

THE RELATIONSHIP BETWEEN STRATEGIC LEADERSHIP, ORGANIZATIONAL AGILITY, AND BUSINESS PERFORMANCE IN A COMPETITIVE MARKET

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Abstrak. Dalam lingkungan bisnis yang semakin kompetitif, organisasi harus mengadopsi kepemimpinan strategis dan mengembangkan ketangkasan organisasi untuk meningkatkan kinerja. Studi ini meneliti hubungan antara kepemimpinan strategis, ketangkasan organisasi, dan kinerja bisnis, mengeksplorasi peran mediasi ketangkasan. Dengan menggunakan pendekatan penelitian kuantitatif, data dikumpulkan dari organisasi bisnis di berbagai industri. Temuan menunjukkan bahwa kepemimpinan strategis secara signifikan meningkatkan ketangkasan organisasi, yang pada gilirannya, berdampak positif pada kinerja bisnis. Lebih jauh, studi ini menegaskan bahwa ketangkasan organisasi memediasi hubungan antara kepemimpinan strategis dan kinerja bisnis, menyoroti pentingnya kemampuan beradaptasi dalam mempertahankan keunggulan kompetitif. Wawasan ini memberikan implikasi berharga bagi para pemimpin bisnis dan pembuat kebijakan, menekankan perlunya membina kepemimpinan yang kuat dan budaya organisasi yang tangkas untuk menavigasi ketidakpastian pasar secara efektif. Penelitian di masa mendatang harus mengeksplorasi variasi khusus industri dan efek longitudinal untuk memperdalam pemahaman tentang dinamika ini.

Kunci: Kepemimpinan strategis, kelincahan organisasi, kinerja bisnis, pasar kompetitif, kemampuan beradaptasi, dampak kepemimpinan, keberhasilan organisasi.

Abstract In an increasingly competitive business environment, organizations must adopt strategic leadership and develop organizational agility to enhance performance. This study examines the relationship between strategic leadership, organizational agility, and business performance, exploring the mediating role of agility. Using a quantitative research approach, data was collected from business organizations across multiple industries. The findings indicate that strategic leadership significantly enhances organizational agility, which, in turn, positively impacts business performance. Furthermore, the study confirms that organizational agility mediates the relationship between strategic leadership and business performance, highlighting the importance of adaptability in sustaining competitive advantage. These insights provide valuable implications for business leaders and policymakers, emphasizing the need for fostering strong leadership and an agile organizational culture to navigate market uncertainties effectively. Future research should explore industry-specific variations and longitudinal effects to deepen the understanding of these dynamics.

Keywords: Strategic leadership, organizational agility, business performance, competitive markets, adaptability, leadership impact, organizational success

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INTRODUCTION

In today's highly dynamic and uncertain business environment, organizations must continuously adapt to remain competitive and sustain growth. The rapid advancements in technology, globalization, and shifts in consumer behavior have intensified competition across industries, compelling businesses to develop strategic capabilities that enhance performance. Strategic leadership plays a critical role in steering organizations through these complexities by setting a clear vision, making informed decisions, and fostering a culture of innovation (Ireland & Hitt, 2005). At the same time, organizational agility—defined as the ability of a firm to rapidly adapt to market changes, customer demands, and technological advancements—is increasingly recognized as a crucial determinant of business success (Doz & Kosonen, 2010). By integrating strategic leadership with organizational agility, firms can create robust strategies that optimize operational efficiency, enhance market responsiveness, and drive sustainable performance in competitive markets.

The relationship between strategic leadership, organizational agility, and business performance has garnered significant scholarly attention. Strategic leadership is instrumental in shaping an organization's direction and enabling it to anticipate and respond effectively to external changes (Boal & Hooijberg, 2000). Leaders who exhibit strategic foresight, adaptability, and transformational qualities foster a culture of agility, encouraging employees to embrace change and innovation. Organizational agility, in turn, enhances a company's ability to pivot quickly in response to market dynamics, reducing risks associated with volatility and uncertainty (Tallon et al., 2019). This synergy between leadership and agility ultimately contributes to improved business performance, which is commonly measured through financial metrics, customer satisfaction, innovation capacity, and market share growth (Grewal & Tansuhaj, 2001). However, despite the growing body of literature on these constructs, the interplay among them remains underexplored, particularly in the context of rapidly evolving industries. This study seeks to bridge this gap by investigating the extent to which strategic leadership and organizational agility influence business performance in competitive markets.

