
Systematic Literature Review on the Importance of Flexibility and Organizational Culture for SMEs to Survive in a Highly Competitive Market

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ABSTARCT: Operational flexibility is one of the key strategies for small and medium enterprises (SMEs) to survive and thrive in a dynamic business environment. This study aims to explore how operational cessation supports SMEs in dealing with market closures and increasing internal efficiency, as well as examining the collaborative role of adaptive organizational culture in shaping competitive advantage. The research method used is the Systematic Literature Review (SLR) of 18 scientific articles selected based on methodological quality and thematic relevance. The results of the study indicate that operational continuity allows SMEs to respond quickly to market changes through resource optimization, technology adaptation, and more agile strategic decision making. In addition, the synergy between operational continuity and adaptive organizational culture transformed by collaborative, innovative, and continuous learning values forms dynamic capabilities that contribute to increased competitiveness. This study provides a contextual contribution to SME business development strategies and recommends integration between operational operations and strengthening adaptive culture as a holistic approach in building sustainable competitive advantage.

KEYWORDS: operational operations, adaptive organizational culture, SMEs, competitive advantage, dynamic capabilities, business efficiency.

I. INTRODUCTION

Rapid market changes due to globalization, technological advances, and evolving consumer preferences require small and medium enterprises (SMEs) to have high adaptive capabilities. Amid competitive pressures and economic uncertainty, SMEs are required not only to survive, but also to be able to develop flexible and innovative strategies to maintain their position in the market (Azeem et al., 2021) (Al Azzani et al., 2024). One strategic approach that is increasingly receiving attention in this context is operational flexibility. This concept refers to the ability of an organization to make rapid adjustments to changes in the external and internal environment, including in aspects of production, distribution, use of technology, and decision making (Liu, 2021). However, operational flexibility alone is not enough without being supported by an adaptive organizational culture.

Organizational culture that emphasizes values such as collaboration, innovation, openness to change, and continuous learning, can strengthen the implementation of flexibility in various lines of company operations (Denison & Mishra, 1995). Collaboration between the structural dimension (operational flexibility) and the cultural dimension (adaptive culture) forms what is called dynamic capability, namely the ability to integrate, build, and reconfigure internal and external competencies in response to a changing environment (Teece, Pisano, & Shuen, 1997). Operational flexibility in the context of challenges, becomes a very important core capability for SMEs. Operational flexibility provides opportunities for SMEs to respond to market changes quickly and efficiently, for example by optimally utilizing available resources and making adjustments to ongoing business strategies or processes. The ability to make quick and appropriate decisions is also an integral part of this flexibility, which ultimately supports increased operational efficiency and strengthens the competitiveness of SMEs in a competitive market.

In addition to operational flexibility, an adaptive organizational culture also plays a crucial role in helping SMEs cope with change. An organizational culture characterized by values such as innovation, collaboration, and learning provides a strong foundation for operational flexibility to thrive. Through the implementation of this culture, SMEs can build dynamic capabilities that enable them to manage change effectively, both in facing challenges and in taking advantage of new opportunities that arise in the market. This not only helps SMEs stay relevant but also creates a competitive advantage in the long term (Liu, 2021)(Onngam & Charoensukmongkol, 2023).

A good organizational culture in SMEs can be formed with: good leadership, Clear company vision and mission, Togetherness

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between business owners and employees, Flexibility in running a business. Although various studies have discussed the importance of flexibility and organizational culture separately, studies that specifically integrate the two in the context of SMEs are still relatively limited. Therefore, this study seeks to fill this gap by raising two main questions:

1. How does operational continuity support SMEs in responding to market dynamics while increasing business efficiency?
2. How can the interaction between operational disruption and organizational adaptive culture create competitive advantage for SMEs?

Through the Systematic Literature Review (SLR) approach to the latest relevant literature, this study is expected to provide theoretical and practical contributions, especially in research on SME development strategies based on start-ups and adaptive culture.

C. RESEARCH METHOD

This study uses a systematic literature review approach that aims to find answers to questions determined through structured synthesis (Briner & Denyer, 2012). A systematic literature review is a research approach to identify, interpret and interpret all relevant research on a particular question or topic or phenomenon of interest (Kitchenham, 2004).

In this study, five SLR steps were carried out, which were adapted from The Benefits of Publishing Systematic Quantitative Literature Reviews for PhD Candidates and Other Early-Career Researchers.Pdf, n.d.) (Marek et al., 2009). Step 1 contains the purpose of the review is determined, and the research question is formulated, in step 2 contains the review protocol is formulated by identifying search terms and databases in addition to compiling literature selection criteria. Then, in step 3 contains the databases identified from the relevant literature and then selected based on predetermined criteria. In step 4 contains all relevant information is extracted and summarized in tabular form, finally in step 5 contains content analysis is carried out (E. C. L. Yang et al., 2017b) (Haddaway et al., 2022), all steps are shown in Figure 1.

