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## Evolution of business strategies: Insights and implications for future practices

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#### ABSTRACT

The years between 2020 and 2025 saw levels of digital disruption and environmental volatility never seen before, leading to the most significant shift in business strategy development at the time. The findings synthesized in this literature review from 30 peer-reviewed academic articles reveal the emerging implications of moving from industrial competitive positioning toward competing dynamically enabled by the digital age. The new approaches emphasize change levers, such as organizational agility, capability building, and sustainable innovation. The review presents two main insights: Fine-tuning: today, organizations that are winning are successful in merging digital technologies with dynamic capabilities that entail sensing opportunities within the market, reconfiguring resources, and creating a sustainable competitive advantage in volatile environments. Future Shifts in Strategic Frameworks: In strategic frameworks, ambidexterity balancing exploitation (taking advantage of existing resources) and exploration (searching for new resources) needs to be balanced by embedding ESG into the core of the business model.

**KEYWORDS:** strategic evolution, digital transformation, dynamic capabilities



## 1. Introduction

In the current era, business strategy has become an important area for organizations to attain and maintain a competitive edge in fast-changing and complex global markets (Jasim, 2023). Digital technologies have penetrated rapidly, fundamentally transforming competitive landscapes and forcing organizations to repeatedly evolve their strategies and structures (Raza, n.d.). Exegetical-based power influence, commonly applied in strategic planning methods, is ineffective given the rapid market-displacing nature of recent business environments, characterized by fast changes, uncertainty, complexity, and ambiguity (Rajak et al., 2025). This shift was exacerbated by the COVID-19 pandemic, which disrupted existing business models and pushed managers to seek alternative strategies that enhance organizational resilience (Tetteh et al., 2025).

The development of business strategies reflects larger changes within the field of strategic management, from static positioning frameworks towards dynamic, capability-based frameworks that prioritize organizational learning, innovation, and adaptation in strategic decision-making (Alharbi, 2024). Traditionally, strategic management dealt with the aspects of cases based on external and internally focused approaches, such as the positioning strategies given by Porter and the modernistic approach combining the elements of the resource-based view and dynamic capabilities building, which promotes a strong focus on unique resource capacity and organizational dynamics to adapt under environmental turbulence (Jasim, 2025).

This literature review investigates the transition of business strategies with a special focus on the period 2020 to 2025 and analyzes three key questions: First, how have business strategies evolved throughout history? Second, what are the ten most powerful contemporary trends shaping strategic management? Third, what do these trends mean for the future of how businesses operate?

## 2. Historical Evolution of Business Strategy

Strategic management has grown rapidly since its emergence in the 1960s and has gone through various stages, emphasizing different theoretical perspectives (Toma, n.d.). The early field of strategic management was concerned with long-range planning, resource allocation, and the development of multi-year plans by organizations based on relatively stable assumptions about the environment (Alharbi, 2024). This top-down planning style approach was the mainstay of corporate strategy in the 1960s and 1970s.

In contrast, the 1980s saw the advent of frameworks focused on competitive positioning that centered on industry structure analysis and generic strategy for achieving competitive advantage (Jasim, 2025; Michael Porter, 1980, 1985). Porter's model of five forces and generic strategies cost leadership, differentiation, and focus was a systematic way to think through competitive dynamics. This approach to strategy dominated until the late 1980s and early 1990s.

Half a decade later, a new theoretical revolution emerged in the late 1990s — the resource-based view which shifted the strategic emphasis away from external positioning by focusing on internal capabilities and resources (Jasim, 2025). According to this view, sustainable competitive advantage originates from resources that are valuable, rare, inimitable, and non-substitutable. The resource-based view has brought managerial attention back to creating unique capabilities in organizations.

Over time, however, with the turbulence of environmental conditions, it became apparent to scholars that both positioning and resource-based approaches were inadequate for explaining why firms sustain an advantage over time in dynamic settings (Drago et al., 2022). This spurred the evolution of dynamic capabilities, a recognition of the fact that organizations have the ability to perceive windows of opportunity, that they have the capability to leverage their assets and exploit opportunities, and that they must reconfigure their existing capabilities to remain competitive in environments that are changing (Ferreira et al., n.d.).

### ***3. Theoretical Foundations of Contemporary Strategic Management***

Several related theoretical foundations underlie modern strategic management. The resource-based view is a seminal theory by which firms attain above-average performance through the development of unique bundles of resources and capabilities that few competitors can imitate (Jasim, 2025). However, through the lens of dynamic capabilities theory, this extension provides an answer to how firms stay relevant in the face of dynamic environments (Drago et al., 2022). Scope, sensing opportunity and threats, and transforming to maintain evolutionary fitness are cases included in dynamic capabilities (Alrub et al., 2025).