While prior studies have examined the individual impact of strategic leadership and organizational agility on business performance, there remains a limited understanding of their combined effects in highly competitive markets. Businesses today face unprecedented challenges, including economic fluctuations, digital disruption, and shifting regulatory landscapes, necessitating a holistic approach to leadership and agility (Teece et al., 2016). Many firms struggle to integrate strategic leadership with agility, leading to inefficiencies, slow

decision-making, and missed opportunities. Additionally, the absence of empirical studies focusing on the synergistic relationship between these variables leaves a critical gap in management literature. This study aims to address this issue by exploring how strategic leadership fosters organizational agility and, in turn, enhances business performance in an increasingly volatile business environment.

The primary objective of this research is to examine the relationship between strategic leadership, organizational agility, and business performance in competitive markets. Specifically, the study seeks to:

1. Investigate the impact of strategic leadership on organizational agility in dynamic business environments.
2. Assess the influence of organizational agility on business performance, including financial growth, customer satisfaction, and competitive advantage.
3. Analyze the mediating role of organizational agility in the relationship between strategic leadership and business performance.
4. Provide practical recommendations for business leaders on how to cultivate strategic leadership and enhance agility to drive organizational success.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

1. Strategic Leadership and Business Performance

Strategic leadership refers to a leader's ability to anticipate, envision, and maintain flexibility while empowering others to create strategic change (Rahman et al., 2018). Effective strategic leaders are known for their capacity to align organizational resources, promote innovation, and establish long-term goals that contribute to sustained business success (Jaleha & Machuki, 2018). Numerous studies have empirically supported the positive relationship between strategic leadership and organizational performance. For instance, Carter & Greer (2013) demonstrated that strategic leadership significantly affects business performance, particularly when mediated by innovation. Likewise, studies (MUNAWAROH et al., 2021; Priadana et al., 2021) found that strategic leadership enhances financial performance, market share, and overall competitiveness by enabling effective strategy formulation and execution. These findings confirm the pivotal role of strategic leadership in directly influencing business performance.

2. Strategic Leadership and Organizational Agility

Strategic leadership refers to the ability of executives to influence organizational direction, culture, and innovation to maintain a competitive edge (Ireland & Hitt, 2005). Effective

strategic leaders exhibit foresight, adaptability, and decision-making skills that enable organizations to navigate uncertainties and capitalize on emerging opportunities (Boal & Schultz, 2007). Prior research indicates that strategic leadership fosters agility by encouraging a proactive approach to market shifts and technological advancements (Agarwal & Selen, 2009). Leaders who emphasize continuous learning, open communication, and decentralized decision-making structures enhance organizational agility by enabling quick responses to environmental changes (Doz & Kosonen, 2010).

H1: Strategic leadership has a positive impact on organizational agility.

3. Organizational Agility and Business Performance

Organizational agility is increasingly recognized as a key determinant of business performance, particularly in fast-changing industries (Tallon et al., 2019). Agile firms demonstrate superior adaptability to customer demands, technological disruptions, and competitive threats, resulting in enhanced financial performance and market positioning (Overby et al., 2006). The literature suggests that agile organizations experience improved innovation rates, faster decision-making, and heightened operational efficiency, all of which contribute to sustainable competitive advantages (Lu & Ramamurthy, 2011).

H2: Organizational agility positively influences business performance.

4. The Mediating Role of Organizational Agility

Research highlights that strategic leadership shapes organizational agility, which, in turn, influences business performance (Teece et al., 2016). Leaders who cultivate a culture of agility empower employees to experiment with new solutions, respond rapidly to market demands, and streamline operations (Grewal & Tansuhaj, 2001). This suggests that organizational agility may serve as a mediating factor in the relationship between strategic leadership and business performance.

H3: Organizational agility mediates the relationship between strategic leadership and business performance.

METHODOLOGY

1. Research Design

This study adopts a quantitative research design using a cross-sectional survey method. A structured questionnaire was developed to collect data from business leaders and managers across various industries. The research employs a hypothesis-testing approach to validate the proposed relationships among variables (Creswell & Creswell, 2017).

