INCOME JOURNAL OF ECONOMICS DEVELOPMENT
e-ISSN: 3025-3225
Volume 6 Number 1 January 2026

The Impact of Managerial Capabilities on the Effectiveness of Sustainable Economic Development: A Systematic Literature Review

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Article Info

Keywords:

Managerial capabilities; Sustainable economic development; Innovation; Digital transformation; Leadership; Systematic literature review.

Abstract

Sustainable economic development has become a critical global priority, requiring organizations to balance economic growth with environmental sustainability and social equity. This study aims to examine the impact of managerial capabilities on the effectiveness of sustainable economic development through a systematic literature review. Using the PRISMA framework, this research analyzes 52 peer-reviewed articles published between 2021 and 2025, sourced from major academic databases including Scopus, Web of Science, ScienceDirect, and SpringerLink. The findings reveal that managerial capabilities—encompassing strategic decision-making, leadership, innovation management, and adaptability—play a central role in driving sustainability outcomes. These capabilities enable organizations to align business strategies with sustainability goals, optimize resource utilization, and respond effectively to dynamic environmental challenges. The study further identifies innovation as a key mediating variable that translates managerial competencies into sustainable performance, while leadership and organizational culture act as moderating factors that strengthen this relationship. Additionally, digital transformation emerges as a critical enabler that enhances managerial effectiveness by improving decision-making, operational efficiency, and organizational agility. The results also highlight that managerial capabilities are particularly crucial in emerging economies, where institutional limitations and resource constraints demand adaptive and innovative approaches. This study contributes to the literature by integrating multiple theoretical perspectives and proposing a comprehensive framework linking managerial capabilities to sustainable economic development. The findings provide important implications for managers, policymakers, and researchers in advancing sustainability-oriented strategies.

1. Introduction

Sustainable economic development has emerged as a central paradigm in contemporary global discourse, particularly in response to increasing environmental degradation, social inequality, and economic volatility. The integration of sustainability principles into economic systems is no longer optional but imperative for ensuring long-term resilience and inclusive growth. In this context, organizations are recognized as key drivers of sustainable economic development through their strategic decisions, operational practices, and innovation capabilities (Zahra et al., 2025; Wijaya et al., 2025) . However, the effectiveness of these contributions is highly contingent upon the capabilities of managers who design and implement sustainability-oriented strategies.

Managerial capabilities, often conceptualized within the dynamic capabilities framework, refer to the ability of managers to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. These capabilities encompass strategic thinking, decision-making, innovation management, and leadership competencies, all of which are essential in navigating the complexities of sustainable development (Rashed et al., 2025; Saadah & Agustiyara, 2024) . In recent years, the literature has increasingly emphasized the critical role of managerial capabilities in aligning organizational objectives with sustainability goals, particularly in emerging and developing economies where institutional frameworks are still evolving.

Empirical studies demonstrate that managerial capabilities significantly influence sustainable

business performance by enhancing firms' ability to adopt green innovations, optimize resource utilization, and respond to stakeholder expectations (Zahra et al., 2025) . Moreover, research on small and medium enterprises (SMEs) highlights that managerial competencies serve as a fundamental driver of long-term sustainability outcomes, particularly when mediated by conceptual and technological capabilities (Sustainability Journal, 2024) . These findings suggest that managerial capabilities are not only operational tools but also strategic assets that shape organizational contributions to sustainable economic development.

In parallel, the increasing complexity of global economic systems—driven by digital transformation, climate change, and geopolitical uncertainty—has amplified the need for adaptive and resilient managerial capabilities. Recent studies indicate that technological capabilities, innovation leadership, and organizational learning are critical complements to managerial capabilities in achieving sustainable performance and resilience (Rashed et al., 2025; Islam et al., 2025) . This perspective aligns with the broader view that sustainable economic development requires a holistic integration of managerial, technological, and institutional capabilities.

Furthermore, the role of managerial capabilities extends beyond firm-level performance to broader economic outcomes. At the macro level, capabilities such as human capital development, institutional quality, and governance effectiveness have been identified as key determinants of sustainable economic growth (Khan, 2021). These findings highlight the interconnectedness between managerial decision-making at the organizational level and economic development outcomes at the national and global levels. Consequently, understanding how managerial capabilities influence sustainable economic development requires a multi-level and interdisciplinary approach.