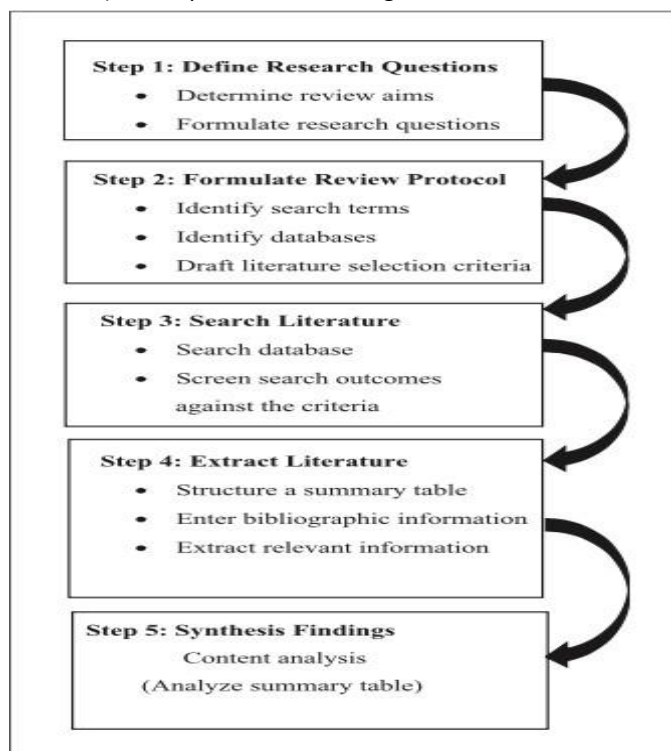


Figure 1. SLR process, adapted from (Haddaway et al., 2022)

The researcher conducted a search through electronic databases using Emerald, Elsevier and Taylor & Francis. The researcher used keywords ("Small businesses" OR "SMEs" OR "small and medium enterprises" OR "entrepreneurship" OR "micro businesses") AND ("competitive market" OR "market changes" OR "market competition" OR "market environment") AND ("Flexibility" OR "Agility" OR "Adaptability" OR "Resilience"). To achieve multidisciplinary coverage and relevant literature searched in the Scopus database on the most significant small and medium enterprises. Although previous systematic reviews mostly considered two to three databases (E. C. L. Yang et al., 2017b), this research review is only from the main data, namely Scopus

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with quality Q1 and Q2 so that the findings in this systematic literature review are valid and reliable. The data search in this study includes research titles, keywords, abstracts, or texts, and published in English-language academic journals in the period 2019 to 2024. The choice of English is because it is the main language in international academic publishing (E. C. L. Yang et al., 2017b), so in this research review is the main reason for choosing peer-reviewed academic journals published in English and covering a period of 5 years.

A. Literature Screening

The Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) was used for literature screening that became the basis for this research review (Haddaway et al., 2022). To select articles using the Parsifal tool so that it is easier to select considering that there are some articles that are not open access. As of December 7, 2024, literature searches against the Scopus database produced 78 findings, consisting of 69 articles, 7 proceedings, and 2 book parts. In the first stage of the selection process with the help of the Parsifal application, the time span was limited from 2019 to 2024, resulting in 25 findings, consisting of 21 articles, 3 proceedings, and 1 book part. In the second stage of the selection process, 3 proceedings and 1 book part were deleted, so that only 21 articles were used. In the third stage for duplicate (overlapping) research, 2 articles were deleted, so that the remaining 19 articles were the fourth stage, namely eliminating non-English articles. In the final stage, the criteria for selecting literature were met, where the existing articles were carefully reviewed one by one based on the selection criteria. At this stage, 1 article was removed because it did not match the topic. 18 articles were considered eligible and selected for final synthesis and analysis.

The selection process in this study is shown in Figure 2. In the research method section, the researcher found 13 articles out of 18 articles that used quantitative methods (72%). There were 5 articles that used qualitative methods. From these results, it is known that the quantitative method is the main method used in research that discusses the Importance of Flexibility and Organizational Culture for SMEs to Survive in a Highly Competitive Market. This method is preferred because it can be presented in different conditions and manipulations (Chu & Kamal, 2008; Rihl & Wegener, 2019; Taillon et al., 2020; Yuan & Lou, 2020). Furthermore, 2 studies that used mixed methods (e.g. (Harrigan et al., 2021; Pittman & Reich, 2016) combined interview techniques aimed at improving previous findings and deeper insights, and then testing them with quantitative analysis.