2. Sample and Sampling Technique

The target population for this study includes senior managers, executives, and business owners operating in dynamic and competitive industries. A stratified random sampling technique was used to ensure representation across different business sectors. The sample size was determined based on (Cohen, 1992) power analysis, suggesting a minimum of 150–300 respondents for reliable statistical analysis.

- Total distributed surveys: 400
- Valid responses: 320 (response rate: 80%)
- Industry sectors covered: Manufacturing (30%), Retail (25%), Technology (20%), Finance (15%), Others (10%)

3. Measurement of Variables

A 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree) was used to measure the constructs, adapted from validated scales in prior research.

- 1) **Strategic Leadership (SL)**: Measured using (Ireland & Hitt, 2005) strategic leadership scale, including aspects such as vision, decision-making, and adaptability.
- 2) **Organizational Agility (OA)**: Adapted from (Tallon et al., 2019), assessing dimensions like flexibility, responsiveness, and adaptability to market changes.
- 3) **Business Performance (BP)**: Measured using a subjective performance scale based on (Venkatraman & Ramanujam, 1986), including financial performance, market position, and innovation.

4. Data Collection Procedure

Data was collected through an online survey platform and direct email distribution to business leaders. To ensure data quality Pre-testing was conducted with 30 professionals and Harman's single-factor test was applied to check for common method bias (Podsakoff et al., 2003).

5. Data Analysis Techniques

The data was analyzed using SPSS and SmartPLS 4 to perform structural equation modeling (SEM). Descriptive statistics were employed to summarize the demographic characteristics of the respondents, while Pearson's correlation was used to examine the relationships among the key variables. Multiple regression analysis was conducted to test both the direct and mediating effects within the proposed model. Additionally, bootstrapping procedures based on Hayes (2017) were applied to assess the significance of the mediation effects, ensuring a robust evaluation of the hypothesized relationships..

6. Reliability and Validity

To ensure the reliability and validity of the measurement model, Cronbach's alpha (α) and Composite Reliability (CR) were used to confirm internal consistency, with all values exceeding the recommended threshold. Construct validity was established through the Average Variance Extracted (AVE), where all values were greater than 0.5, meeting the criteria proposed by (Fornell & Larcker, 1981). Furthermore, the Variance Inflation Factor (VIF) values were all below 5, indicating the absence of multicollinearity among the variables, as recommended by (Hair et al., 2017).

RESULT

1. Descriptive Statistics

Table 1 presents the descriptive statistics of the key variables: Strategic Leadership (SL), Organizational Agility (OA), and Business Performance (BP).

Table 1. Demographic Profile of Respondents

Variable	Mean	Standard Deviation	Minimum	Maximum
Strategic Leadership (SL)	4.21	0.74	2.5	5.0
Organizational Agility (OA)	4.15	0.68	2.7	5.0
Business Performance (BP)	4.08	0.72	2.6	5.0

The mean values for all three variables indicate that respondents generally perceive their organizations as having high levels of strategic leadership, organizational agility, and business performance. The standard deviation suggests moderate variability in responses, which implies differences in organizational strategies and execution across firms.

2. Correlation Analysis

Table 2 shows Pearson correlation coefficients among the three variables

Table 2. 2. Correlation Analysis

Variable	SL	OA	BP
SL	1.00	0.71**	0.65**
OA	0.71**	1.00	0.77**
BP	0.65**	0.77**	1.00

Notes: $p < 0.01$ (2-tailed)

The correlation results show a strong positive relationship between Strategic Leadership and Organizational Agility ($r = 0.71$, $p < 0.01$), indicating that better leadership fosters greater agility. Organizational Agility also has a strong positive correlation with Business Performance

($r = 0.77$, $p < 0.01$), suggesting that agility enhances performance. These findings align with previous studies ((Tallon et al., 2019); (Teece et al., 2016)).

3. Regression Analysis

To further test the hypothesized relationships, multiple regression analysis was conducted. The results are presented in Table 3.

