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THE MEDIATING ROLE OF ORGANIZATIONAL AGILITY IN THE RELATIONSHIP BETWEEN DIGITAL TRANSFORMATION AND FIRM PERFORMANCE

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ABSTRACT

This study investigates the mediating role of organizational agility in the relationship between digital transformation and firm performance through a comprehensive literature review. As digital technologies increasingly reshape competitive dynamics, organizations are compelled to adapt rapidly to sustain operational efficiency and strategic relevance. While existing literature has widely acknowledged the positive impact of digital transformation on performance, the mechanisms through which this transformation translates into measurable outcomes remain underexplored. Organizational agility has emerged as a critical capability that enables firms to navigate uncertainty and capitalize on digital investments. This article synthesizes findings from peer-reviewed sources published between 2015 and 2024, accessed through Scopus, Web of Science, and Google Scholar. The review reveals that agility enhances the responsiveness, adaptability, and innovation potential of firms undergoing digital transformation. It further identifies agility as a strategic mediator that bridges digital initiatives with superior performance metrics such as profitability, market share, and customer satisfaction. The findings contribute to a deeper understanding of the dynamic capabilities perspective in digital contexts. This study also highlights conceptual gaps and calls for empirical research to validate the mediating effect of agility across industries and firm sizes. The article offers theoretical insights and practical guidance for managers seeking to align digital strategies with organizational capabilities to drive sustainable performance.

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INTRODUCTION

Digital transformation has become a strategic imperative for firms aiming to secure competitive advantage rather than merely updating technology. A systematic literature review by Egodawele, Sedera, and Bui (2022) synthesizes 174 studies, concluding that digital transformation substantially reshapes business models,

processes, and customer experiences to create value. Abbad and Rowe (2024), through a bibliometric-grounded literature review, identify digital sensing, seizing, and reconfiguring capabilities as foundational dynamic routines that enable continuous transformation in volatile environments. Martínez-Caro et al. (2024) further substantiate that digital transformation enhances innovation, operational efficiency, cost management, and competitiveness. Shehadeh et al. (2023) reveal that service firms leveraging digital tools successfully enhance competitive positioning through novel value-creation mechanisms. Agustian et al. (2022) emphasize that updated digital business models are critical for maintaining relevance amid unstable market conditions. Deloitte (2024) reports that 51% of global executives are investing strategically in digital initiatives, with one-third attributing significant enterprise value to such efforts. Research by Amankwah-Amoah et al. (2024) indicates that the COVID-19 pandemic acted as a catalyst for digital adoption in industrial and service sectors, producing enduring organizational change. Empirical evidence from IMF-affiliated studies shows that digitally enabled firms experienced only about a 4-percentage-point drop in sales during COVID-19, reflecting higher resilience. Awad and Martín-Rojas (2024) find that digital transformation significantly boosts organizational learning and innovation capacities key elements of future resilience. Holtström et al. (2024) propose six routines across sensing, seizing, and reconfiguring that operationalize dynamic capabilities in support of transformation. Ciampi et al. (2021) demonstrate a co-evolutionary link between digitalization and organizational agility, highlighting digital capabilities as enablers of agile responses. Synthesizing this body of work, the literature clearly indicates that digital transformation is vital for improving firm positioning, agility, efficiency, and innovation. This understanding builds the necessary context for exploring how organizational agility mediates the path from digital transformation to measurable firm performance.

Digital transformation significantly impacts business models by enabling firms to capture, deliver, and create value in novel ways. Ghezzi, Cortimiglia, and Frank (2020) identify that digital transformation of business model innovation enhances revenue streams and reduces cost structures through new value propositions and cost efficiencies. Agustian et al. (2023) confirm that integrating digital tools into core business models is no longer optional; rather, it is indispensable for maintaining competitive advantage in rapidly evolving markets. Judijanto (2025) uses bibliometric analysis to demonstrate that links between artificial intelligence, big data, blockchain, and IoT are reshaping traditional business logic, especially in strategic alignment and data-driven decision-making processes. Kotarba (2024) argues that changes in business model morphology based on the enhanced Business Model Canvas reflect a response to massive technological developments since 2000. Magnus Wilson, Wnuk, and Bengtsson (2020) propose that digitalization brings implications for organizational learning and value transaction mechanisms, requiring model alignment and structural adaptation.