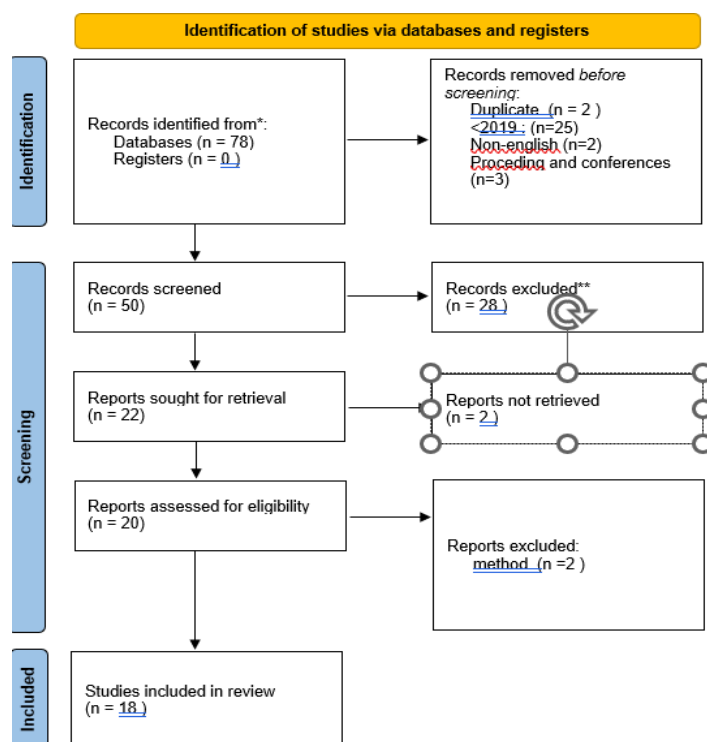


Figure 2. Prism Flowchart

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Based on the researcher's search from the journal database, 18 articles were found in international journals that were in accordance with this study. The research focus of each article is written in table 1.

Table 1 Empirical Research used in the Systematic Literature Review

No	Author	Title	Findings
1	Muhammad Azeem *, Sajid Haider, Muhammad Sajjad, 2021	Expanding competitive advantage through organizational culture,	Organizational culture, knowledge sharing, and innovation have a positive influence
2	I Wayan Edi Arsawan 1,* , Ni Kadek Dessy Hariyanti 1 , I Made Ari Dwi Suta, 2022	Developing Organizational Agility in SMEs: An Investigation	Social capital influences collaborative knowledge creation, innovation, and organizational agility, but collaborative knowledge creation has no impact on agility. Strategic flexibility does not moderate the relationship between innovation and agility
3	Calvin M.L. Chan1 Say Yen Teoh2 Adrian Yeow1 Gary Pan3, 2019	Agility in responding to disruptive digital innovation: Case study of an SME	SMEs achieve agility by mitigating organizational rigidity with boundary openness, developing innovative capabilities with organizational adaptability, and balancing ambidexterity to manage resource constraints.
4	Hsian-Ming Liu*, 2021	Effect of partnership quality on SMEs success: Mediating role of coordination capability and organisational agility	Partnership quality (PQ) improves organizational performance (FP) through coordination capability (CC) and organizational agility (OA). SMEs need to maintain PQ to overcome resource constraints and create competitive advantage in a dynamic market
5	Paolo Boccardelli1* and Mats G. Magnusson2, 2006	Dynamic Capabilities in Early-Phase Entrepreneurship	Start-ups that change their market focus tend to survive longer without having to change their technological resources. Early dynamic capabilities are more bricolage-like, that is, recombining existing resources to suit market demand. Resource flexibility and the role of entrepreneurs need to be included in the dynamic capabilities framework
6	Yang 1,2, Shuhe Shi 1,2,* and Jingjing Wu 3, 2022	Digital Financial Inclusion to Corporation Value: The Mediating Effect of Ambidextrous Innovation	Digital financial inclusion enhances exploitation innovation, with ambidextrous innovation as a partial mediator. Financial flexibility strengthens this relationship, while corporate social responsibility has a short-term negative impact but supports long-term firm value. Product market competition strengthens the relationship between digital financial inclusion and exploitation innovation.

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- 7 Andrea Cardoni 1,* , Knowledge Management and Performance Measurement Systems for SMEs' Economic Sustainability The KM exploration approach has a positive effect on the economic sustainability of SMEs, and consistent implementation of PMS strengthens this relationship. This study suggests that SMEs design a coherent KM approach and implement an appropriate PMS to support economic sustainability.

- 8 Teng Ma, Ya Liu * and Rongyan Jia, 2023 Multiple Driving Paths of High-Tech SME Resilience from a "Resource–Capability–Environment" Perspective: An fsQCA Approach Three pathways driving high resilience were found: resource-capability, resource-capability-environment, and resource-environment. This study reveals that the organizational resilience of high-tech SMEs is influenced by complex interactions of multiple factors and provides insights for managers in enhancing resilience and sustainability.

- 9 Hamed Ali Al Azzani1 , Normal Mat Jusoh1, and Aamir Abbas2, 2024 Market and Supply Chain Orientation; Dynamic Capabilities Leading to Innovation and Operational Capabilities Market and supply chain orientation enhance SMEs' innovation, operational, and performance capabilities. These capabilities mediate the relationship between market/supply chain orientation and SME performance, but strategic flexibility does not moderate the effect of innovation capabilities.

