
The Impact of Digital Leadership on Organizational Innovation and Competitive Advantage: A Systematic Literature Review

Noah Alexander Gozali¹, Jonathan Hendraja², Nicolas Sunu³, Dicky Larson⁴, Sergio Bravo Arden⁵

^{1,2,3,4,5}Accounting Department, School of Accounting, Bina Nusantara University, Jakarta, Indonesia
E-mail: noah.gozali@binus.ac.id¹, jonathan.hendraja@binus.ac.id², nicolas.gracia@binus.ac.id³,
dicky.larson@binus.ac.id⁴, sergio.arden@binus.ac.id⁵

Article History:

Received: 05 Januari 2026

Revised: 01 Maret 2026

Accepted: 25 Maret 2026

Keywords: *Digital leadership; organizational innovation; competitive advantage; digital transformation; innovation performance.*

Abstract: *In the era of rapid digital transformation, the presence of digital leadership has become a key factor for organizations to maintain competitiveness. Digital leadership is understood as a leader's ability to leverage digital technologies to drive changes in organizational attitudes, behaviors, and performance. This literature review aims to systematically examine the relationship between digital leadership, organizational innovation, and competitive advantage. The systematic literature review (SLR) method was conducted by identifying recent scholarly articles (2015–2025) related to this topic using leading academic databases. The review findings indicate that digital leadership contributes positively to organizational innovation by facilitating the adoption of new technologies, fostering an innovation-oriented culture, and empowering employees to engage in creative activities. Organizational innovation supported by digital leadership subsequently becomes a source of competitive advantage, as it enables product/service differentiation and improvements in operational efficiency. Several studies highlight that digital leadership strengthens competitive advantage both directly and through innovation ambidexterity. Other findings demonstrate indirect effects, for example through employee commitment and the organization's digital culture. In conclusion, digital leadership plays a crucial role in driving innovation and organizational competitive advantage. This review suggests further quantitative research to test the proposed conceptual model, including mediating variables such as digital organizational culture or innovation capability.*

INTRODUCTION

The development of digital technology has transformed leadership paradigms within organizations. Digital leadership is defined as “a process of social influence mediated by information technology to bring about changes in the attitudes, feelings, thinking, behaviors, and/or performance of individuals, groups, or organizations.” (López-Figueroa et al., 2025). By

leveraging digital tools, leaders can create new strategic visions, build innovative work cultures, and guide operational processes that are adaptive to change (Wang, Park, & Gao, 2025; Wibowo & Wartini, 2025). For example, a 2020 World Economic Forum survey reported that companies with high digital maturity and strong digital leadership experienced an average revenue growth of 12%, while companies that relied less on digital leadership grew by only 3% (Wang et al., 2025). This indicates the important role of digital leadership in maintaining competitiveness.

On the other hand, organizational innovation is defined as an organization's ability to develop and implement new ideas, processes, products, or methods effectively in order to enhance value and performance (Leon, 2015). Innovation is regarded as one of the main factors for the survival and growth of companies in a competitive business environment (Wang et al., 2025). Meanwhile, competitive advantage refers to an organization's ability to achieve a superior position in the market by generating greater economic value than its competitors. In a digital context, competitive advantage is determined not only by physical resources but also by an organization's capability to manage innovation, knowledge, and dynamic digital technologies (Saeedikiya et al., 2024).

Several studies indicate that digital leadership can drive organizational innovation and competitive advantage. For example, a literature review by Rahmadani & Fiteriani (2025) found that digital leadership enhances innovation through technology integration, agile decision-making, and a culture of continuous learning, and contributes to competitive advantage by increasing organizational adaptability. Meanwhile, a study by Cai, et al. (2024) concluded that digital leadership drives competitive advantage by mediating ambidextrous innovation. However, several other studies report different results; for example, Mollah et al. (2024) showed an indirect effect of digital leadership on competitive performance through employees' affective commitment.

Given the diversity of findings and the absence of a systematic synthesis in Indonesia, this study aims to systematically review recent academic literature on the influence of digital leadership on organizational innovation and competitive advantage. The focus is on explaining the mechanisms underlying the relationships among these three concepts based on empirical and conceptual findings.

THEORETICAL BASIS

Digital Leadership. The concept of digital leadership is closely related to e-leadership and virtual leadership. López-Figueroa et al. (2025) emphasize that digital leadership occurs within the context of information and communication technology (ICT) utilization, which distinguishes it from traditional leadership styles. Digital leaders are expected to possess up-to-date technological competencies, an understanding of digital transformation, as well as the ability to motivate and empower teams in virtual environments. In the literature, digital leadership is emphasized as a process of guiding organizations in facing environmental uncertainty that is increasingly rapid due to technological disruption (López-Figueroa et al., 2025; Wang et al., 2025). Key components of digital leadership include a clear digital vision, data-driven decision-making, the cultivation of a continuous learning culture, and speed in adopting technological innovations.