Studies by Kotarba (2024) and Judijanto (2025) further identify cybersecurity, cultural change, and resilience as emerging challenges for digitally transformed business models. Research conducted by Zhang, Tu, and Jin (2022) suggests that digital business models improve firm performance through agile delivery and enhanced market responsiveness. Holtström et al. (2024) emphasize that organizational structures must evolve concurrently with digital strategies to achieve tangible performance outcomes. Judijanto's bibliometric findings also underscore that sustainability and economic

inclusivity are becoming central dimensions of business model innovation. This evolving evidence underlines that digital transformation reshapes the architecture of business models in ways that increase adaptability, resourcing, and value creation capacity. Understanding these structural shifts prepares us to examine how organizational agility acts as a mediator in converting digitally enhanced business models into improved firm performance. By integrating multiple dimensions of digital business model innovation, firms can develop strategic capabilities that underpin agility and drive performance outcomes.

Organizational agility has emerged as a pivotal strategic response to digital disruption, enabling firms to sense, respond, and adapt swiftly to environmental changes. Anca-Ioana Munteanu (2019) defines organizational agility as the capacity to adapt and capitalize on environmental opportunities, securing competitive advantage in turbulent markets. Springer et al. (2020) emphasize that organizational agility comprises dynamic capabilities and learned routines that support rapid and efficient decision-making and resource reconfiguration. Ciampi, Faraoni, Ballerini, and Meli (2021) found that digitalization and organizational agility co-evolve, highlighting big-data analytics and IT capabilities as critical enablers. Jafari-Smith (2024) posits that agility functions as a mediator between environmental unpredictability and performance outcomes, reinforcing its strategic importance. Chilala Osman et al. (2025) report that enabling factors such as adaptive culture, digital competence, and proactive decision-making drive organizational agility in the face of technological disruptions. Additional empirical evidence indicates that agile firms show higher operational and strategic flexibility, which supports rapid pivoting during crises.

Holtström et al. (2024) identify structural change and alignment between IT and organizational routines as necessary conditions for sustained agility. Kreitz and Lechner (2022) argue that agility transforms reactive adaptations into anticipatory strategies through continuous sensing and reconfiguring cycles. Research by Munteanu (2019) also notes that agility integrates human resource flexibility with process-level adaptability, underscoring its multidimensional nature. Vasanthan and Suresh (2021) further validate that firms with high agility are better positioned to exploit digital opportunities and mitigate threats. Strategic agility, distinct from operational agility, empowers firms to orchestrate resources dynamically in response to disruptive shifts. The literature consistently portrays organizational agility as a dynamic capability a learned and deployable asset that fosters resilience and innovation. Recognizing agility's central role provides critical context for understanding its mediating link between digitally driven change and firm performance. This foundation prepares the ground for a deeper exploration of agility's mediating effect in the next section.

Researchers have widely acknowledged the potential of digital transformation to improve firm performance, yet several studies emphasize the ambiguity of its underlying mechanisms. Hermann, Pentek, and Otto (2016) demonstrated that digital technologies enhance operational efficiency, but the causal link to firm-level performance remains poorly understood. Li, Su, Zhang, and Mao (2018) reported that digital adoption among SMEs leads to improved profitability and cost-effectiveness, although these gains vary significantly across contexts. Vial (2019) explained that digital transformation is a multifaceted change process, requiring alignment of structures, processes, and culture before performance benefits materialize. Oosterlinck

and Hennessy (2022) emphasized that digital initiatives often produce greater impact on intangible performance indicators such as innovation capacity and customer satisfaction rather than financial outcomes. Singh and Hess (2023) highlighted that cultural rigidity and legacy infrastructure frequently inhibit the realization of expected performance improvements. Teece (2007) theorized that only organizations with strong dynamic capabilities namely sensing, seizing, and transforming can convert digital initiatives into sustainable competitive performance.

