respond to disruptions in supply chains and customer behavior, maintaining their competitiveness in a turbulent environment.

Agility's contribution to SCA operates on two levels. First, it directly enhances competitive positioning by enabling firms to remain resilient and responsive in the face of uncertainty. Firms that can quickly reallocate resources or adjust their operations outperform competitors who struggle to adapt. Second, agility serves as a foundation for innovation by creating an environment that fosters creativity, experimentation, and learning (Alqarni et al., 2023). Agile organizations are better equipped to embrace novel ideas and implement solutions that align with external demands, a process that is essential for achieving long-term competitive advantage. However, while agility provides the flexibility to respond to immediate challenges, its full potential is realized when paired with innovation and market orientation. Agility alone may lead to short-term success, but sustained advantage requires mechanisms to translate adaptability into value creation, highlighting the importance of innovation as a mediating mechanism.

Innovation emerges as the critical mechanism through which organizational agility is transformed into sustainable competitive advantage. Agile organizations possess the adaptability to identify opportunities and reconfigure resources,

but it is innovation that translates these capabilities into tangible outputs such as new products, processes, or business models (Guimarães et al., 2019; Chen, 2019). For instance, firms that use agility to adapt to emerging technologies or shifts in customer preferences can leverage innovation to develop solutions that meet these demands, thereby gaining a competitive edge. The mediating role of innovation highlights its significance as the engine of value creation. Incremental innovations, such as improving existing products or processes, help firms enhance efficiency and customer satisfaction, while radical innovations enable firms to disrupt markets and establish industry leadership (Yildiz & Aykanat, 2021). The findings emphasize the need for firms to balance both types of innovation to maximize their impact on competitive advantage. Incremental innovation ensures continuity and operational efficiency, whereas radical innovation enables breakthroughs that redefine market norms.

Market orientation plays a dual role in the framework: as a driver of SCA and as a moderator that enhances the relationship between agility and innovation. As a driver, market orientation contributes directly to SCA by fostering a customer-centric culture that prioritizes value creation and responsiveness. Firms with strong market orientation actively gather, disseminate, and act upon market intelligence, enabling them to anticipate changes in customer preferences, competitor strategies, and broader market trends (Na et al., 2019; Doucouré & Diagne, 2022). This alignment with market demands strengthens a firm's ability to deliver superior value, thereby enhancing its competitive position. As a moderator, market orientation ensures that agility-driven innovations are guided by actionable market insights, increasing their relevance and impact. Agile organizations that lack market orientation may develop innovations that are creative but fail to meet customer expectations or address critical market needs. Conversely, firms with strong market orientation are better equipped to align their innovations with customer pain points and emerging opportunities, maximizing their competitive impact (Pratono et al., 2019). For example, firms operating in rapidly changing industries such as technology or healthcare benefit significantly from combining market orientation with agility, as this alignment enables them to prioritize and implement high-impact innovations.

One of the most significant findings of this study is the synergistic interaction between organizational agility, innovation, and market orientation in driving sustainable competitive advantage. While each construct individually contributes to competitiveness, their integration amplifies their collective impact. Agility provides the flexibility and responsiveness needed to adapt to change, innovation enables firms to create differentiated value, and market orientation ensures that these efforts are aligned with customer needs and market trends. The findings suggest that firms that effectively integrate these constructs are better positioned to outperform their competitors. For example, agile firms with strong market orientation can identify and act on opportunities for innovation that competitors may overlook. Similarly, firms that combine innovation with agility can implement new solutions faster, gaining a first-mover advantage. Market orientation acts as the glue that aligns these capabilities, ensuring that agility and innovation efforts are targeted and impactful.

This synergy creates a dynamic, self-reinforcing system that allows firms to sustain their competitive position over time. However, achieving this synergy requires deliberate efforts by organizations to align their internal capabilities (agility and innovation) with external market demands (market orientation). Failure to integrate these constructs may result in misaligned strategies, wasted resources, or diminished competitive impact. The conceptual framework makes significant contributions to theory by integrating insights from RBV, Dynamic Capabilities Theory, and Market Orientation Theory to explain how firms achieve sustainable competitive advantage. While previous studies have examined agility, innovation, and market orientation independently, this framework highlights their interdependence and collective impact on competitiveness. The study emphasizes the mediating role of innovation, demonstrating how agility translates into value creation through innovative outputs. Additionally, the moderating role of market orientation extends the scope of existing research by showing how external alignment enhances the relevance and impact of agility-driven innovations. These contributions advance the theoretical understanding of how firms can leverage internal and external capabilities to achieve sustained success in dynamic environments.