Despite the growing body of literature, several gaps remain. First, existing studies often examine managerial capabilities in isolation or within specific organizational contexts, without adequately linking them to broader economic development outcomes. Second, there is a lack of comprehensive synthesis that integrates findings across different sectors, regions, and methodological approaches. Third, the rapidly evolving landscape of sustainability—characterized by digitalization, circular economy models, and ESG (Environmental, Social, and Governance) frameworks—necessitates updated reviews that capture recent trends and emerging research directions (Wijaya et al., 2025; Zahra et al., 2025) .

Recent systematic literature reviews have begun to address some of these gaps by identifying key determinants of sustainability performance, including leadership, organizational culture, and capability development (Wijaya et al., 2025) . However, these studies often focus on firm-level outcomes and do not explicitly examine the link between managerial capabilities and sustainable economic development as a broader construct. Similarly, research on sustainable business practices highlights the importance of strategic alignment and contextual factors but lacks a unified framework that connects managerial capabilities to economic development outcomes (Zahra et al., 2025) .

In addition, the increasing relevance of digital transformation and artificial intelligence (AI) has introduced new dimensions to managerial capabilities. Studies show that managerial knowledge in digital technologies significantly enhances innovation and contributes to sustainable outcomes, particularly within the circular economy framework (Technology in Society, 2025) . This underscores the evolving nature of managerial capabilities, which now encompass not only traditional leadership and strategic skills but also digital literacy and technological adaptability.

Another important dimension is the role of leadership orientation in amplifying the impact of managerial capabilities on sustainability outcomes. Evidence suggests that environmentally conscious leadership and sustainability-oriented mindsets can strengthen the relationship between managerial competence and organizational

performance (Corporate Governance Studies, 2025) . This highlights the importance of aligning managerial values and behaviors with sustainability objectives to achieve meaningful economic development outcomes.

Moreover, education and capacity-building initiatives play a crucial role in enhancing managerial capabilities for sustainability. Research indicates that business and management education has increasingly incorporated sustainability principles, yet gaps remain in translating theoretical knowledge into practical competencies (International Journal of Management Education, 2025) . This suggests that developing effective managerial capabilities requires not only formal education but also experiential learning and continuous professional development.

Given these considerations, this study aims to provide a comprehensive systematic literature review on the impact of managerial capabilities on the effectiveness of sustainable economic development. By synthesizing findings from recent studies (2021–2025), this research seeks to identify key themes, theoretical frameworks, and empirical evidence that explain how managerial capabilities contribute to sustainable economic outcomes. Specifically, this study addresses the following research questions: (1) What are the key dimensions of managerial capabilities in the context of sustainability? (2) How do these capabilities influence sustainable economic development outcomes? and (3) What are the emerging trends and research gaps in this field?

This study contributes to the literature in several ways. First, it integrates insights from multiple disciplines, including strategic management, sustainability, and economic development, to provide a holistic understanding of managerial capabilities. Second, it offers an updated synthesis of recent research, capturing the latest developments in sustainability practices and digital transformation. Third, it proposes a conceptual framework that links managerial capabilities to sustainable economic development, thereby addressing existing gaps in the literature.

Ultimately, understanding the role of managerial capabilities is essential for policymakers, practitioners, and researchers seeking to promote sustainable economic development. As organizations continue to face increasing pressure to balance economic growth with environmental and social responsibilities, the ability of managers to navigate these challenges will play a निर्णing role in shaping the future of global economies.

2. Literature Review

2.1. Sustainable Economic Development

Sustainable economic development (SED) has evolved into a central concept in contemporary economic and management literature, reflecting the need to balance economic growth with environmental protection and social equity. In recent studies, SED is defined as a development process that ensures long-term economic progress while preserving natural resources and promoting social well-being (Khan, 2021; Florez-Jimenez et al., 2024). This multidimensional perspective emphasizes that economic growth should not come at the expense of environmental degradation or social inequality.

Recent literature highlights the increasing importance of sustainability frameworks such as Environmental, Social, and Governance (ESG) and the circular economy in shaping modern economic systems. These frameworks encourage organizations to adopt resource-efficient practices, reduce carbon emissions, and enhance social responsibility (Zahra et al., 2025; Wijaya et al., 2025). As a result, firms are no longer evaluated solely based on financial performance but also on their environmental and social impact.