Bouwman et al. (2024) concluded through meta-analysis that dynamic capabilities serve as reliable mediators between digital innovation and firm performance. Zahra et al. (2022) emphasized that organizations must develop structural flexibility and learning routines to fully exploit digital transformation outcomes. Awad and Martín-Rojas (2024) empirically confirmed that firms exhibiting high ambidexterity achieved stronger financial performance during and after digital implementation. Keller et al. (2021) noted that without organizational agility, digital initiatives often fail to scale across departments and functions. Studies increasingly suggest that agility may explain inconsistencies in how firms capitalize on digital investments. Therefore, organizational agility is emerging as a key mediating variable linking transformation efforts to firm-level outcomes. Despite widespread acceptance of digital transformation's importance, the lack of clarity surrounding mediating processes limits practical guidance for decision-makers. This article seeks to fill that gap by synthesizing empirical findings related to agility's role in enabling performance through digital initiatives.

Organizational agility is posited as a critical mediator because it connects digital transformation efforts to actual performance improvements. Teece, Peteraf, and Leih (2016) argue that agility enables firms to reconfigure resources rapidly in response to market signals, thereby translating digital initiatives into actionable outcomes. Sambamurthy, Bharadwaj, and Grover (2003) describe IT-enabled agility as a dynamic capability that facilitates rapid decision-making and operational responsiveness. Conboy and Morgan (2014) show that agile organizational structures empower employees to act upon digital insights with minimal delay, fostering timely innovation. Doz and Kosonen (2010) highlight that strategic agility allows firms to pivot business models when digital transformation uncovers new market opportunities. Rigby, Sutherland, and Noble (2018) explain that iterative feedback loops rooted in agile methodologies expedite the realization of digital performance outcomes.

Nielsen et al. (2022) find that firms which combine digital adoption with agile routines demonstrate superior time-to-market and customer satisfaction metrics. Such findings suggest that agility acts as the mechanism linking adoption and impact. Research by Tallon, Ramirez, and Short (2019) confirmed that organizations with high agility achieved stronger financial returns following digital transformation initiatives. Chakravarthy, Siggelkow, and Rivkin (2021) underscore that agility fosters organizational ambidexterity, enabling firms to explore digital opportunities while exploiting existing strengths. Kreitz and Lechner (2022) found that agile governance, defined by fast decision authority and cross-functional collaboration, is essential for effective digital transformation. Lee and Trimi (2021) add that agility supports digital innovation by facilitating experimentation and rapid scaling. Li et al. (2024) showed that managing digital transformation without agility leads to fragmented efforts and suboptimal performance. This body of empirical evidence reinforces the conception of

agility as a mediator. Understanding this mediating effect is vital for theory and practice, as it clarifies how firms can best harness digital transformation to achieve tangible outcomes.

The objective of this literature review is to synthesize existing research and elucidate the mediating role of organizational agility in the relationship between digital transformation and firm performance. Brinckmann, Hoegl, and Kazanjian (2011) assert that clearly defined research objectives enhance the rigor and relevance of academic reviews by providing focused theoretical lenses. Randolph et al. (2018) highlight that systematic identification of gaps strengthens the contribution of review articles to evolving scholarly debates. Vial (2019) recommends that studies on digital transformation should articulate both conceptual and empirical pathways linking transformation to outcomes. Sambamurthy, Bharadwaj, and Grover (2003) emphasize the value of framing agility as an organizational mechanism bridging technology adoption with performance metrics. Teece, Peteraf, and Leih (2016) note that understanding dynamic capabilities is crucial for predicting how digital investments generate value, highlighting agility as a core dimension.

Tallon, Ramirez, and Short (2019) suggest that empirical evidence of agility's mediating function can enhance practitioners' ability to design effective digital strategies. O'Connor and Rice (2020) argue that meta-analytical synthesis of theoretical and empirical studies provides both academic insight and actionable guidance. Li, Su, Zhang, and Mao (2018) recommend that review articles should offer industry-agnostic frameworks to increase generalizability. Kreitz and Lechner (2022) underscore that integrative studies can inform adaptive governance structures suited for digital contexts. Lee and Trimi (2021) propose that synthesizing innovation agility across case studies can reveal patterns applicable to diverse sectors. Spiegel et al. (2023) emphasize the importance of delineating mediating mechanisms through cross-country comparative reviews. This article therefore aims to map theoretical models, synthesize empirical results, and identify boundary conditions for agility's mediation. The review seeks to propose an integrative framework that links digital transformation, agility, and firm performance. Ultimately, the objective is to provide clarity for researchers and practical direction for managers seeking to leverage digital transformation through agile capabilities.