Organizational Innovation. Organizational innovation is often described as the implementation of creative ideas to generate new processes, products, or services that create value. Innovative organizations are considered capable of surviving and excelling in competitive environments. As digital business ecosystems become increasingly complex, innovation has

become a key factor for corporate sustainability (Wang et al., 2025). Dynamic capabilities theory, for example, emphasizes that the ability to innovate including both exploratory and exploitative innovation can serve as a source of competitive advantage (Cai et al., 2024). Organizational innovation is also related to learning, collaboration, and cultures that support experimentation. Some studies classify organizational innovation into several dimensions (product, process, service, marketing), but what is crucial in the context of digital leadership is innovation driven by digital technologies, such as business process transformation, AI adoption, and digital business models.

Competitive Advantage. Competitive advantage arises when an organization possesses attributes or capabilities that provide unique value compared to its competitors. (Wang et al., 2025) defines competitive advantage as the ability to obtain economic returns above those achieved by competitors. In the digital era, such advantage is increasingly influenced by innovation capabilities and the application of technology. Digital leadership facilitates the achievement of competitive advantage through several pathways, for example by accelerating the development of new products and services, improving operational efficiency, and adjusting business strategies in real time (Rahmadani & Fiteriani, 2025; Wang et al., 2025). In addition, the resource-based view (RBV) literature emphasizes that digital leadership and innovation are strategic resources that are difficult to imitate, thereby supporting the sustainability of long-term competitive advantage (Cai et al., 2024).

In summary, this theoretical framework suggests the assumption that digital leadership can influence organizational innovation (for example, through employee empowerment and digital technologies) and, in turn, contribute to competitive advantage (through innovation ambidexterity, process efficiency, and added value of products and services). Therefore, this study reviews empirical evidence that examines these relationships and presents supporting theories such as dynamic capabilities, prosocial motivation, and the resource-based view when necessary.

RESEARCH METHODOLOGY

This study employs a systematic literature review (SLR) method in accordance with PRISMA guidelines. The literature search was conducted using academic databases such as Scopus, Web of Science, and Google Scholar. The keywords used included “digital leadership,” “organizational innovation,” and “competitive advantage,” as well as their Indonesian equivalents “kepemimpinan digital,” “inovasi organisasi,” and “keunggulan bersaing.” The inclusion criteria consisted of primary scholarly articles (accredited journal publications or indexed conference proceedings) published within the last 5-10 years (2015-2025), written in English or Indonesian, and explicitly addressing the influence of digital leadership on organizational innovation or competitive advantage. Review and theoretical articles were also included when relevant. The selection process was carried out through title and abstract screening, followed by full-text reading to ensure relevance. Each selected source was analyzed for its content and key findings.

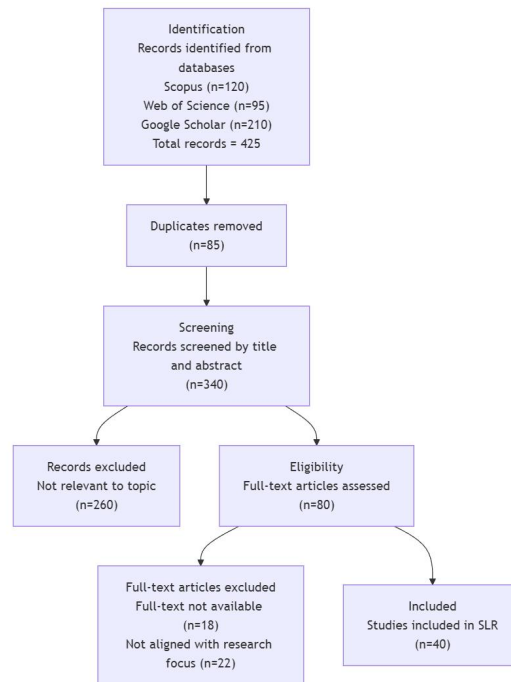


Figure 1. Literature Selection Flow Diagram

The literature selection process follows the PRISMA steps (identification, screening, eligibility, and inclusion). For example, hundreds of articles were initially identified from the keyword search. After removing duplicates and articles deemed irrelevant based on title and abstract screening, the remaining articles were further selected according to the inclusion and exclusion criteria. This process resulted in a set of core articles (dozens) that were analyzed in depth. The final selection results can be illustrated in a flow diagram (which may follow the PRISMA template) showing the number of articles identified, excluded, and included. However, in this study, it is sufficient to state that the process was conducted systematically.