Moreover, global challenges such as climate change, resource scarcity, and economic instability have intensified the need for sustainable economic practices. Empirical evidence suggests that organizations integrating sustainability into their core strategies tend to achieve higher resilience and long-term

competitiveness (Rashed et al., 2025; Islam et al., 2025). Consequently, sustainable economic development has become a shared responsibility among governments, businesses, and society, requiring coordinated efforts and innovative approaches.

2.2. Managerial Capabilities: Theoretical Perspectives

Managerial capabilities are grounded in the Resource-Based View (RBV) and Dynamic Capabilities Theory, which emphasize the role of internal resources and capabilities in achieving competitive advantage. According to Teece (2021), dynamic capabilities refer to a firm's ability to integrate, build, and reconfigure internal and external competencies in response to rapidly changing environments. Within this framework, managerial capabilities are considered critical drivers of organizational adaptability and innovation.

Recent studies conceptualize managerial capabilities as a multidimensional construct encompassing strategic decision-making, leadership, innovation management, and change management (Wijaya et al., 2025; Alkathiri et al., 2024). These capabilities enable managers to effectively allocate resources, identify opportunities, and respond to environmental uncertainties.

In the context of sustainability, managerial capabilities extend beyond traditional competencies to include sustainability-oriented capabilities. These involve the ability to integrate environmental and social considerations into business strategies and operations. Research indicates that managers with strong sustainability-oriented capabilities are more likely to implement green practices, foster innovation, and achieve sustainable outcomes (Zahra et al., 2025).

Furthermore, managerial capabilities are closely linked to organizational learning and knowledge management. Organizations that promote continuous learning and knowledge sharing are better positioned to adapt to changing environments and sustain competitive advantage (Alkathiri et al., 2024). This highlights the importance of developing managerial competencies that support both short-term performance and long-term sustainability.

2.3. Managerial Capabilities and Sustainable Performance

A growing body of empirical research demonstrates the significant impact of managerial capabilities on sustainable performance. Sustainable performance refers to the ability of organizations to achieve economic, environmental, and social objectives simultaneously. Managerial capabilities play a crucial role in aligning organizational strategies with sustainability goals and ensuring effective implementation.

Studies indicate that managerial capabilities enhance sustainable performance by facilitating green innovation, improving resource efficiency, and strengthening stakeholder engagement (Jiang et al., 2024; Zahra et al., 2025). For instance, managers with strong innovation capabilities are more likely to adopt environmentally friendly technologies and develop sustainable products and services.

In addition, research on small and medium enterprises (SMEs) highlights the importance of managerial capabilities in driving business sustainability. SMEs often face resource constraints, making managerial competence a key determinant of their ability to achieve sustainable growth (Sulistyowati, 2025). This suggests that managerial capabilities act as a mediating factor between organizational resources and sustainability outcomes.

Moreover, systematic reviews reveal that organizational capabilities, influenced by managerial competencies, contribute to both financial and non-financial performance. These capabilities enable firms to optimize operations, reduce costs, and enhance reputation, ultimately leading to improved sustainability outcomes (Wijaya et al., 2025).

2.4. The Role of Innovation, Digitalization, and Technology

The rapid advancement of technology and digital transformation has significantly reshaped the role of managerial capabilities in achieving sustainability. In the digital era, managers are required to possess not only traditional leadership skills but also digital competencies that enable them to leverage technology for sustainable development.

Recent studies highlight the role of digital transformation, including artificial intelligence (AI) and big data analytics, in enhancing organizational efficiency and sustainability (Sekaki et al., 2025). These technologies enable managers to make data-driven decisions, optimize resource utilization, and improve operational performance.

Furthermore, digitalization enhances organizational agility, allowing firms to respond more effectively to environmental changes and market dynamics (Ciampi et al., 2021). This agility is particularly important in the context of sustainability, where organizations must continuously adapt to evolving regulatory requirements and stakeholder expectations.

In addition, the integration of green technologies and sustainable supply chain practices has been identified as a key factor in achieving sustainable economic development. Managerial capabilities play a critical role in managing these technologies and ensuring their effective implementation (Khoiriyah & Maniah, 2025). This underscores the importance of technological adaptability as a core component of modern managerial capabilities.

2.5. Leadership and Organizational Culture

Leadership is a fundamental component of managerial capabilities that directly influences sustainability outcomes. Sustainability-oriented leadership emphasizes long-term thinking, ethical decision-making, and environmental responsibility. Studies show that such leadership styles significantly enhance organizational commitment to sustainability and drive strategic alignment (Hermawati et al., 2025).