- 10 Aqueeb Sohail Shaik, Monika Jain, Aparna Mendiratta, Ghadah Alarifi and Elisa Arrigo, 2023 Role of strategic knowledge management practices in enhancing strategic perspectives of an organisation to improve entrepreneurial performance The findings show that investments in SKM and OCC help SMEs adapt to market changes, develop effective strategies, and improve entrepreneurial performance. This study emphasizes the importance of SKM and OCC in creating a culture of innovation and agility, and provides recommendations for policies to support SMEs in implementing these two practices.

- 11 Worachet Onngam and Peerayuth Charoensukmongkol, 2023 Effect of social media agility on performance of small and medium enterprises: moderating roles of firm size and environmental dynamism This study shows that social media agility has a positive effect on the business performance of SMEs in Thailand, with smaller firms gaining greater benefits. In addition, social media agility is more effective in markets with low dynamics.

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- 12 Qinghua Xia, Yi Xie and Shuchuan Hu, 2021 Exploring how entrepreneurial orientation improve firm resilience in digital era: findings from sequential mediation and FsQCA The findings show that EO has a positive effect on DBC and RE, with DBMI acting as a mediator. The EH factor strengthens the impact of EO on RE.
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- 13 Hsian-Ming Liu*,2020 Effect of partnership quality on SMEs success: Mediating role of coordination capability and organisational agility Data collected from 257 SMEs in Taiwan revealed that PQ plays a critical role in improving FP by facilitating internal coordination and agility in responding to market changes and customer needs.

- 14 Samuel Adomako a,*, Joseph Amankwah-Amoah b, Francis Donbesuur c, Mujtaba Ahsan d, Albert Danso e, Moshfique Uddin, 2022 Data collected from 257 SMEs in Taiwan revealed that PQ plays a critical role in improving FP by facilitating internal coordination and agility in responding to market changes and customer needs The research results provide a deeper insight into the relationship between firm capabilities, strategic agility, and SME international performance.

- 15 Chrysovalantis Gaganis a, Fotios Pasiouras b,*, Fotini Voulgari c, 2019 Culture, business environment and SMEs' profitability: Evidence from found that freedom from corruption, conditions that support easy access to credit, and fewer government regulations related to starting, operating, and closing a business increase profitability. National cultural dimensions also play an important role, where individualism, masculinity, and long-term orientation have a positive impact on profitability, while power distance and avoidance of uncertainty have the opposite effect. The influence of national culture on profitability also depends on political stability and the quality of institutions

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- 16 Edgar Antonio | José Sánchez-Báez1 | Isidoro Romero2, 2019
Organizational culture and innovation in small businesses in Paraguay
The empirical analysis was conducted using a sample of 194 small businesses from two regions in Paraguay: the Asunción area and the Central Department. Organizational cultures with an external orientation (adhocratic and market) were shown to have a significant positive impact on innovation. However, the influence of organizational culture on specific types of innovation (product, process, organizational, and marketing) varies. Hierarchical cultures showed a positive influence on process innovation.

- 17 Kamila Malewska a,*, Szymon Cyfert a, Anna Chwiłkowska-Kubala a, Katrzyna Mierzejewska a, Witold Szumowski, 2024
The missing link between digital transformation and business model innovation in energy SMEs: The role of digital organisational culture
Kamila Malewska a,*, Szymon Cyfert a, Anna Chwiłkowska-Kubala a, Katrzyna Mierzejewska a,
The results of the study show that the direct impact of digital transformation on business model innovation in energy companies is limited, and is more manifested indirectly through digital organizational culture. This shows the importance of digital organizational culture in the success of business model transformation.

- 18 Samuel Omokhafa Yusuf 1, *, Remilekun Lilian Durodola 2, Godbless Ocran 2, Justina Eweala Abubakar 3, Amarachi Zita Echere 4 and Adedamola Hadassah Paul-Adeleye 5, Samuel Omokhafa Yusuf 1, *, Remilekun Lilian Durodola 2, Godbless Ocran 2, Justina Eweala Abubakar 3, Amarachi Zita Echere 4 and Adedamola Hadassah Paul-Adeleye 5, 2024
Samuel Omokhafa Yusuf 1, *, Remilekun Lilian Durodola 2, Godbless Ocran 2, Justina Eweala Abubakar 3, Amarachi Zita Echere 4 and Adedamola Hadassah Paul-Adeleye 5
The study found that the top challenges to AI adoption by SMEs include limited financial resources, lack of skilled talent, data security concerns, and organizational resistance to change. These challenges vary across continents: SMEs in Africa face high costs and lack of skills, SMEs in Europe are constrained by regulation and infrastructure, while SMEs in Asia face sustainability issues and cultural barriers. However, the potential of AI to improve operations and customer engagement is globally recognized. The study suggests the need for tailored policies, capacity-building initiatives, and cross- border collaboration to support AI adoption in SMEs. The study found that the top challenges to AI adoption by SMEs include limited financial resources, lack of skilled talent, data security concerns, and organizational resistance to change. These challenges vary across continents: SMEs in Africa face high costs and lack of skills, SMEs in Europe are constrained by regulation and infrastructure, while SMEs in Asia face sustainability issues and cultural barriers. However, the potential of AI to improve operations and customer engagement is globally recognized. The study suggests the need for tailored policies, capacity-building initiatives, and cross- border collaboration to support AI adoption in SMEs.