Evidence reveals that dynamic capabilities have a significant impact on organizational performance through organizational adaptation processes, development of new capabilities, and shaping of strategic behavior. In particular, dynamic capabilities have a conditional relationship with competitive advantage (Drago et al., 2022).

The concept of strategic agility has gained prominence as it defines an organization's capacity to detect environmental shifts, facilitate rapid decision-making, and execute strategic transitions seamlessly (Mueller-Saegebrecht et al., 2025). This agility is intrinsically linked to strategic foresight, which involves the proactive anticipation of emerging trends and the formulation of adaptive strategies (Owalo et al., 2025). Recent literature emphasizes that the relationship between strategic foresight and a firm's innovative performance is fundamentally contingent upon its level of strategic agility (Rajak et al., 2025). Consequently, agility serves as a critical mechanism that allows foresight to be translated into tangible organizational success.

Miles and Snow's strategic orientation framework remains valuable for understanding patterns of organizational responses to adaptation pressures over time (Kurtz et al., 2021). A four-typology of strategic orientations (prospectors, defenders, analyzers, and reactors) was examined for their longitudinal prevalence over the period from 2007 to 2017 to provide evidence that each is relevant in the digital age, but their use is contingent (Kurtz et al., 2021).

### ***4. Current Trends in Business Strategy (2020-2025)***

#### ***4.1 Digital Transformation and Business Strategy***

As the most important strategic initiative during the 2020–2025 period, digital transformation refers to the process of leveraging digital technologies and capabilities to fundamentally change how organizations operate, compete, and create value (Hanelt et al., 2021). Digital transformation involves the use of digital technologies in all aspects of business to change how the business functions and delivers value (Abah et al. n.d.). This not only includes technology adoption but also entails strategic repositioning, organizational restructuring, and business model transformation (Christofi et al., n.d.).

The literature reflects that digital transformation has a direct impact on multi-dimensional business model innovation (Tetteh et al., 2025). In a study of 208 manufacturing firms, Tetteh et al. (2025) showed that digital transformation directly influences all four dimensions of business model innovation, namely, value proposition, value creation, value delivery, and value capture; furthermore, it has a positive amplification effect at different levels of competitive intensity. This serves to emphasize the strategic implications of digital transformation in competitive environments.

Based on this argument, technology orientation is an important mediating mechanism for understanding how digital transformation can impact business model innovation (Tetteh et al., 2025). Organizations that develop robust technology orientations are able to extract more innovation from digital investments in business model design. This means that digital transformation is hardly about technology adoption but more about nurturing mindsets that embrace technological change within the organization.

This is notable because artificial intelligence is a particularly transformational digital technology (Kitsios et al., 2021). A systematic review drawing on 81 articles discovered four key value creation

synergies from AI integration, including AI and machine learning capabilities, AI tools' alignment with organizational strategy, AI-enabled knowledge management and decision-making, and AI-enabled service innovation (Kitsios et al., 2021).

Digital maturity, as an organizational capacity to adapt efficiently with digital technologies, is one of the key drivers of increasing the efficiency of strategic planning (Alrub et al., 2025). Our study identified robust relationships between dynamic capabilities and competitive advantage, and digital maturity was found to be a key mediating outcome through which dynamic capabilities were positively proportionate to the effectiveness of strategic planning (Alrub et al., 2025).

#### 4.2 Dynamic Capabilities and Strategic Adaptation

As attractive mechanisms for strategic insulation, dynamic capabilities facilitate strategic adaptation based on the (re)configuration of resources (Ferreira et al., n.d.) through sensing opportunities, seizing opportunities, and maintaining evolutionary fitness. Numerous studies have shown that dynamic capabilities are vital for competitive advantage and, subsequently, organizational performance, with innovation acting as one of the main mediating mechanisms (Ferreira et al., n.d.). There appear to be stronger synergies between value creation and related processes: organizations that have built stronger sensing, learning, integrating, and coordinating capabilities create greater value (Rashidirad et al., 2020).

The extant literature has widely documented the connection between dynamic capabilities and business model innovation. Results from an establishment-level analysis of Chinese firms from 2008 to 2023 showed a path in which business model innovation and dynamic capabilities jointly impacted enterprise development (Xie et al., 2025). It is given that we need to work on developing dynamic capabilities along with business model innovation.