7. Conclusion

In the face of rapidly changing markets, technological disruptions, and intensified global competition, achieving sustainable competitive advantage (SCA) has become increasingly critical for organizations. This study has developed a conceptual framework that integrates organizational agility, innovation, and market orientation as the foundational capabilities that enable firms to adapt, innovate, and align with market needs. Drawing from established theories such as the Resource-Based View (RBV), Dynamic Capabilities Theory, and Market Orientation Theory, the framework demonstrates how the interplay of these constructs facilitates long-term competitiveness. This conclusion highlights their individual contributions, their synergistic interaction, and their implications for theory, practice, and future research. Organizational agility serves as a critical capability that enables firms to thrive in uncertain and dynamic business environments. Through its dimensions of sensing, responding, and adapting, agility allows firms to reconfigure their resources and strategies to capitalize on opportunities or mitigate risks. This adaptability ensures that firms remain competitive despite disruptions such as economic downturns, shifting customer preferences, or technological advancements. While agility provides the flexibility to navigate short-term challenges, it also establishes a foundation for innovation by fostering a culture of experimentation and responsiveness. Agile firms can quickly prototype and implement new ideas, positioning themselves as leaders in rapidly evolving industries. However, the findings underscore that agility alone is not sufficient for achieving SCA. It is most effective when paired with mechanisms like innovation and market

orientation that channel its adaptability into value creation and alignment with external demands. Innovation emerges as the mediating mechanism that enables organizational agility to create sustainable competitive advantage. While agility allows firms to adapt to environmental changes, innovation translates this adaptability into actionable outcomes such as novel products, improved processes, or disruptive business models. Firms that leverage their agility to drive innovation are better positioned to differentiate themselves from competitors and meet evolving customer needs. The study highlights the importance of balancing incremental and radical innovation. Incremental innovations help firms enhance operational efficiency and customer satisfaction, while radical innovations lead to market breakthroughs that redefine industries. Both forms of innovation are crucial for achieving SCA, as they ensure continuous improvement and long-term differentiation. Market orientation plays a dual role in the framework, acting as both a direct driver of SCA and a moderator that enhances the relationship between agility and innovation. As a direct driver, market orientation ensures that firms' strategies, products, and services are aligned with customer needs and market trends. By gathering, disseminating, and acting upon market intelligence, market-oriented firms develop a deep understanding of their customers and competitors, enabling them to create value that is difficult to replicate. As a moderator, market orientation strengthens the effectiveness of agility-driven innovations. Agile firms may develop creative solutions, but without market alignment, these innovations risk failing to meet customer demands or address key market opportunities. Market-oriented firms are better positioned to prioritize high-impact innovations and allocate resources strategically, ensuring that their adaptive efforts translate into meaningful outcomes.

The findings emphasize the synergistic interaction between organizational agility, innovation, and market orientation as the key to achieving SCA. While each construct individually contributes to competitiveness, their combined effect is significantly greater. Agility provides the adaptability to navigate environmental changes, innovation drives value creation, and market orientation ensures alignment with customer needs and market trends. Together, these constructs form a dynamic and mutually reinforcing system that enables firms to sustain their competitive position over time. The framework suggests that firms that successfully integrate these constructs are better positioned to outperform competitors. For example, an agile firm with strong market orientation can identify opportunities for innovation that others may overlook. Similarly, firms that align their innovations with market intelligence can implement solutions more effectively, gaining a first-mover advantage. This synergy creates a virtuous cycle where adaptability, creativity, and customer focus reinforce one another, driving sustained success.

The conceptual framework makes significant contributions to the literature by integrating insights from RBV, Dynamic Capabilities Theory, and Market Orientation Theory. It extends existing research by emphasizing the interdependence of agility, innovation, and market orientation, demonstrating how these constructs collectively enable firms to achieve SCA. This study highlights the mediating role of innovation, showing how agility translates into value creation through innovative outputs. Additionally, it introduces the moderating role of market orientation, which ensures that agility-driven innovations are relevant and customer-focused. These contributions advance theoretical understanding by providing a multidimensional view of SCA that incorporates both internal capabilities and external alignment.

The findings of this study offer valuable insights for practitioners aiming to develop and sustain a competitive advantage in rapidly evolving and dynamic environments. Organizations should prioritize investments in agility-enhancing practices, such as real-time decision-making systems, cross-functional teams, and flexible resource allocation strategies. These measures enable firms to respond swiftly to external changes, thereby maintaining resilience and competitiveness in unpredictable markets. Managers must also cultivate a culture that encourages experimentation, creativity, and calculated risk-taking. Achieving a balance between incremental innovations that support operational continuity and radical innovations that enable long-term market differentiation is essential. Such a dual approach ensures firms can adapt to current demands while positioning themselves for future opportunities. Developing systems to collect and analyze market intelligence is equally critical. Firms should ensure all departments work cohesively to align their efforts with evolving customer needs and market trends. A strong market orientation enhances the relevance of innovation initiatives and helps firms maintain their strategic positioning in competitive industries. Moreover, integrating agility, innovation, and market orientation into a unified strategic framework is vital. Leadership commitment is pivotal in ensuring alignment, while effective resource allocation is required to maximize the collective impact of these capabilities. A cohesive integration of these elements positions firms to respond effectively to external disruptions and sustain a competitive edge.

While the study provides a comprehensive framework for understanding how agility, innovation, and market orientation drive SCA, several limitations warrant further exploration. First, the framework is conceptual and requires empirical validation across diverse industries and organizational contexts. Future research should examine how these relationships vary in different environments, such as highly dynamic versus stable markets. Second, the role of contextual factors such as organizational size, culture, and geographic location should be explored. For instance, small and medium-sized enterprises (SMEs) may leverage agility differently compared to large multinational corporations. Third, future studies should investigate the impact of digital transformation and sustainability practices on the framework. Digital tools such as artificial intelligence and big data analytics could enhance the integration of agility, innovation, and market orientation, while sustainability initiatives may introduce new dimensions of competitive advantage. Finally, longitudinal research is

needed to track the interactions between these constructs over time. Such studies would provide deeper insights into how firms sustain competitive advantage in evolving market conditions.

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