Organizational culture also plays a crucial role in shaping the effectiveness of managerial capabilities. A culture that promotes innovation, collaboration, and continuous learning supports the successful implementation of sustainability strategies (Wijaya et al., 2025). In contrast, rigid and hierarchical cultures may hinder innovation and limit the impact of managerial initiatives.

Furthermore, research highlights the importance of psychological safety and employee empowerment in fostering sustainable performance. Managers who create an inclusive and supportive work environment enable employees to contribute ideas and participate in sustainability initiatives, thereby enhancing organizational outcomes.

2.6. Open Innovation and Collaboration

Open innovation has emerged as a key approach for enhancing sustainable performance, particularly in complex and dynamic environments. It involves collaboration with external stakeholders, such as universities, research institutions, and industry partners, to access new knowledge and technologies.

Studies indicate that open innovation significantly contributes to sustainability by facilitating knowledge sharing, reducing costs, and accelerating innovation processes (Ogunrayewa et al., 2025). However, the success of open innovation largely depends on managerial capabilities, particularly in managing partnerships and coordinating collaborative activities.

In developing countries, open innovation is especially important due to limited internal resources. Managerial capabilities enable organizations to leverage external resources effectively and overcome constraints, thereby enhancing their sustainability performance.

2.7. Research Gap

Despite the increasing attention to managerial capabilities and sustainability, several research gaps remain. First, most studies focus on firm-level outcomes, with limited exploration of the

link between managerial capabilities and sustainable economic development at the macro level.

Second, there is a lack of integration among different theoretical perspectives, such as RBV, dynamic capabilities, and institutional theory, in explaining the relationship between managerial capabilities and sustainability.

Third, the impact of digital transformation on managerial capabilities is still underexplored, particularly in the context of emerging economies.

Fourth, existing research is predominantly concentrated in developed countries, highlighting the need for more studies in developing regions (Ogunrayewa et al., 2025).

2.8. Literature Synthesis

Based on the reviewed literature, managerial capabilities are identified as a critical factor in achieving sustainable economic development. These capabilities act as a bridge between organizational strategies, innovation, and sustainability outcomes.

The integration of managerial capabilities with technology, leadership, and organizational culture is essential for enhancing sustainability performance. Therefore, a multidimensional and interdisciplinary approach is required to fully understand the complex relationship between managerial capabilities and sustainable economic development.

2. Research Methods

3.1. Research Design

This study employs a **Systematic Literature Review (SLR)** approach to analyze and synthesize existing research on the impact of managerial capabilities on sustainable economic development. The SLR method is selected due to its ability to provide a comprehensive, transparent, and replicable process for identifying, evaluating, and interpreting relevant studies (Tranfield et al., 2021; Snyder, 2022).

The review follows the **Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA)** guidelines to ensure methodological rigor and minimize bias. This approach enables the study to systematically collect and analyze peer-reviewed articles from reputable databases, focusing on recent developments in the field (2021–2025).

3.2. Data Sources and Search Strategy

The data for this study were collected from major academic databases, including:

- Scopus
- Web of Science (WoS)
- ScienceDirect
- SpringerLink

These databases were selected due to their high-quality indexing of peer-reviewed journals and their relevance to management, sustainability, and economic development research.

The search process was conducted using a combination of keywords and Boolean operators to ensure comprehensive coverage. The primary search string used in this study is as follows:

("managerial capabilities" OR "management capabilities" OR "dynamic capabilities") AND
("sustainable economic development" OR "sustainability" OR "sustainable performance") AND
("innovation" OR "digital transformation" OR "organizational performance")

The search was limited to:

- Publication years: **2021–2025**
- Document type: **Journal articles (peer-reviewed)**
- Language: **English**

3.3. Inclusion and Exclusion Criteria

To ensure the quality and relevance of the selected studies, this research applies strict inclusion and exclusion criteria.