Dynamic capabilities driven by knowledge can be closely connected and embedded into digital transformation, thus fostering the strategic intuition of organizations to outperform (Songkajorn et al., 2022). In Thailand's auto parts industry, it has found the positive impacts of knowledge-based dynamic capabilities on digital transformation and of the two constructs on organizational strategic intuition, as well as all three on high-performance outcomes (Songkajorn et al., 2022)

Fourth, organizational learning is an important moderator of the relationship between dynamic capabilities and competitive advantage (Ferreira et al., n. Dynamic Capabilities Research Organizations with strong learning orientations are better able to translate dynamic capabilities into competitive advantage. As capability type influences V(C)C differentially depending on organizational context, this highlights the contingent nature of dynamic capabilities (Rashidirad et al, 2020)

#### 4.3 Strategic Agility in Volatile Environments

Increasingly in recent years, particularly in light of the large number of high-profile companies failing to respond quickly enough to disruptive change (and the equivalent number of successes), strategic agility has come to be seen as an essential capability for realizing and maintaining competitive advantage through business model innovation in turbulent environments (Mueller-Saegbrecht et al., 2025). Strategic agility is the ability of an organization to quickly sense changes in the environment, make timely decisions and adjust strategy accordingly (Owalo et al., n.d. For this reason, it has been proposed that strategic agility can act as mediating variable between strategic foresight and innovative performance by turning foresight into strategy (Rajak et al., 2025).

This includes the ability to predict technological, market, and policy changes (Rajak et al., 2025), which we refer to as strategic foresight, and which empowers organizations to proactively search for future challenges. As this ability for insight continues to improve, organizations with stronger capabilities can spot new trends that are just emerging, judge the potential impact on the organization (or indictment risk!), and create strategies to deal with them well in advance of their competition, long before any changes in the environment take place.

Strategic foresight combined with predictive business analytics is a new frontier (Ridwan, 2025). As such, the manifestation of an expanding digital landscape coupled with constantly changing market conditions, AI-enabled predictive analytics allows organizations to model how they would compete in different states of the world, which is the closest we have gotten in terms of data-based foundations for strategic foresight (Ridwan, 2025). By integrating these two frameworks, organizations are better equipped to thrive in systemic uncertainty and make confident strategic decisions.

Strategic agility is a dynamic capability, and so is its complement, strategic flexibility, the ability to reconfigure resources and change strategic directions (Jassem, 2024). Research on artificial intelligence and accounting has identified strategic foresight, agility, and flexibility as inter-related micro-foundations that allow organizations to adapt (Jassem, 2024).

#### 4.4 Business Model Innovation

The pursuit of business model innovation has shifted from marginal to essential, largely as organizations seek to remain relevant in disrupted markets (Holtström, 2021). Strategic transformation is one of the key triggers of business model innovation, and organizations that undergo strategic transformations often reconfigure their business models to align with the new strategic direction (Holtström, 2021).

In preparing a roadmap for digital transformation, scholars have considered the extent to which business model innovation and transformation are facilitated by the capabilities arising from the digital shift, which has been well documented (Tetteh et al., 2025). Digital transformation affects business model innovation in various ways, including better customer visibility, access to new value proposition solutions, new ways to deliver these solutions, and new ways to pay for them.

There will be the mechanism through which the digital transformation effects business model innovation is mediated by technology orientation (Tetteh et al., 2025). Strong technology orientations help organizations convert digital investments into innovations in business models more effectively. Competitive intensity moderates this relationship, such that the increase in positive effects of a greater resource base on innovation performance is stronger under a high competitive pressure (Tetteh et al., 2025).

Business model innovation consists of four dimensions: transformational innovation (innovation of value proposition), transitional innovation (innovation of value creation), transactional innovation (innovation of value delivery), and traditional (innovation of value capture) (Tetteh et al., 2025). You need to look at all four dimensions rather than just parts of the business model for successful business model innovation.

#### 5. Implications for Future Business Practices

The evolution of business strategies has a few salient implications for future actions. To adaptively respond to such multifaceted changes, practices also have to evolve accordingly (Church & Jacobs, 2023); therefore, first organizations have to build up sets of integrated strategic frameworks that simultaneously counter-position the positioning (Jasim, 2025). It has to balance external positioning of the market with the development of internal capabilities and dynamic adaptation mechanisms if it wants to be effective, especially in the 21st century.

Second, digital transformation should not be treated as a technology implementation project but rather as a holistic strategic initiative (Hanelt et al., 2021). Achieving successful digital transformation requires internal organizational alignment of digital technologies with an organization's strategy, development of capabilities and mindsets for new digital processes, and even redesigning business models to take advantage of digital opportunities (Kitsios et al., 2021).