Table 3. Regression Results

Model	Dependent Variable	Predictor Variable	β	t-value	p-value	R ²
1	Organizational Agility (OA)	Strategic Leadership (SL)	0.72	10.45	<0.001	0.51
2	Business Performance (BP)	Organizational Agility (OA)	0.68	9.21	<0.001	0.58
3	Business Performance (BP)	Strategic Leadership (SL)	0.42	5.67	<0.001	0.44

The results from the analysis indicate that in Model 1, strategic leadership significantly predicts organizational agility ($\beta = 0.72$, $p < 0.001$), supporting Hypothesis 1, suggesting that strong strategic leadership enhances an organization's agility. In Model 2, organizational agility is found to significantly predict business performance ($\beta = 0.68$, $p < 0.001$), supporting Hypothesis 2 and confirming that agile firms perform better. Finally, in Model 3, strategic leadership directly affects business performance ($\beta = 0.42$, $p < 0.001$), though the effect is weaker compared to the mediating role of agility. These findings highlight the importance of both leadership and agility in driving business performance.

4. Mediation Analysis (Bootstrapping Method)

A mediation analysis using the PROCESS Macro (Hayes, 2017) was conducted to examine whether Organizational Agility mediates the relationship between Strategic Leadership and Business Performance. Table 4 presents the results.

Table 4. Mediation Analysis Result

Path	β	SE	t-value	p-value	95% CI (LL, UL)
SL → OA	0.72	0.08	10.45	<0.001	(0.56, 0.88)
OA → BP	0.68	0.07	9.21	<0.001	(0.54, 0.81)
SL → BP (Direct Effect)	0.42	0.09	5.67	<0.001	(0.29, 0.55)
SL → BP (Indirect Effect via OA)	0.49	0.06	—	<0.001	(0.37, 0.61)

The analysis reveals that the indirect effect of strategic leadership on business performance through organizational agility ($\beta = 0.49$, $p < 0.001$) is stronger than the direct effect ($\beta = 0.42$, $p < 0.001$), highlighting the importance of agility in enhancing business outcomes. The confidence interval for the indirect effect (0.37 – 0.61) does not contain zero, confirming the presence of mediation. These findings support Hypothesis 3, suggesting that organizational agility partially mediates the relationship between strategic leadership and business performance. This underscores the critical role of agility in translating effective leadership into improved performance. These findings align with previous research indicating that leadership fosters agility, which ultimately drives performance (Doz & Kosonen, 2010); (Tallon et al., 2019).

5. Summary of Hypotheses Testing

Table 5. Summary of Hypotheses Testing

Hypothesis	Statement	Supported?
H1	Strategic Leadership positively affects Organizational Agility.	<input checked="" type="checkbox"/> Yes
H2	Organizational Agility positively affects Business Performance.	<input checked="" type="checkbox"/> Yes
H3	Organizational Agility mediates the relationship between Strategic Leadership and Business Performance.	<input checked="" type="checkbox"/> Yes

Key Takeaways

1. Strategic Leadership is a key enabler of Organizational Agility. Firms with visionary and adaptive leaders tend to be more agile.
2. Organizational Agility is critical for Business Performance. Agile companies respond faster to market changes, gaining competitive advantages.
3. Agility is a bridge between Leadership and Performance. Organizations that improve agility experience stronger business outcomes.

These findings reinforce the importance of cultivating leadership that fosters agility for sustained business success in competitive markets.

DISCUSSION

The findings of this study provide empirical support for the theoretical framework linking strategic leadership, organizational agility, and business performance. The results reveal that strategic leadership has a significant positive effect on organizational agility ($\beta = 0.72$, $p <$

0.001). This aligns with previous research suggesting that strong leadership fosters an adaptive and proactive organizational culture (Doz & Kosonen, 2010). Leaders who encourage innovation, open communication, and quick decision-making create an agile environment that enables firms to respond effectively to external challenges (Tallon et al., 2019).

CONCLUSION

This study highlights the critical role of strategic leadership and organizational agility in enhancing business performance within competitive markets. The empirical results demonstrate that strategic leadership positively influences organizational agility, which, in turn, has a significant impact on business success. Additionally, organizational agility acts as a mediator, reinforcing the importance of adaptability in modern business environments. These findings suggest that businesses must cultivate strong leadership practices while fostering an agile culture to remain competitive. Future research could further explore industry-specific variations and the long-term effects of these relationships. Ultimately, this study provides valuable insights for business leaders and policymakers seeking to enhance organizational performance in an ever-evolving marketplace.

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