RESULTS AND DISCUSSION

The literature analysis reveals a general pattern indicating that digital leadership has a positive impact on organizational innovation. Leaders who adopt a digital style encourage the use of information technology to transform internal processes. For example, Wibowo & Wartini (2025) state that digital leadership shapes a “digital culture” that enables rapid innovation and cross-functional collaboration. Wang et al. (2025) emphasize that in the manufacturing industry, digital leaders encourage employees to develop new ideas and innovative solutions through technological support and job crafting. Gao & Gao (2024) add that increased employee empowerment namely, feelings of meaningfulness and competence at work serves as a primary pathway through which digital leadership enhances employees’ innovative behavior. In other words, digital leaders not only provide technological resources but also encourage employees to feel capable of creating and taking initiative.

Similar findings are reported in the study by Tunaboyle & Çerasi (2025) which found that digital leadership has a positive effect on organizational innovation performance. They emphasize that organizations with high digital capabilities are able to transform innovative ideas into new products and services. Wang et al. (2025) further report that job crafting strategies (the

restructuring of tasks and work perceptions) serve as a mechanism through which digital leaders enhance innovation. Theoretically, this is consistent with the dynamic capabilities perspective, which views digital leaders as agents that create organizational capabilities for continuous adaptation and innovation.

Furthermore, organizational innovation serves as a bridge between digital leadership and competitive advantage. The innovations generated by organizations not only create new products or processes but also added value that is difficult for competitors to imitate. Cai et al. (2024) found that exploratory and exploitative innovation (ambidexterity) mediates the relationship between digital leadership and competitive advantage. This means that effective digital leaders generate dual innovation both creating new ideas and improving existing ones which subsequently enhances firm competitiveness. Wibowo & Wartini (2025) similarly conclude that digital leadership increases organizational innovation, which “positively affects organizational performance and competitive advantage.” These findings complement the literature asserting that innovation is a primary source of long-term competitive advantage.

Competitive advantage itself is often influenced either directly or indirectly by digital leadership. Rahmadani & Fiteriani (2025) note that digital leaders enhance market responsiveness and organizational adaptability, enabling firms to compete more effectively in digital markets. They highlight that leaders who integrate digital technologies into business strategies accelerate workflows and improve customer experience, all of which support competitive advantage. A study by Hussein et al. (2024) in the tourism sector further shows that digital leadership helps organizations adopt innovative environmentally friendly practices (eco-innovation), which also strengthens sustainable competitive advantage.

However, not all studies find a direct causal relationship. Mollah et al. (2024) instead report that the effect of digital leadership on firms’ competitive performance is indirect. In their sample, the strength of digital leadership’s influence emerges only through increased employees’ affective commitment (a sense of belonging to the organization). This indicates that, for some organizations, competitive advantage is more strongly shaped by humanistic and cultural factors (which can be triggered by digital leadership) rather than by technology or pure innovation alone. These findings enrich the literature by emphasizing the role of employees’ social and psychological capital in the chain of effects between digital leadership and business performance.

Table 1. Summary of Key Studies on the Impact of Digital Leadership

Study (Year)	Context / Respondents	Key Findings
(Gao & Gao, 2024)	Manufacturing employees (China)	Digital leadership has a positive effect on employees’ innovative behavior, mediated by psychological empowerment (employee empowerment).
(Wang et al., 2025)	Manufacturing employees (South Korea)	Digital leadership has a significant positive effect on employees’ innovation performance. Two forms of job crafting (task and cognitive) mediate this effect.
(Cai et al., 2024)	Managers of hidden champion firms (China)	Digital leadership promotes competitive advantage. Exploratory and exploitative innovation (ambidexterity) mediate this relationship.
(Rahmadani & Fiteriani, 2025)	Global literature review	Digital leadership enhances business innovation and competitive advantage through technology

		integration, agile decision-making, and a learning culture.
(Wibowo & Wartini, 2025)	Literature (Indonesia)	Digital leadership shapes digital culture and enhances innovation and collaboration, positively affecting organizational performance and competitive advantage.
(Mollah et al., 2024)	Manufacturing and service employees (Bangladesh)	Digital leadership has no direct effect on competitive performance. Its influence is fully mediated by employees' affective commitment.
(Tunaboğlu & Çerasi, 2025)	Professional employees (Turkey)	Digital leadership has a moderate positive effect on innovation performance. Organizational digital capabilities play a stronger role in improving innovation outcomes.
(Hussein et al., 2024)	Tourism managers (Saudi Arabia)	Digital leadership enhances green absorptive capacity and eco-innovation, thereby strengthening sustainable competitive advantage in the tourism sector.