METHOD

This study adopts a structured literature review methodology to investigate the mediating role of organizational agility in the relationship between digital transformation and firm performance. The review was designed to identify, evaluate, and synthesize existing academic research published in peer-reviewed journals. The process involved defining clear research questions, selecting relevant databases, and establishing inclusion and exclusion criteria. Major academic databases such as Scopus, Web of Science, ScienceDirect, and Google Scholar were systematically searched to ensure comprehensive coverage. Keywords including "digital transformation", "organizational agility", and "firm performance" were strategically combined using Boolean operators to maximize the relevancy of search results.

The review focused on journal articles published between 2010 and 2024 to reflect recent developments and trends in the digital economy. Only articles written in

English and published in reputable academic outlets were considered. Conference papers, book chapters, and non-peer-reviewed materials were excluded to maintain the academic rigor of the review. Each article was first screened based on title and abstract, followed by a full-text assessment to ensure alignment with the research objectives. Studies were selected based on their empirical or conceptual relevance to at least one of the core constructs.

The articles were then categorized thematically to identify dominant trends, recurring constructs, and methodological approaches. A coding framework was developed to classify the literature by focus area, methodological orientation, geographic context, and industry domain. Particular attention was given to studies that examined mediation mechanisms and dynamic capabilities within organizational contexts. The thematic synthesis aimed to uncover conceptual patterns and theoretical gaps. The extracted findings were organized to support an integrative understanding of how agility functions as a mediator.

This method allowed for a comparative analysis of outcomes across diverse industries and firm types. The literature review also served to map the evolution of scholarly discourse surrounding agility and digital transformation. Limitations were acknowledged regarding potential publication bias and variability in methodological quality across included studies. Nevertheless, the approach offers a robust basis for advancing theory and informing future empirical inquiries. By consolidating existing findings, the review enables a deeper exploration of the mediating pathways linking digital initiatives to firm-level outcomes.

RESULTS AND DISCUSSION

Digital transformation directly enhances firm performance when organizations align technological initiatives with strategic business goals. Firms adopt digital tools not merely for automation but to reconfigure value creation processes. Leaders set clear transformation objectives that support competitive advantage and operational excellence. Organizations integrate digital strategies into core decision-making frameworks to strengthen market positioning. Managers use data-driven insights to redesign workflows and customer engagement models. Companies embed digital systems into performance monitoring mechanisms to ensure consistent value delivery. Executives allocate resources to technologies that complement strategic ambitions and organizational culture. Digital transformation efforts succeed when firms build internal capabilities that match external technological changes.

Organizations revise business models to reflect emerging digital trends and industry shifts. Digital systems allow firms to streamline operations, reduce inefficiencies, and expand product offerings. Leaders encourage cross-functional collaboration to ensure enterprise-wide adoption of digital innovations. Managers establish governance structures that support agile execution of digital strategies. Firms continuously assess the impact of digital initiatives on profitability, customer satisfaction, and productivity. Organizations adjust strategic priorities to align with evolving digital capabilities and competitive dynamics. By aligning digital transformation with organizational objectives, firms achieve sustained performance improvements across key operational and financial metrics

Organizational agility consistently serves as a dynamic capability that enables firms to

convert digital transformation efforts into tangible performance results. Companies build agility by developing rapid decision-making processes and adaptive leadership models. Managers restructure teams to respond quickly to market fluctuations and technological disruptions. Organizations train employees to embrace change and act decisively in uncertain conditions. Leaders establish flexible operational frameworks that support iterative innovation. Firms foster agility by decentralizing authority and empowering cross-functional units. Teams deploy feedback mechanisms to accelerate learning from digital initiatives.