Inclusion Criteria:

1. Articles published in peer-reviewed journals indexed in Scopus or WoS
2. Studies focusing on managerial capabilities, sustainability, or economic development
3. Empirical or conceptual research articles
4. Publications between 2021 and 2025
5. Articles written in English

Exclusion Criteria:

1. Conference papers, book chapters, and non-peer-reviewed articles
2. Studies not directly related to managerial capabilities or sustainability
3. Duplicate articles across databases
4. Articles with insufficient methodological transparency

3.4. Study Selection Process (PRISMA Flow)

The study selection process follows the PRISMA framework, consisting of four main stages:

1. **Identification**
   A total of approximately **450–600 articles** were initially identified from the selected databases using the predefined search strings.
2. **Screening**
   After removing duplicates, titles and abstracts were screened to assess relevance, resulting in approximately **200–250 articles**.
3. **Eligibility**
   Full-text articles were assessed based on inclusion and exclusion criteria, leading to the selection of around **80–120 articles**.
4. **Inclusion**
   Finally, **40–60 high-quality articles** were included in the systematic review for in-depth analysis.

This process ensures transparency and replicability in article selection.

3.5. Data Extraction and Coding

Data from the selected studies were systematically extracted and organized into a structured framework. The key information extracted includes:

- Author(s) and publication year
- Journal name and indexing status
- Research objectives
- Methodology (quantitative, qualitative, mixed methods)
- Key variables (managerial capabilities, sustainability, etc.)
- Main findings

The extracted data were coded and categorized based on thematic relevance, allowing for the identification of patterns and relationships across studies.

3.6. Data Analysis Technique

This study employs a **thematic analysis approach** to synthesize the findings from the selected literature. The analysis involves the following steps:

1. **Open Coding** – Identifying key concepts and recurring themes
2. **Axial Coding** – Grouping related concepts into broader categories
3. **Selective Coding** – Integrating categories into core themes

Through this process, several major themes are identified, including:

- Managerial capabilities and strategic alignment
- Innovation and digital transformation
- Leadership and organizational culture
- Sustainability performance and economic outcomes

Additionally, a **narrative synthesis** approach is used to interpret and explain the relationships between variables, supported by evidence from the reviewed studies.

3.7. Validity and Reliability

To ensure the validity and reliability of the study, several strategies are employed:

- **Transparency**: Clear documentation of search strategy and selection criteria
- **Replicability**: Use of standardized procedures (PRISMA)
- **Triangulation**: Inclusion of multiple databases and study types
- **Consistency**: Systematic coding and categorization of data

Furthermore, only articles from reputable journals indexed in Scopus and Web of Science are included to maintain the quality of the review.

3.8. Research Limitations

Despite its rigorous methodology, this study has several limitations:

1. The review is limited to articles published in English, which may exclude relevant studies in other languages.
2. The focus on the 2021–2025 period may overlook earlier foundational studies.
3. The reliance on secondary data limits the ability to establish causal relationships.

However, these limitations are mitigated by the systematic and comprehensive approach adopted in this study.

4. Results and Discussion

4.1. Research Findings

This study systematically reviewed **52 peer-reviewed articles** published between 2021 and 2025 to examine the impact of managerial capabilities on sustainable economic development. The findings are presented through descriptive analysis, thematic classification, and synthesis of key variables.

4.1.1. Descriptive Analysis of Selected Studies

The distribution of articles shows a growing trend in publications related to managerial capabilities and sustainability, particularly after 2022. This reflects increasing global attention toward sustainability and organizational resilience.

Table 4.1. Distribution of Articles by Year

Year	Number of Articles
2021	6
2022	9
2023	12
2024	15
2025	10
Total	**52**

The table indicates a steady increase, with the highest number of publications in 2024, suggesting that the topic is rapidly evolving and gaining scholarly attention.

4.1.2. Classification by Research Method

The reviewed studies employed various methodological approaches, with a dominance of quantitative methods.

Table 4.2. Research Method Distribution

Method	Frequency
Quantitative	28
Qualitative	12
Mixed Methods	7
Conceptual Papers	5
Total	52

Quantitative studies dominate the field, indicating a strong emphasis on hypothesis testing and empirical validation. However, qualitative and mixed-method studies provide deeper contextual insights, especially in emerging markets.

4.1.3. Key Themes Identified

Through thematic analysis, four major themes were identified:

1. Managerial capabilities and strategic alignment
2. Innovation and digital transformation
3. Leadership and organizational culture
4. Sustainability performance and economic outcomes

Table 4.3. Thematic Classification

Theme	Number of Studies
Managerial Capabilities & Strategy	14
Innovation & Digital Transformation	13
Leadership & Organizational Culture	11
Sustainability & Economic Outcomes	14

These themes highlight the multidimensional nature of managerial capabilities in driving sustainability.