CONCLUSION

This systematic review confirms that digital leadership plays a crucial role in driving organizational innovation and ultimately enhancing competitive advantage. Digital leadership facilitates the diffusion of technology, employee empowerment, and the creation of cultures that support innovation. The resulting innovations whether in the form of new products, processes, or business models become a primary source of competitive advantage because they provide unique value propositions and greater adaptive speed in the market. However, the relationships among these three concepts are not always linear; some studies indicate the presence of indirect pathways through factors such as organizational commitment and culture.

For future research, it is recommended that quantitative studies be conducted to test more comprehensive conceptual models. For example, future research could incorporate mediating variables such as digital culture or innovation capability, as well as moderating variables such as the scope of technologies employed. Studies also need to examine these relationships across various industry sectors and national contexts to enhance generalizability. Wibowo & Wartini (2025) suggest the development of conceptual models for the application of digital leadership across different sectors. In addition, longitudinal data collection could help clarify how the dynamics of digital leadership and innovation evolve over time within organizations.

REFERENCES

- Cai, Q., Wu, J., Wu, T., Chang, P.-C., & Mardani, A. (2024). The impact of digital leadership on hidden champions competitive advantage: A moderated mediation model of ambidextrous innovation and value co-creation. *Journal of Business Research*, 182(C), None. <https://doi.org/10.1016/j.jbusres.2024.114819>
- Gao, P., & Gao, Y. (2024). How Does Digital Leadership Foster Employee Innovative Behavior: A Cognitive–Affective Processing System Perspective. *Behavioral Sciences*, 14(5). <https://doi.org/10.3390/bs14050362>

-
- Hussein, H., Albadry, O. M., Mathew, V., Al-Romeedy, B. S., Alsetoohy, O., Kamar, M. A., ... Khairy, H. A. (2024). Digital Leadership and Sustainable Competitive Advantage: Leveraging Green Absorptive Capability and Eco-Innovation in Tourism and Hospitality Businesses. *Sustainability*, 16(13). <https://doi.org/10.3390/su16135371>
- Leon, M. (2015). Innovation across types of organization: A meta-analysis. *Suma de Negocios*, 6, 108–113. <https://doi.org/10.1016/j.sumneg.2015.08.010>
- López-Figueroa, J. C., Ochoa-Jiménez, S., Palafox-Soto, M. O., Munoz, D. S. H., López-Figueroa, J. C., Ochoa-Jiménez, S., ... Munoz, D. S. H. (2025). Digital Leadership: A Systematic Literature Review. *Administrative Sciences*, 15(4). <https://doi.org/10.3390/admsci15040129>
- Mollah, M., Ibrahim, Masud, A., & Chowdhury, M. S. (2024). How Digital Leadership Boosts Competitive Performance? The Role of Digital Culture, Affective Commitment, and Strategic Agility. *Heliyon*, 10, e40839. <https://doi.org/10.1016/j.heliyon.2024.e40839>
- Rahmadani, P., & Fiteriani, A. (2025, February 7). *The Role of Digital Leadership in Driving Business Innovation and Competitive Advantage* [SSRN Scholarly Paper]. Rochester, NY: Social Science Research Network. <https://doi.org/10.2139/ssrn.5127850>
- Saeedikiya, M., Salunke, S., & Kowalkiewicz, M. (2024). Toward a dynamic capability perspective of digital transformation in SMEs: A study of the mobility sector. *Journal of Cleaner Production*, 439, 140718. <https://doi.org/10.1016/j.jclepro.2024.140718>
- Tunaboğlu, A., & Çerasi, C. Ç. (2025). The Impact of Digital Leadership on Innovation Performance: The Mediating Role of Digitalization Capability. *WSEAS TRANSACTIONS ON BUSINESS AND ECONOMICS*, 22, 1471–1481. <https://doi.org/10.37394/23207.2025.22.118>
- Wang, Y., Park, J., & Gao, Q. (2025). Digital leadership and employee innovative performance: The role of job crafting and person–job fit. *Frontiers in Psychology*, 16. <https://doi.org/10.3389/fpsyg.2025.1492264>
- Wibowo, F. H., & Wartini, S. (2025). Peran Digital Leadership dalam Meningkatkan Kinerja Organisasi di Era Transformasi Digital. *Bookchapter Manajemen SDM*, 1, 51–73. <https://doi.org/10.15294/msdm.v1i1.300>