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This study aims to explore the impact of digital transformation and AI on SMEs across continents and identify challenges and drivers of AI adoption based on regional context

Source: Researcher Processing, (2025)

FINDINGS AND DISCUSSION

Through a systematic analysis of the literature, several key themes emerged, namely (1) operational flexibility as a key to market adaptation, (2) increasing efficiency through resource optimization, and (3) strategic implications of operational flexibility for SME competitiveness. This study found that operational flexibility plays a crucial role in helping SMEs adapt to market dynamics and improve business efficiency. Operational flexibility enables SMEs to respond quickly to market changes through efficient management of resources, both internal and external, and responsive strategic decision-making (Azeem et al., 2021)(Chan et al., 2019). Strategic agility also plays a critical role in enabling companies to integrate innovation into their business models, creating an adaptive approach to changes in the business environment (Al Azzani et al., 2024)(Onngam & Charoensukmongkol, 2023). By leveraging digital technologies and innovative capabilities, SMEs can increase productivity while reducing operational costs, which are key factors in enhancing their competitiveness in a dynamic market (Shaik et al., 2024)

Overall, this study highlights that operational flexibility not only improves business efficiency but also strengthens SME competitiveness through interaction with adaptive organizational culture. The findings offer practical insights for decision makers in SMEs to integrate operational flexibility with cultural values that support innovation and collaboration to maintain their business sustainability in a changing market environment. In detail, the main findings can be summarized as follows:

In a changing business environment, operational flexibility has been identified as one of the key elements that enable SMEs to respond to market dynamics quickly and efficiently. (Chan et al., 2019). This study highlights that operational flexibility not only improves business efficiency but also plays a significant role in maintaining SME sustainability in a dynamic market.

The Importance of Operational Flexibility in a Changing Business Environment

Operational flexibility allows SMEs to adapt their strategies to changing market conditions quickly. In the context of SMEs, which often have limited resources, this flexibility helps them make optimal use of existing resources to respond to changes without incurring significant additional costs (Al Azzani et al., 2024)(Onngam & Charoensukmongkol, 2023). The ability to adapt to changing customer needs or market trends provides SMEs with a significant competitive advantage, especially in sectors that rely heavily on innovation and agility (Y. Yang et al., 2022)(Chan et al., 2019)(Cardoni et al., 2020).

For example, when market demand shifts due to trends or changes in customer preferences, operational flexibility allows SMEs to shift their focus from less desirable products to products with higher market potential. With this approach, SMEs not only avoid financial losses, but can also maintain their relevance in the market (Cardoni et al., 2020)(Shaik et al., 2024).

Dimensions of Operational Flexibility that Increase Efficiency

Operational flexibility includes several dimensions, including process flexibility, structural flexibility, and technological flexibility. The following is a description of operational flexibility

1. Process Flexibility

Process flexibility allows SMEs to change their workflow or production methods according to market needs. It also helps reduce resource waste because the production process can be adjusted to actual demand (Samuel Omokhafa Yusuf et al., 2024)(Liu, 2021).

2. Structural Flexibility

Structural flexibility refers to the ability of an organization to reorganize its internal structure in response to external changes. In SMEs, a lean organizational structure allows for faster communication and more responsive decision-making, which ultimately increases operational efficiency (Onngam & Charoensukmongkol, 2023)(Ma et al., 2023). This approach is especially important in dealing with sudden changes, such as demand fluctuations or pressure from competitors.

3. Technological Flexibility

Technology plays an important role in supporting operational flexibility in SMEs. By integrating digital technology, SMEs can automate manual processes, reduce operational costs, and improve accuracy in decision-making (Boccardelli & Magnusson, 2006)(Y. Yang et al., 2022). In addition, technology enables SMEs to quickly analyze market data and identify new trends, which is

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critical to making timely strategic decisions

Operational Flexibility as a Response to Market Dynamics

In the face of market dynamics, operational flexibility helps SMEs to stay relevant by ensuring they can adapt quickly to external changes. Research shows that SMEs with higher flexibility have a greater chance of surviving in a competitive market (Sánchez-Báez et al., 2020)(Al Azzani et al., 2024). For example, when customer preferences change, operational flexibility allows SMEs to develop new products or adapt their services to meet market needs (Chan et al., 2019)(Onngam & Charoensukmongkol, 2023).

