law& pass International Journal of Law, Public Administration and Social Studies https://lawpass.org

https://doi.org/10.47353/lawpass.v3i3.125

# Beyond Compliance: Legal Capability as a Dynamic Strategic Resource for Sustainable Competitive Advantage

**Anwar[1]*, Romansyah Sahabuddin[2], Chalid Imran Musa[3], Deddy Ibrahim Rauf[4]**
Universitas Negeri Makassar, Indonesia
*Corresponding author: anwar@unm.ac.id

## Abstract

Organizations increasingly operate in environments where regulatory change, technological disruption, and institutional uncertainty directly affect the feasibility and timing of strategic decisions. Yet law is still frequently treated as a compliance boundary rather than as a strategic capability. This article develops Strategic Legal Capability (SLC) as a higher-order organizational capability through which firms sense, interpret, orchestrate, and convert legal and regulatory change into strategic adaptation and sustainable competitive advantage. An integrative literature review combines insights from the resource-based view, dynamic capabilities theory, institutional theory, legal astuteness, legal strategy, and nonmarket strategy. The synthesis identifies four mutually reinforcing dimensions of SLC: legal sensing, legal interpretation, legal orchestration, and regulatory opportunity conversion. The article proposes that SLC improves strategic decision quality and organizational resilience by expanding the firm's feasible strategic options under regulatory uncertainty. It further argues that regulatory complexity, technological disruption, institutional uncertainty, and artificial-intelligence intensity condition the value of SLC. The resulting framework reframes law from an exogenous constraint into an endogenous capability for strategic adaptation. The article contributes a unified construct, a set of testable propositions, and a research agenda for integrating law more deeply into contemporary strategic management.

**Keywords:** strategic management; strategic legal capability; legal astuteness; dynamic capabilities; legal strategy; regulatory strategy; competitive advantage; strategic adaptation; corporate governance.

## Introduction

Strategic management has historically explained superior performance through competitive positioning, valuable resources, organizational capabilities, and adaptation to environmental change. Contemporary organizations, however, compete within institutional environments in which law and regulation shape the boundaries of markets, ownership, contracts, data, intellectual property, labor, environmental responsibility, technology, and corporate accountability. Regulatory change can alter the economics of an industry as profoundly as a new competitor or technological innovation. The strategic environment is therefore simultaneously

**Received:** July 23, 2026 | **Revised:** July 31, 2026 | **Accepted:** August 26, 2026 | **Publication:** August 31, 2026

market-based and institutionally constituted. When legal developments are considered only after commercial decisions have been made, organizations may discover that their preferred strategy is costly, infeasible, or legally fragile. This creates a strategic-management problem: how can firms develop the organizational capability to anticipate legal change and incorporate it into strategic choice before regulatory uncertainty becomes a constraint?

Conventional compliance logic provides only a partial answer. Compliance systems are designed primarily to prevent violations, reduce exposure, and protect the organization from sanctions or litigation. Those functions remain essential, but they do not exhaust the strategic value of law. A regulation can simultaneously impose costs and create opportunities. A new data-governance requirement may increase compliance expenditure while raising the value of trusted data practices. Stronger intellectual-property protection may impose administrative requirements while increasing returns to innovation. AI governance can increase documentation and accountability costs while favoring firms able to demonstrate reliable and responsible systems. The strategic issue is therefore not simply whether a firm can comply with a rule, but whether it can understand how regulatory change alters the opportunity structure of competition.

The law-and-management literature has already challenged a purely compliance-oriented view. Bagley (2008) conceptualized legal astuteness as a valuable managerial capability and argued that sophisticated use of law can contribute to competitive advantage. Bagley (2010) further demonstrated the importance of integrating law and strategy rather than treating legal analysis as an after-the-fact control. More recent work has expanded the field toward legal strategy and the organizational consequences of legal choices. Bird and Evans (2024), for example, identify law and strategy as a developing interdisciplinary research domain requiring greater conceptual integration. The Oxford Handbook of Law and Management (Masson & Bouthinon-Dumas, 2026) further demonstrates the breadth of this emerging field, including legal performance, competitive legal advantage, legal astuteness, nonmarket strategy, regulatory entrepreneurship, compliance, and legal agility.

Despite this progress, the literature remains conceptually fragmented. Strategic management provides mature explanations of resources and dynamic capabilities, while legal scholarship has developed related constructs such as legal astuteness, legal strategy, proactive law, and legal agility. These concepts overlap, but they do not yet provide a sufficiently unified organizational mechanism explaining how firms transform legal information into strategic adaptation. The resource-based view explains why some legal resources can become valuable and difficult to imitate (Barney, 1991; Peteraf, 1993), while dynamic capabilities theory explains how firms sense, seize, and reconfigure resources under changing conditions (Teece et al., 1997; Teece, 2007). Institutional theory explains why firms face heterogeneous regulatory and normative pressures and why organizational responses can range from conformity to strategic engagement (Oliver, 1991). What remains underdeveloped is the integrative capability that connects these perspectives.

