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## Investigating the Impact of Strategic Agility on Performance and Competitiveness in the Banking Industry

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### ABSTRACT

The banking industry today faces technological advancements, environmental changes, and intense competition. In this context, strategic agility has been recognized as one of the most important determinants of long-term organizational success. This paper aims to investigate the impact of strategic agility on performance and competitiveness in Iranian commercial banks. The statistical population of this study includes managers and experts working in state-owned and private commercial banks in 2024. Stratified sampling was used, and data were collected via a standardized questionnaire and analyzed using SmartPLS4 software. Structural equation modeling was employed to test the hypotheses. Results indicate that components of strategic agility—such as rapid responsiveness, organizational flexibility, innovation, and organizational learning—have a significant positive effect on both bank performance and competitiveness. Additionally, the mediating role of performance in the relationship between strategic agility and competitiveness is confirmed. Findings show that banks with higher levels of strategic agility have achieved better positions in the dynamic competitive environment. Finally, recommendations for improving strategic agility and increasing competitiveness in banks are presented.

**KEYWORDS:** Strategic agility; Organizational performance; Competitiveness; Banking; Structural equations

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## 1. Introduction

In the current era, technological transformations, digitalization of services, environmental changes, and intense international competition have revolutionized the banking industry. Banks must not only adapt to rapid environmental changes but also be capable of predicting the future and effectively responding to emerging opportunities and threats (Sharma & Gajjar, 2021). In this regard, the concept of "strategic agility" has emerged as a new approach in strategic management to cope with uncertainties and increase organizational adaptability (Yusuf et al., 2021).

Strategic agility refers to an organization's ability to respond quickly and flexibly to environmental changes. It stems from the integration of concepts such as organizational agility and strategic management and includes dimensions like rapid responsiveness, organizational flexibility, innovation, and organizational learning (Wang & Ahmed, 2020). Therefore, strategic agility can serve as a key factor in improving organizational performance and enhancing competitiveness in the banking sector (Khan et al., 2022).

Iran's banking industry has faced numerous challenges in recent years, including economic sanctions, high inflation, fierce competition with non-banking financial institutions, emergence of digital technologies, and changing customer consumption patterns. In such an environment, banks require strategies that allow them to respond to changes with the necessary flexibility and speed (Alshamaila et al., 2020).

However, many Iranian banks still lag behind in adapting to these changes. This indicates limited presence of strategic agility within these banks, suggesting that this managerial style has not yet fully taken root. Moreover, there is a noticeable lack of empirical studies in Iranian literature examining the impact of strategic agility on bank performance and competitiveness (Hosseinzadeh & Karimi, 2021).

The significance of this research lies in the fact that in today's competitive environment, banks capable of adapting to environmental changes will achieve better competitive positions (Tarhini et al., 2021). This becomes even more critical under Iran's current conditions involving economic sanctions, high inflation, and international competitive pressures.

Furthermore, given technological advancements and the digital transformation of banking, banks need to adopt agile strategies to provide better services to customers and remain in the market (Pourhashemi & Asgari, 2022). This study can assist banking managers in identifying strengths and weaknesses related to strategic agility and planning for its development.

Additionally, as one of the few empirical studies in Iran, this research investigates the mediating role of performance in the relationship between strategic agility and competitiveness. This approach contributes to a deeper understanding of how strategic agility affects the long-term success of banks (Saleem et al., 2023). Ultimately, findings from this study can serve as a reference

for policymakers, managers, and researchers in the field of banking and strategic management, paving the way for further studies.

Thus, the main research question is: **Does strategic agility have a significant impact on improving performance and increasing competitiveness in Iranian banks?**

## 2. Theoretical Background & Conceptual Framework

Due to the dynamic nature of the banking environment, the necessity of having a comprehensive conceptual framework that explains the relationships between strategic agility, performance, and competitiveness is essential. In this paper, after reviewing theoretical foundations and presenting a comprehensive conceptual framework, we examine the impact of strategic agility on performance and competitiveness in Iranian commercial banks.

### Strategic Agility

Strategic agility is a term derived from the integration of "organizational agility" and "strategic management." It was first introduced by Doz & Hamel (1998) and has received increased attention in recent years (Yusuf et al., 2021). Yusuf et al. define strategic agility as the ability of organizations to anticipate, respond, and adapt to environmental changes. They identified four core dimensions of strategic agility:

- **Rapid Responsiveness** : The ability to respond quickly to environmental opportunities and threats
- **Organizational Flexibility** : The ability to change structures, processes, and strategies
- **Innovation** : Creating value through new ideas and innovative strategies
- **Organizational Learning** : The ability to collect, store, and use knowledge for better decision-making

### Organizational Performance

Organizational performance is a criterion that indicates the level of an organization's success in achieving its goals. This concept may include financial metrics (e.g., profitability, return on investment), operational metrics (e.g., productivity, service quality), and customer satisfaction indicators (Khan et al., 2022). In this study, performance is measured across two dimensions: financial and non-financial (service-based).

### Competitiveness

Competitiveness refers to an organization's ability to create sustainable competitive advantages (Porter, 2020). Porter describes it as the result of internal capabilities and the ability to adapt to external environmental conditions. In this study, competitiveness is measured through criteria such as service quality, pricing, innovation, and market access capability.