Improving Business Efficiency through Operational Flexibility

Business efficiency is one of the main outcomes of operational flexibility. With the ability to manage resources efficiently, SMEs can reduce waste, increase productivity, and optimize the use of their assets (Malewska et al., 2024)(Ma et al., 2023). This not only helps in reducing costs but also increases profit margins, which is crucial for business sustainability (Xia et al., 2024)(Liu, 2021). For example, SMEs that use technology to support operational flexibility can automate time-consuming processes, such as inventory management or customer data analysis. Thus, time and resources previously spent on manual tasks can be allocated to strategic activities, such as product development or marketing (Boccardelli & Magnusson, 2006)(Y. Yang et al., 2022).

Challenges in Implementing Operational Flexibility

Many SMEs do not have the capacity to adopt advanced technologies or recruit skilled workers to support their operational flexibility (Chan et al., 2019)(Samuel Omokhafa Yusuf et al., 2024).

In addition, the lack of awareness about the importance of operational flexibility is also a barrier. Some SMEs may not be aware of the potential benefits they can gain from this flexibility, and are therefore reluctant to invest time and resources in developing it (Cardoni et al., 2020)(Azeem et al., 2021). Therefore, broader education and training are needed to increase understanding of the importance of operational flexibility among SMEs.

The Role of Operational Flexibility in Adapting to Market Dynamics

Operational flexibility provides a framework that allows companies to identify changes in the market, both opportunities and threats, and take swift action to adjust their operations. For example, SMEs that implement operational flexibility can quickly adapt their production lines to meet changing customer preferences, such as increased demand for environmentally friendly products (Xia et al., 2024)

In addition, operational flexibility allows SMEs to respond more effectively to demand fluctuations. With the ability to adjust the scale of operations based on market demand, SMEs can reduce the risk of resource wastage and improve business efficiency. This is a significant advantage, especially for SMEs operating in sectors with fluctuating demand levels, such as manufacturing or retail (Shaik et al., 2024). This capability not only helps SMEs survive in a competitive market but also provides them with the opportunity to expand their market share by providing relevant solutions in a timely manner.

Resource Optimization through Operational Flexibility

By adopting technologies such as supply chain management software or data analytics tools, SMEs can increase transparency in their operations, identify areas for improvement, and make more data-driven decisions (Sánchez- Báez et al., 2020). The use of these technologies not only improves operational efficiency but also helps SMEs stay relevant in a business landscape increasingly driven by technological innovation.

Improved Business Efficiency through Operational Flexibility

Operational flexibility also helps SMEs mitigate risks associated with market uncertainty. With the ability to adapt their strategies according to changing market conditions, SMEs can avoid wasting resources on initiatives that are no longer relevant and shift their focus to more profitable opportunities (Arsawan et al., 2022).

Competitive Advantage Provided by Operational Flexibility

Operational flexibility not only helps SMEs in facing market challenges but also provides significant competitive advantages. By being able to respond to market changes faster than their competitors, SMEs can build a reputation as responsive and innovative companies. This gives them an advantage in attracting and retaining customers, which is an important asset in a competitive market (Gaganis et al., 2019).

Literature Gaps and Suggestions for Further Research

Although the benefits of operational flexibility have been widely identified, there are interrelations in the literature that require further attention. Most previous studies tend to explore operational flexibility as a broad concept without delving deeper into its specific dimensions, such as evolving organizational structures, business processes, or technology use (Onngam & Charoensukmongkol, 2023). Future research is recommended to explore how these dimensions individually contribute to SME performance.

In addition, the limited empirical data in emerging markets limits our understanding of how operational flexibility can be effectively implemented in contexts that present unique challenges, such as limited access to technology or regulatory constraints

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(Gaganis et al., 2019). Future research could focus on exploring operational flexibility strategies specifically designed for emerging markets, providing more relevant insights for SMEs in this region.

The Importance of Adaptive Organizational Culture in Operational Flexibility

Research suggests that collaborative cultures support operational continuity by enabling organizations to respond quickly to change, as decision-making processes become more decentralized and responsive to urgent situations (Sánchez-Báez et al., 2020). By instilling values of continuous learning, SMEs can enhance their employees' capabilities to manage change and leverage new technologies. **The Interaction between Adaptive Culture and Operational Flexibility**

Operational flexibility also plays a significant role in supporting the adaptation of organizational culture to market needs. In some cases, organizations may use operational flexibility to test new approaches or product prototypes, ultimately helping them understand whether cultural change is needed to support new strategies. This suggests that the interaction between operational flexibility and organizational culture is bidirectional: culture supports flexibility, but flexibility can also shape organizational culture (Chan et al., 2019).

Sustainable Competitive Advantage

Research shows that a culture that supports innovation and learning, combined with operational flexibility, enables SMEs to continuously develop new products or services that meet changing market needs (Gaganis et al., 2019). For example, SMEs operating in the technology sector can use a culture of innovation to drive new product development, while operational flexibility allows them to integrate customer feedback into product iterations quickly. This process not only increases their competitiveness but also builds customer loyalty by providing relevant and timely solutions (Malewska et al., 2024). Values such as cross-functional collaboration, innovation, and continuous learning create unique advantages that are difficult for competitors without these cultural elements to match. Thus, these interactions not only provide short-term advantages but also ensure the sustainability of SME competitiveness (Liu, 2021).