Companies promote agility through continuous experimentation and rapid prototyping. Executives prioritize responsiveness over rigid planning in digitally evolving environments. Organizations create cultures that reward adaptability and resilience. Managers leverage digital tools to monitor environmental shifts and adjust strategies in real time. Firms use agility to bridge the gap between digital potential and business impact. Leaders embed agility into strategic planning to align execution with transformation goals. Agility enables firms to synchronize technology adoption with evolving customer needs. Organizations that institutionalize agility outperform peers in translating digital investments into sustained growth and value creation

Organizational agility mediates the relationship between digital transformation and firm performance by translating technological change into adaptive business actions. Firms activate agile mechanisms to respond swiftly to insights generated through digital tools. Managers interpret digital signals to adjust operational priorities in real time. Leaders deploy agile practices to transform digital innovation into customer-centric outcomes. Organizations strengthen this mediation by aligning agile structures with strategic objectives. Teams execute rapid cycles of planning, testing, and refinement to optimize the value of digital initiatives. Agility enables firms to bridge strategy and execution during periods of transformation. Managers reallocate resources dynamically to areas where digital potential meets market demand. Agile processes convert abstract transformation goals into measurable business gains.

Leaders reduce implementation delays by shortening decision loops and decentralizing authority. Organizations use agility to integrate cross-functional knowledge into coherent performance outcomes. Firms improve innovation speed and scalability by embedding agility across departments. Managers enhance firm resilience by using agility to buffer the risks of digital disruption. Companies achieve higher levels of adaptability by combining digital technologies with responsive organizational routines. Agility empowers organizations to sustain competitive performance throughout continuous transformation cycles

Firms that lack organizational agility often struggle to capitalize on the full potential of digital transformation. Leaders fail to convert digital initiatives into strategic value when agility is absent. Managers experience delays in implementation due to rigid decision-making structures. Organizations resist change when they lack flexible processes and responsive leadership. Teams operate in silos that hinder cross-functional collaboration and rapid learning. Executives hesitate to reconfigure resources quickly, leading to misalignment between technology and business needs. Employees face uncertainty without clear pathways for adaptive behavior.

Firms lose competitive advantage when they cannot respond effectively to shifting digital landscapes. Leaders miss opportunities for innovation because they cannot

iterate fast enough. Managers rely on outdated models that do not support dynamic capability development. Organizations endure performance stagnation despite heavy investment in digital tools. Companies struggle to scale digital solutions across departments without agile frameworks. Leaders overlook signals from digital environments due to slow organizational reflexes. Firms experience lower customer satisfaction and operational inefficiency in the absence of agility. Without agility, organizations fail to convert transformation into performance, rendering digital strategies fragmented and ineffective

The effectiveness of organizational agility as a mediator varies across industries, firm sizes, and levels of digital maturity. Firms in fast-paced sectors adopt agility more readily to respond to constant market shifts. Managers in technology-driven industries implement agile frameworks to maintain innovation speed and relevance. In contrast, firms in highly regulated or traditional sectors often encounter structural barriers that constrain agility. Large organizations face complexity when integrating agility due to hierarchical layers and legacy systems. Small and medium enterprises apply agility more flexibly, allowing quicker adaptation to digital disruption. Managers in mature digital firms align agile routines with embedded digital competencies to amplify transformation outcomes. Firms with low digital maturity struggle to leverage agility effectively due to skill gaps and limited infrastructure.

Organizations achieve optimal mediation when they align agility strategies with contextual factors like resource availability and competitive pressure. Leaders in agile-mature firms proactively anticipate change and mobilize teams rapidly. Firms in transitional stages use agility selectively, applying it to pilot projects or specific departments. Managers tailor agility implementation to their firm's growth stage and cultural readiness. Cross-sector comparisons reveal that agile mediation strengthens most in firms with decentralized governance and innovation culture. Leaders adjust agility intensity based on customer expectations, market volatility, and technological advancement. Organizations that match their agility approach to their industry profile realize greater returns from digital transformation. These variations confirm that agility's mediating power is not universal, but contingent upon organizational and environmental characteristics

This study's first finding demonstrates that digital transformation enhances firm performance only when it aligns strategically with organizational objectives and capabilities. Prior research validates this relationship through comparison and contrast. Weritz et al. (2024) show that strategic capabilities synergistically complement digital transformation success by aligning outside-in and inside-out orientations to reinforce performance. Another study indicates that firms with strong IT-business strategic alignment realize superior economic returns from digital investments, highlighting the mediating role of alignment in the transformation-performance link. Research on digital alignment within SMEs confirms that strategic and operational alignment enhances business model efficiency and strengthens performance outcomes. Empirical work finds that firms optimizing alignment between IT and business strategies outperform their peers by effectively leveraging digital capabilities.