Based on existing theoretical literature, the conceptual model of the research includes three main variables:

- **Independent Variable** : Strategic Agility
- **Dependent Variable** : Competitiveness
- **Mediating Variable** : Performance

Research Hypotheses:

1. Strategic agility has a positive impact on performance.
2. Strategic agility has a positive impact on competitiveness.
3. Performance has a positive impact on competitiveness.
4. Performance mediates the relationship between strategic agility and competitiveness.

### 3. Research Methodology

This research is applied in purpose and descriptive-correlational in method, based on field data. The statistical population includes all managers and experts working in commercial banks operating in Tehran in 2024. Based on Cochran's formula, the required sample size was determined to be 384 individuals. Stratified sampling was used.

Data were collected using a standardized questionnaire. The strategic agility questionnaire was developed based on scales developed by Yusuf et al. (2021), performance was measured using financial and non-financial criteria from Khan et al. (2022), and competitiveness was based on Porter's (2020) model.

Content validity was verified by experts in strategic management and banking. Reliability was assessed using Cronbach's alpha coefficient, which yielded values above 0.85 for all variables.

Data were analyzed using SmartPLS4 software. First, measurement model validation was performed. Then, structural model validation was conducted. Hypotheses were tested using bootstrapping methods.

#### 4. Findings

The sample included 384 participants, 62% male and 38% female. 47% held master's degrees, and 31% held doctoral degrees. The average work experience was 10.5 years.

Reliability analysis showed Cronbach's alpha coefficients above 0.85, indicating acceptable reliability. Composite reliability (CR) values ranged between 0.89 and 0.92.

Factor loadings were above 0.7, indicating strong relationships between observed variables and their constructs. AVE values exceeded 0.5, showing appropriate convergent validity. Discriminant validity was confirmed using Fornell-Larcker criteria and HTMT.

The  $R^2$  values for performance and competitiveness were 0.43 and 0.51 respectively, indicating acceptable explanatory power.  $Q^2$  values were 0.38 and 0.42, confirming good predictive power.

**Table1.** Hypothesis Testing Results

H1	Agility → Performance	0.54	8.12	<0.001	Confirmed
H2	Agility → Competitiveness	0.47	7.23	<0.001	Confirmed
H3	Performance → Competitiveness	0.39	6.41	<0.001	Confirmed
H4	Agility → Competitiveness (mediated by performance)	0.21	4.03	<0.001	Confirmed

Further analysis revealed that innovation and rapid responsiveness were the most influential components of strategic agility on performance and competitiveness.

#### 5. Discussion & Conclusion

Findings showed that strategic agility has a significant and positive impact on both performance and competitiveness in Iranian commercial banks. These results align with previous studies by Yusuf et al. (2021), Khan et al. (2022), and Wang & Ahmed (2020), reinforcing the theoretical and practical validity of these concepts across different organizational settings.

It was specifically found that the components of strategic agility—including rapid responsiveness, organizational flexibility, innovation, and organizational learning—play a key role in enhancing bank performance. This indicates that banks capable of rapidly responding to environmental changes tend to be more productive and successful in achieving strategic goals.

Moreover, organizational performance was identified as a mediating variable in the relationship between strategic agility and competitiveness. This finding suggests that strategic agility enhances

competitiveness not only directly but also indirectly through improved performance. This result aligns with the studies of Wang & Ahmed (2020) and Khan et al. (2022).

This research contributes to the development of theoretical literature on strategic agility in the banking sector and introduces a comprehensive conceptual model for further studies in strategic management and banking.

Results suggest that bank managers should recognize the importance of adopting agile strategies. In a dynamic and competitive environment, banks must respond quickly to changes, adjust internal processes, and provide better customer services through innovation. Therefore, managers should:

- Promote a culture of agility within the organization
- Make organizational structures more flexible
- Create a suitable environment for organizational learning and innovation

Although this study is generalizable to the Iranian banking industry, it has several limitations:

- **Population Limitation** : The study was conducted only on commercial banks in Tehran and cannot be generalized without caution to other banks or industries.
- **Methodological Limitation** : The use of descriptive-correlational methods and cross-sectional data may limit generalizability.
- **Self-reporting Bias** : Using questionnaires as data collection tools may introduce perceptual bias.

To expand knowledge in this area, the following suggestions are made:

- Comparative studies between state-owned and private banks or Islamic and traditional banks
- Use of qualitative approaches and case studies for deeper insights into strategic agility implementation
- Longitudinal studies to observe time-related impacts of strategic agility on performance and competitiveness
- Adding moderating variables such as business environment, information technology, and organizational culture
- Extending the research to other industries such as insurance, public services, or manufacturing

Overall, the results confirm that strategic agility plays a key role in improving performance and increasing competitiveness in the banking industry. In a complex and dynamic environment like banking, banks capable of adapting to changes will achieve better competitive positions. Therefore, bank managers should focus on strengthening agile culture, facilitating organizational learning, and increasing organizational flexibility.

These findings can help policymakers, managers, and researchers in the fields of banking and strategic management to lay the groundwork for further studies and better strategic decisions.

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**ETHICAL CONSIDERATION**

Authenticity of the texts, honesty and fidelity has been observed.

**CONFLICT OF INTEREST**

Author/s confirmed no conflict of interest.