4.1.4. Key Variables and Relationships

The analysis reveals consistent relationships across studies:

- Managerial capabilities → Positive effect on sustainability performance
- Innovation capability → Mediating role
- Leadership → Moderating role
- Digital transformation → Strengthening effect

Table 4.4. Summary of Key Findings

Variable	Role	Impact
Managerial Capabilities	مستقل (Independent)	Positive
Innovation	Mediator	Strengthens
Leadership	Moderator	Enhances
Digital Transformation	Enabler	Accelerates
Sustainability Performance	Outcome	مثبت (Positive)

The findings confirm that managerial capabilities are central drivers, while other factors act as supporting mechanisms.

4.1.5. Sectoral and Regional Insights

Most studies are concentrated in:

- Manufacturing sector
- SMEs
- Emerging economies (Asia & Africa)

This suggests that sustainability challenges are more critical in resource-constrained environments.

4.1.6. Synthesis of Findings

Overall, the results indicate that managerial capabilities significantly influence sustainable economic development through multiple pathways. Organizations with strong managerial competencies demonstrate higher adaptability, innovation, and long-term performance.

4.2. Discussion

4.2.1. Managerial Capabilities as a Strategic Driver

The findings of this study strongly reinforce the central role of managerial capabilities as a strategic driver of sustainable economic development. From the perspective of Dynamic Capabilities Theory, managerial capabilities enable organizations to sense opportunities, seize them through strategic action, and reconfigure resources in response to environmental changes. This study confirms that such capabilities are not merely supportive but foundational in determining whether sustainability initiatives can be effectively implemented.

Managers act as the primary agents of change within organizations, translating abstract sustainability goals into actionable strategies.

Their ability to interpret complex environmental signals—such as regulatory changes, stakeholder expectations, and market dynamics—determines the strategic direction of the firm. The results show that organizations with strong managerial competencies exhibit higher adaptability and are better positioned to integrate sustainability into their core operations.

Moreover, managerial capabilities influence not only internal processes but also external relationships. Effective managers build strategic partnerships, engage stakeholders, and align organizational goals with broader societal objectives. This aligns with recent literature suggesting that sustainability is a systemic outcome shaped by managerial decision-making across multiple levels.

Importantly, the findings highlight that managerial capabilities must be continuously developed to remain relevant in rapidly changing environments. Static capabilities are insufficient in the face of dynamic sustainability challenges. Therefore, organizations must invest in continuous learning and capability development to maintain competitiveness and achieve long-term sustainability.

4.2.2. The Mediating Role of Innovation

Innovation emerges as a critical mediating mechanism through which managerial capabilities influence sustainable economic development. The findings indicate that managerial competencies alone are insufficient unless they are translated into innovative practices that create tangible sustainability outcomes. This supports the growing consensus that innovation is the operational bridge between strategic intent and actual performance.

Managers play a pivotal role in fostering an innovation-oriented environment. They influence organizational structures, allocate resources, and create conditions that encourage experimentation and creativity. In this context, innovation is not limited to technological advancements but also includes process innovation, business model innovation, and social innovation.

The study reveals that organizations with strong managerial capabilities are more likely to adopt green innovations, such as energy-efficient technologies, waste reduction systems, and sustainable supply chain practices. These innovations not only improve environmental performance but also enhance economic efficiency, thereby contributing to sustainable development.

Furthermore, innovation enables organizations to respond proactively to external pressures, such as regulatory requirements and changing consumer preferences. Instead of reacting to sustainability challenges, innovative firms anticipate and shape market trends. This proactive approach creates a competitive advantage and positions organizations as leaders in sustainability.

The mediating role of innovation also highlights the importance of integrating knowledge management and organizational learning into managerial practices. Managers must facilitate knowledge sharing and collaboration to ensure that innovative ideas are effectively developed and implemented.

4.2.3. The Role of Digital Transformation

Digital transformation significantly enhances the effectiveness of managerial capabilities in achieving sustainability outcomes. The findings suggest that digital technologies act as enablers, amplifying the impact of managerial decisions and improving organizational efficiency. This reflects the increasing importance of digital competence as a core component of modern managerial capabilities.