A study focusing on IT flexibility reveals that firms managing balanced alignment across dimensions achieve significantly higher competitive performance. The alignment perspective in these studies converges on the idea that digital

transformation alone does not guarantee performance improvements. Instead, firms must integrate digital ambitions within strategic frameworks that match market positioning, governance, and resources. This comparison underscores that digital transformation outcomes depend on organizational readiness to integrate change strategically. When firms neglect alignment, they encounter implementation gaps, inefficiencies, and unrealized potential from digital initiatives. When firms adopt a deliberate alignment approach, they translate technology-driven change into sustained business value. These findings extend our review by contextualizing how organizational agility can bridge alignment gaps. By comparing these studies, we confirm that strategic alignment serves as a prerequisite foundation for agility's mediating role in transforming digital efforts into performance gains.

This finding reinforces prior empirical evidence by comparing how agility acts as a dynamic capability across sectors. Zhang, Ding, and Xiao (2023) demonstrate that organizational agility significantly drives digital transformation outcomes by enabling governmental units to mobilize resources in volatile environments. Mao and Quan (2017) reveal that IT-enabled agility directly boosts firm performance by converting exploratory and exploitative IT efforts into operational and customer responsiveness. A Turkish SME study finds that organizational agility and digital maturity jointly enhance firm performance, although agility moderates this link differently depending on maturity levels. Xu et al. (2024) confirm that organizational agility mediates the impact of big data capabilities on innovation performance, underscoring its central role in transforming digital investments into outcomes. A systematic review of agility literature concludes that agility consistently predicts performance across various industries, reinforcing the importance of agility as a practical mediator.

These prior studies align with our finding by showing that agility plays an active role in actualizing digital transformation benefits. They differ, however, in emphasizing IT capabilities, data analytics, or maturity pathways as antecedents to agility, while our review centers on the mediating mechanism. This nuance highlights that although agility emerges consistently, its antecedents vary by context, suggesting multiple routes toward performance impact. Comparing contexts, government agencies leveraged agility to accelerate digitization during crisis response, while SMEs applied agility to scale innovation efficiently. These contrasts underscore that agility's mediating role adapts to firm context, yet remains fundamental in bridging digital change and performance results. Our analysis extends previous literature by synthesizing these contextual variations into a coherent mediation model. Therefore, this study contributes by mapping agility's active role across diverse organizational settings and digital strategies.

This study's third finding that organizational agility mediates how digital transformation translates into firm performance aligns with and extends several prior investigations. Zhang, Ding, and Xiao (2023) illustrate that agility drives digital transformation outcomes, but they leave the direct link to performance unexplored. Xu et al. (2024) reveal that agility ensures big data efforts yield innovation, offering performance as an end result. Scholars studying SMEs in Turkey find that agility changes how digital maturity affects performance, acting as both mediator and moderator depending on context. The study by van de Wetering (2021) shows that enterprise architecture capabilities influence performance through an agility-like alignment mechanism, suggesting structural enablers of mediation. Studies of digital

leadership in the public sector confirm that leadership-driven agility channels digital efforts into improved government performance.

These comparisons show that while some research emphasizes agility's role in enabling digital transformation, others link that enablement directly to performance outcomes. Our study integrates these perspectives by demonstrating agility's dual role: transforming digital capabilities and converting them into measurable business impact. Differences across sectors further highlight how agility's mediation varies depending on institutional context. We reconcile these divergences by proposing a cohesive mediation model that emphasizes agility as both operational enabler and strategic converter. This enriched model advances existing literature by mapping agility's specific mechanisms such as resource reallocation, feedback loops, and structural flexibility that link transformation to results. Altogether, this analysis confirms that agility does more than support digital adoption; it functions as the active pathway through which digital transformation yields sustained firm performance.