Third, organizations must build strategic agility as a fundamental organizational capability by incorporating flexibility and responsiveness into strategic planning processes, organizational structures, and operational systems (Mueller-Saegebrecht et al., 2025). In volatile environments, traditional

approaches to strategic planning, which focus on long-term plans, are no longer sufficient. Therefore, future strategic planning must develop the ability to foresee directionality while remaining adaptable (Alrub et al., 2025).

Fourth, business model innovation must be considered as a looped strategic process, not as a one-off design exercise (Holtström, 2021). They need to build the capabilities for perpetual business model experiments and iterations, putting new value propositions, delivery systems, and revenue models to the test in response to shifting customer preferences and competition.

Capability development processes must integrate knowledge management and organizational learning (Sun et al., 2021). Organizations that engage in the systematic capture, sharing, and application of knowledge are better able to develop and leverage dynamic capabilities.

Finally, strategic foresight capabilities that combine predictive analytics with scenario planning and systematic environmental scanning should be developed (Ridwan, 2025). Proactive organizations that foresee the future and prepare adaptive frameworks outperform their reactive counterparts.

Finally, sustainability and ESG issues should form an integral part of fundamental strategic frameworks (Jasim, 2025). Environmental, social, and governance issues increasingly affect competitive advantage through various pathways, such as legitimacy with stakeholders, compliance with the regulatory climate, risk management mechanisms, and innovation opportunities (Jahanbakhsh 2025).

Eighth, leadership strategies should be adapted to enable strategic agility and persistent innovation (Amin et al., 2024). In this transformed era of dynamics and complexities, transformational leadership attempts to set up cultures of continuous improvement, information sharing and organizational knowing that are indispensable for handling modern-day challenges

## 6. Conclusion

Business strategies have changed, and the trajectory points to a more dynamic, digitally powered, and responsive evolution of strategic management. The evolution from positioning with respect to resources towards dynamic capabilities resonates with increasing environmental complexity, alongside the speeding up of the change rate, which requires flexible and responsive strategies. Emerging trends around 2020–2025 most notably, digital transformation, development of dynamic capabilities, building strategic agility, and business model innovation all reflect organizational responses to unparalleled volatility and disruption.

The analysis shows that successful organizations combine multiple strategic perspectives, instead of adopting the usually adopted one-perspective approach. In the innovations of a 21st-century strategy, competitive positioning, resource and capability development, dynamic adaptation mechanisms, digital technology integration, and sustainability are all addressed simultaneously. Organizations that create integrated strategic frameworks that address these multiple dimensions outperform and are more resilient.

Digital transformation has taken the number one spot as a strategic imperative; however, to successfully transform organizations, one needs much more than just technology. In this context, organizations need to build digital capabilities, establish technology orientations, reach digital maturity, or create new business models based on digital possibilities. Organizational capabilities mediate the relationship between digital transformation and competitive advantage, whereas competitive intensity moderates that relationship.

However, the relationship between dynamic capabilities and strategic adaptation remains critical, allowing organizations to anticipate opportunities, capture them through resource reconfiguration, and preserve evolutionary fitness. Finally, tailoring and adapting dynamic capabilities with the capacity to react quickly but adequately in accordance with knowledge management (KM), organizational learning, and strategic agility offers solid pillars of sustainable competitive advantage.

Strategic agility is an urgent capability that has emerged to manage volatility and enable business

model innovation. Organizations need to build this capability, which allows them to quickly sense, decide, and implement while maintaining strategic coherence and operational effectiveness. This means that combining strategic foresight and predictive analytics can improve an organization's ability to foresee-enough- and prepare better for future uncertainties.

Digital transformation is the main driver of business model innovation to remain relevant in disrupted markets. Organizations need to build capabilities for continual business model experimentation and evolution, where innovation is a process rather than an event-driven redesign.

The future of many organizations has never been more uncertain because of accelerating technological change, intensifying competition, advancing sustainability imperatives, and ongoing environmental volatility; hence, they need to constantly innovate their strategic approaches. Expect an amalgam of AI, advanced analytics, and new technologies to become increasingly integrated into strategic processes one with new capabilities and governance mechanisms. Sustainability and ESG considerations will become even more embedded in competitive dynamics, necessitating integration within core strategic frameworks. The ability to continuously learn, reinvent, and innovate will separate the winners from those left behind in an age of constant disruption.

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