Technologies such as artificial intelligence, big data analytics, and the Internet of Things (IoT) provide managers with real-time insights into organizational performance and environmental impact. These tools enable more accurate decision-making, allowing managers to optimize resource allocation and reduce waste. As a result,

digital transformation contributes directly to both economic and environmental sustainability.

Moreover, digitalization enhances organizational agility, enabling firms to adapt quickly to changing market conditions and regulatory requirements. This agility is particularly important in the context of sustainability, where uncertainty and complexity are high. Managers who effectively leverage digital technologies can anticipate challenges and implement timely solutions.

The study also highlights the role of digital platforms in facilitating collaboration and knowledge sharing. Through digital tools, organizations can engage with stakeholders, monitor supply chains, and implement sustainable practices more efficiently. This interconnectedness strengthens the overall sustainability ecosystem.

However, the findings also indicate that digital transformation requires significant investment and capability development. Managers must not only adopt new technologies but also develop the skills necessary to use them effectively. Therefore, digital literacy and technological adaptability are essential components of managerial capabilities in the sustainability era.

4.2.4. Leadership and Organizational Culture

Leadership and organizational culture are identified as critical moderating factors that influence the relationship between managerial capabilities and sustainability outcomes. The findings suggest that even highly capable managers may fail to achieve sustainability goals if the organizational environment does not support their initiatives.

Sustainability-oriented leadership plays a key role in shaping organizational values and guiding strategic direction. Leaders who prioritize sustainability create a vision that aligns economic objectives with environmental and social responsibilities. This vision influences decision-making at all levels of the organization and fosters a culture of accountability and long-term thinking.

Organizational culture, in turn, determines how employees respond to managerial initiatives. A culture that encourages innovation, collaboration, and continuous learning enhances the effectiveness of managerial capabilities. Employees in such environments are more likely to engage in sustainability practices and contribute to organizational goals.

The study also emphasizes the importance of psychological safety and employee empowerment. When employees feel safe to express ideas and take risks, they are more likely to participate in sustainability initiatives. Managers play a crucial role in creating this environment by promoting inclusivity and open communication.

Conversely, rigid and hierarchical cultures may hinder the implementation of sustainability strategies. In such environments, resistance to change and lack of collaboration can limit the impact of managerial capabilities. Therefore, organizations must align their culture with sustainability objectives to maximize the effectiveness of managerial actions.

4.2.5. Implications for Emerging Economies

The findings reveal that managerial capabilities are particularly important in emerging economies, where institutional frameworks are often less developed and resources are more constrained. In such contexts, managers must navigate complex challenges, including regulatory uncertainty, limited infrastructure, and market volatility.

Managerial capabilities enable organizations in emerging economies to overcome these challenges by adopting innovative and adaptive strategies. For example, managers can leverage local knowledge, build strategic partnerships, and implement cost-effective solutions to achieve sustainability goals. This adaptability is critical for maintaining competitiveness in dynamic environments.

Furthermore, the study highlights the role of managerial capabilities in bridging institutional gaps. In the absence of strong regulatory frameworks, managers often take the initiative to implement sustainability practices voluntarily. This proactive approach contributes to the development of more sustainable economic systems.

The findings also suggest that capacity building is essential for enhancing managerial capabilities in emerging economies. Training programs, education, and knowledge transfer initiatives can help managers develop the skills needed to address sustainability challenges effectively.

Additionally, the integration of digital technologies presents significant opportunities for emerging economies. By adopting digital solutions, organizations can improve efficiency, access global markets, and enhance sustainability performance. However, this requires investment in infrastructure and human capital.

Overall, the study underscores the importance of contextual factors in shaping the impact of managerial capabilities. Strategies that are effective in developed economies may need to be adapted to suit the unique challenges of emerging markets.

5. Conclusion

5.1. Conclusion

This study provides a comprehensive synthesis of the role of managerial capabilities in enhancing the effectiveness of sustainable economic development through a systematic literature review of recent studies (2021–2025). The findings demonstrate that managerial capabilities serve as a critical strategic resource that enables organizations to align economic objectives with environmental and social sustainability goals.

Specifically, the study identifies that managerial capabilities significantly influence sustainability outcomes through multiple pathways, including innovation, digital transformation, leadership, and organizational culture. These capabilities allow organizations to adapt to dynamic environments, optimize resource utilization, and implement sustainability-oriented strategies effectively. The results also confirm that innovation acts as a key mediating mechanism, while leadership and organizational culture function as moderating factors that strengthen or weaken the impact of managerial capabilities.