This research highlights that firms lacking organizational agility frequently fail to unlock the full value of digital transformation efforts. Prior studies corroborate that rigid structures inhibit the effective deployment of digital tools across business units. Hassani and Silva (2020) demonstrate that inflexible governance slows technology adoption and undermines performance gains. Nguyen et al. (2021) find that firms without agile processes experience longer time-to-value cycles during digital implementation. Research by Sumbal and Ahmad (2019) shows that bureaucratic routines prevent firms from scaling digital solutions, leading to suboptimal returns. Arlbjørn et al. (2022) indicate that legacy systems and hierarchies nullify initial gains from digital initiatives due to weak integration mechanisms. Alsrusan & Bakri (2023) reveal that organizations with low agility struggle to repurpose digital investments when market dynamics shift. Digital-native firms bypass these barriers through adaptable structures and rapid reconfiguration capabilities. Our findings extend this contrast by confirming that absence of agility results in fragmented digital efforts and inconsistent performance outcomes. Firms often report high investment in digital tools yet lack measurable business impact without agile coordination. This conclusion aligns with the evolving view that agility acts as a prerequisite for realizing returns from digital transformation. Comparisons across sectors show that non-agile firms in traditional industries fall behind peers who embed agility within their transformation agendas. Lack of agility transforms digital potential into unrealized investment, reinforcing the need for capacity building before transformation.

This study reveals that the effectiveness of organizational agility as a mediator depends strongly on industry context, firm size, and digital maturity. Prior research confirms that industry-specific factors influence how agility unfolds in practice. In financial services digital agility delivers rapid innovation cycles and improved customer responsiveness, as demonstrated in agile banking initiatives (Lauk & Pardeshi, 2022). Small and medium-sized enterprises often implement agility more effectively than large corporations due to leaner structures and fewer hierarchical constraints (Garcia-Murillo & MacInnes, 2021). Technology ventures benefit most when they combine agility with platform-based business models, enabling swift digital scale-up (El Sawy et al., 2023). By contrast highly regulated industries such as healthcare and utilities struggle to adopt agility uniformly, often achieving uneven performance improvements (Choudhury & Kar, 2020). Research shows that firms at

advanced stages of digital maturity harness agility to align innovation efforts with strategic performance metrics (Kane et al., 2021). Conversely, organizations in early stages of transformation experience suboptimal returns when they apply agility inconsistently or without supporting capabilities (Fitzgerald et al., 2023). Cross-sector comparisons show that firms benefit most when they tailor their agility practices to their structural characteristics and digital readiness. These contrasts confirm that agility does not function as a universal mediator; its efficacy relies on contextual alignment. Our finding extends this understanding by illustrating that firms must calibrate agility to sector norms and organizational scale to derive performance value. Therefore, agility's role is contingent rather than universal, and organizations must consider contextual variables when deploying agile strategies in digital transformation efforts.

CONCLUSION

This study concludes that digital transformation alone does not guarantee improved firm performance unless it aligns with the organization's strategic objectives and internal capabilities. Firms must not treat digitalization as a standalone technological upgrade but as a holistic process integrated into the core of business operations. Organizations that synchronize digital initiatives with performance goals consistently outperform those that implement digital tools without strategic coherence. Managers play a critical role in orchestrating digital programs that reflect enterprise-wide priorities. Leaders must actively foster organizational readiness to ensure digital investments lead to tangible outcomes.

The research finds that organizational agility consistently acts as a dynamic capability that empowers firms to translate digital potential into operational results. Agility enables firms to anticipate change, adapt strategies, and accelerate decision-making in highly dynamic environments. Teams that operate under agile frameworks respond more effectively to market disruptions and technological shifts. Agile organizations display greater responsiveness, innovation capacity, and customer engagement than rigid counterparts. This study establishes agility as a vital mediating mechanism between digital transformation and firm performance. Without agility, firms often experience fragmented digital adoption and fail to realize performance benefits. Agility allows firms to convert digital complexity into competitive advantage through iterative learning and flexible execution.

The effectiveness of this mediating role, however, varies significantly across industry settings, organizational sizes, and levels of digital maturity. High-performing firms tailor their agility frameworks to match structural, cultural, and sector-specific demands. Digital leaders embed agility into governance models to sustain transformation momentum and performance outcomes. The research emphasizes the importance of context when designing agile strategies for digital transformation. One-size-fits-all approaches to agility prove ineffective across diverse business landscapes. Organizations must calibrate agility to their operational realities to unlock the full value of digital initiatives. This study advances a nuanced understanding of how agility not only complements but also enables the success of digital transformation. Future research may explore how external factors, such as regulatory environments and supply chain networks, interact with agility to influence transformation trajectories.

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