The Importance of Adaptive Organizational Culture

An adaptive organizational culture plays a critical role in strengthening the operational flexibility of SMEs. Core values such as innovation, collaboration, learning, and purposeful risk-taking help create an environment that supports flexibility. Innovation, for example, allows SMEs to continuously create new products or services that are in line with changing market needs (Gaganis et al., 2019). In many cases, this culture provides the necessary foundation to ensure operational flexibility can be implemented effectively. **Operational Flexibility as a Strategic Tool**

Operational flexibility provides SMEs with the ability to adapt quickly to market changes. By using this flexibility, SMEs can manage internal and external resources more efficiently, respond to market dynamics, and exploit opportunities quickly (Shaik et al., 2024). In the context of interacting with an adaptive organizational culture, operational flexibility acts as a strategic tool that allows companies to translate their cultural values into concrete actions that support competitiveness (Arsawan et al., 2022).

For example, in the face of changing consumer preferences, SMEs with a culture of innovation and operational flexibility can quickly develop new products or adapt their marketing strategies. This not only increases their competitiveness in the market but also helps build customer loyalty by offering relevant and timely solutions (Malewska et al., 2024).

Interactions that Create Dynamic Capabilities

The interaction between an adaptive organizational culture and operational flexibility creates dynamic capabilities that enable SMEs to respond more effectively to environmental changes. These dynamic capabilities include the ability to sense opportunities or threats, seize those opportunities, and transform strategies or business models to adapt to market needs (Adomako et al., 2022). A culture that supports risk-taking, for example, allows SMEs to experiment with new strategies without fear of failure. Operational flexibility, on the other hand, provides the structure needed to manage those risks effectively, ensuring that each strategic move is supported by adequate data and resources (Xia et al., 2024). This combination not only enables SMEs to respond to market changes but also to leverage those changes to create competitive advantage. **Sustainable Competitive Advantage**

One of the key findings of this study is that the interaction between adaptive organizational culture and operational flexibility results in sustainable competitive advantage for SMEs. By integrating these two elements, SMEs can create an advantage that is difficult for competitors to imitate. Cultural values such as innovation, collaboration, and learning create a unique foundation that not only improves operational efficiency but also provides differentiation in the market (Malewska et al., 2024).

For example, SMEs operating in the technology sector often use a culture of innovation to spur new product development, while operational flexibility allows them to quickly integrate customer feedback into product iterations. This process gives SMEs an advantage in meeting customer needs better than competitors (Chan et al., 2019). Furthermore, this interaction allows SMEs to build organizational capabilities that are resilient to changes in the business environment, making them more competitive in the long run (Sánchez-Báez et al., 2020). **Research Gaps and Future Recommendations**

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Most existing studies focus more on the individual effects of operational flexibility or organizational culture on SME performance, thus lacking exploration of how these two elements interact across different market contexts (Gaganis et al., 2019). Furthermore, most of the literature tends to focus on SMEs in developed countries, thus lacking relevant insights for SMEs in emerging markets that face different challenges (Sánchez-Báez et al., 2020).

Research Gaps and Practical Challenges

Most of the literature focuses on the individual effects of organizational flexibility or culture on SME performance, but rarely explores how the two interact in depth (Malewska et al., 2024). Furthermore, the lack of research conducted in emerging market contexts limits our understanding of how these elements work in more dynamic and challenging business environments (Al Azzani et al., 2024). Practical challenges also arise when SMEs try to integrate adaptive culture with operational flexibility. Some SMEs may lack the resources or expertise to

implement a culture of innovation effectively, or they may face resistance from employees accustomed to traditional ways of working (Azeem et al., 2021). Therefore, more specific guidance and policy support are needed to help SMEs overcome these challenges

Implications of the Study
This study shows that operational flexibility enables more efficient resource management, rapid strategic decision-making, and the implementation of relevant innovations, thereby improving the business efficiency of SMEs (Chan et al., 2019) (Azeem et al., 2021) (Shaik et al., 2024). In addition, this study strengthens the argument that adaptive organizational culture, through values such as collaboration, innovation, and learning, plays a vital role in strengthening the dynamic capabilities needed to create sustainable competitive advantage (Liu, 2021) (Onngam & Charoensukmongkol, 2023).