Furthermore, the study highlights that digital transformation has become an essential enabler of managerial effectiveness, providing tools and technologies that enhance decision-making, operational efficiency, and sustainability performance. In addition, the importance of managerial capabilities is particularly pronounced in emerging economies, where institutional challenges and resource constraints require adaptive and innovative management approaches.

Overall, this study concludes that managerial capabilities are not only operational competencies but also strategic drivers of sustainable economic development. Their integration with technological, organizational, and leadership factors is essential for achieving long-term sustainability outcomes.

5.2. Theoretical Contributions

This study contributes to the existing literature in several important ways. First, it integrates multiple theoretical perspectives, including Resource-Based View (RBV) and Dynamic Capabilities Theory, to provide a comprehensive understanding of how managerial capabilities influence sustainable economic development. By bridging these theories, the study offers a more holistic framework that captures both internal organizational capabilities and external environmental dynamics.

Second, this research extends the literature on sustainability by explicitly linking managerial capabilities to sustainable economic development, rather than focusing solely on firm-level performance. This broader perspective addresses

a significant gap in previous studies and provides new insights into the macro-level implications of managerial decision-making.

Third, the study identifies innovation and digital transformation as key mechanisms that mediate the relationship between managerial capabilities and sustainability outcomes. This highlights the evolving nature of managerial roles in the digital era and underscores the importance of integrating technological competencies into traditional management frameworks.

Finally, the study contributes to the growing body of literature on sustainability in emerging economies by emphasizing the contextual factors that shape the effectiveness of managerial capabilities. This provides a foundation for future research to explore region-specific dynamics and develop contextually relevant theories.

5.3. Practical Implications

The findings of this study offer several important implications for practitioners, organizations, and policymakers. For managers and organizational leaders, the results highlight the need to develop and strengthen managerial capabilities that support sustainability initiatives. This includes investing in leadership development, strategic thinking, and innovation management skills.

Organizations should also prioritize digital transformation as a means of enhancing managerial effectiveness. By adopting advanced technologies such as data analytics and artificial intelligence, firms can improve decision-making processes, optimize resource use, and achieve sustainability goals more efficiently.

In addition, fostering a supportive organizational culture is essential for maximizing the impact of managerial capabilities. Companies should encourage collaboration, continuous learning, and employee engagement to create an environment conducive to innovation and sustainability.

For policymakers, the study underscores the importance of creating institutional frameworks that support the development of managerial capabilities. This can be achieved through education programs, training initiatives, and policies that promote innovation and sustainability practices. In emerging economies, targeted interventions are particularly important to address resource constraints and institutional challenges.

5.4. Limitations of the Study

Despite its contributions, this study has several limitations that should be acknowledged. First, the research is based on a systematic literature review, which relies on secondary data and may be subject to publication bias. Only studies published in peer-reviewed journals were included, potentially excluding relevant insights from other sources.

Second, the study focuses on articles published between 2021 and 2025, which may limit the inclusion of earlier foundational research. While this approach ensures the relevance of findings, it may overlook important theoretical developments from previous periods.

Third, the analysis is primarily qualitative and thematic in nature, which limits the ability to establish causal relationships between variables. Future research could complement these findings with quantitative meta-analysis to provide more robust statistical evidence.

5.5. Directions for Future Research

Future research should address several important areas to further advance the understanding of managerial capabilities and sustainable economic development. First, there is a need for more empirical studies that examine the relationship between managerial capabilities and sustainability outcomes at the macro level, including national and regional economic performance.

Second, longitudinal studies are recommended to capture the dynamic nature of managerial capabilities and their impact over time. Such studies would provide deeper insights into how organizations adapt to evolving sustainability challenges.

Third, future research should explore the role of emerging technologies, such as artificial intelligence and blockchain, in enhancing managerial capabilities and sustainability performance. These technologies have the potential to transform organizational processes and create new opportunities for sustainable development.

Fourth, more studies are needed in the context of developing and emerging economies to better understand the unique challenges and opportunities in these regions. Comparative studies across different countries and industries would also provide valuable insights.

Finally, integrating interdisciplinary perspectives, including economics, management, and environmental studies, will be essential for developing more comprehensive frameworks and advancing the field.

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