From a practical perspective, these findings provide recommendations for SME leaders to integrate operational flexibility with an adaptive organizational culture strategy. Implementing values such as innovation, cross-functional collaboration, and calculated risk-taking can strengthen the competitiveness of SMEs in a dynamic market (Chan et al., 2019) (Liu, 2021) (Al Azzani et al., 2024). In addition, the use of digital technology and the development of dynamic capabilities enable SMEs to respond to market changes more effectively, take advantage of opportunities, and manage challenges (Al Azzani et al., 2024) (Xia et al., 2024). Policy implications can also be drawn from this study. Policymakers in the SME sector can support training and mentoring programs that focus on developing operational flexibility and adaptive organizational culture. For example, providing access to digital technologies and learning platforms can help SMEs develop the capabilities needed to compete in the global market (Shaik et al., 2024). Thus, this study not only contributes to the academic literature but also offers relevant practical insights for decision-makers and policymakers. Well-designed strategies based on operational flexibility and adaptive organizational culture can be the foundation for SMEs to remain competitive and sustainable in the changing market.

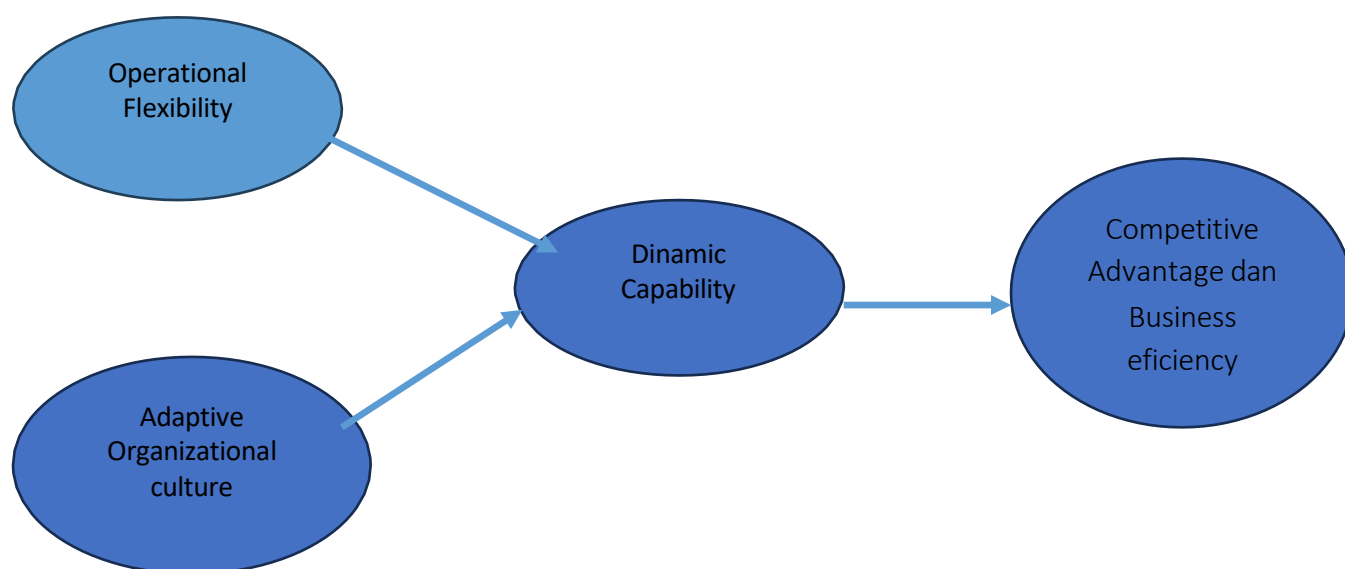


Figure 3. Research Concept Framework Source: Researcher Processing, 2025

CONCLUSIONS

This study confirms that operational flexibility is a key element for SMEs to face the ever-changing market dynamics. This flexibility allows SMEs to respond quickly to market changes through efficient resource management and the implementation

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of relevant innovations. This not only improves business efficiency but also helps SMEs maintain their competitiveness in a competitive business environment (Azeem et al., 2021)(Chan et al., 2019)(Al Azzani et al., 2024)(Shaik et al., 2024). Strategic agility supported by innovation capabilities and digital technology is an important factor in supporting operational flexibility, enabling SMEs to create sustainable added value (Onngam & Charoensukmongkol, 2023)(Xia et al., 2024).

The interaction between adaptive organizational culture and operational flexibility has also been shown to create competitive advantages for SMEs. Organizational cultures that support innovation, collaboration, and learning strengthen SMEs' adaptability, enabling them to capitalize on opportunities and manage market challenges more effectively (Chan et al., 2019)(Onngam & Charoensukmongkol, 2023)(Samuel Omokhafa Yusuf et al., 2024). Values such as risk-taking and customer orientation play a critical role in strengthening SMEs' dynamic capabilities, making them better equipped to proactively address changes in the business environment (Sánchez-Báez et al., 2020)(Gaganis et al., 2019)

Overall, this study makes an important contribution to the literature by linking operational flexibility, adaptive organizational culture, and competitive advantage in the context of SMEs, especially in emerging markets. From a practical perspective, this study offers insights for SME leaders and policy makers to integrate operational flexibility strategies with the development of adaptive organizational culture, to ensure sustainability and competitiveness in the changing global market.

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