The theoretical gap becomes sharper when regulation is volatile. A static resource may lose value when the legal environment changes, whereas a capability that continually senses and interprets institutional change can preserve and even increase its strategic value. Legal knowledge therefore becomes strategically consequential not simply because managers know the law, but because organizations develop routines for detecting change, interpreting its implications, mobilizing appropriate legal instruments, and converting institutional developments into strategic options. This logic is consistent with dynamic capabilities but has not been sufficiently specified as a distinct firm-level capability at the intersection of law and strategic management.

This article responds to that gap by developing Strategic Legal Capability (SLC) as a higher-order organizational capability. SLC is defined as the firm's capacity to systematically sense legal and regulatory change, interpret its strategic implications, orchestrate legal and organizational resources, and convert regulatory developments into strategic adaptation and sustainable competitive advantage. The construct extends the logic of legal astuteness while moving the unit of analysis from individual managerial competence toward an organization-level capability system. SLC is therefore not synonymous with a legal department, compliance maturity, or the presence of lawyers. It concerns how legal intelligence becomes coordinated strategic action.

The framework consists of four dimensions. First, legal sensing identifies relevant changes in legislation, regulation, enforcement, judicial interpretation, standards, and institutional expectations. Second, legal interpretation translates these developments into implications for markets, resources, technologies, business models, and stakeholder relationships. Third, legal orchestration coordinates legal instruments—including contracts, intellectual property, governance, licensing, regulatory engagement, dispute-resolution mechanisms, and organizational structures—with strategic objectives. Fourth, regulatory opportunity conversion identifies new market, differentiation, legitimacy, innovation, or resilience opportunities created by legal change. Together, these dimensions form a capability loop rather than a one-time compliance process.

The article makes three primary theoretical contributions. First, it reframes law in strategic management from an external constraint toward a dynamic organizational capability. Second, it introduces SLC as a higher-order construct that integrates legal sensing, legal interpretation, legal orchestration, and regulatory opportunity conversion. Third, it specifies a mechanism through which legal capability affects strategic adaptation and sustainable competitive advantage and identifies boundary conditions under which this relationship is likely to strengthen or weaken. The framework thereby creates a bridge between law-and-management scholarship and mainstream strategic-management theory.

The argument is especially relevant to artificial intelligence and digital transformation. AI-intensive business models simultaneously generate technological, legal, ethical, and institutional uncertainty. Organizations must address data rights, intellectual property, accountability, transparency, cybersecurity, discrimination, safety, consumer protection, and liability while technologies continue to evolve. Firms that treat legal issues as a final approval stage may incur redesign costs or miss strategic opportunities. Firms with stronger SLC can incorporate legal and governance considerations into technology design and market strategy earlier, potentially improving both resilience and competitive differentiation.

Accordingly, the purpose of this article is to develop and theoretically position SLC as a strategic-management construct. The article asks: how can organizational legal capability be conceptualized as a dynamic strategic resource; through what mechanisms can it improve strategic adaptation; and under what environmental conditions can it contribute to sustainable competitive advantage? The remainder of the article presents the review method, develops the SLC framework and propositions, discusses theoretical and managerial implications, and concludes with an empirical research agenda.

## Method

The study is conceptual and therefore does not present fabricated database counts, effect sizes, or a PRISMA flow diagram. A subsequent systematic review can test the framework using a fully reproducible Scopus and Web of Science protocol, including duplicate removal, screening, quality appraisal, bibliometric mapping, and, where quantitative evidence permits, meta-analysis. This methodological boundary is deliberate: the present contribution is theory building, with the purpose of establishing a precise construct and propositions that future empirical studies can operationalize and test.

The analytical procedure comprised three stages. First, conceptual mapping identified how existing literature defines the strategic role of law and where related constructs overlap. Second, theoretical integration compared the explanatory roles of the resource-based view, dynamic capabilities theory, and institutional theory. RBV explains why firm-specific legal resources can create value; dynamic capabilities explain how those resources are continually renewed and deployed under change; and institutional theory explains the external pressures and opportunities generated by legal and regulatory environments. Third, construct development translated recurring mechanisms into four dimensions of Strategic Legal Capability and linked them to strategic adaptation and sustainable competitive advantage.

Selection followed a relevance-and-theory logic. Studies were considered central when they explicitly addressed the relationship between legal or institutional conditions and organizational strategy, resources, capabilities, adaptation, or performance. Studies concerned exclusively with doctrinal legal analysis without an organizational or strategic implication were treated as peripheral. The synthesis emphasized peer-reviewed scholarship and authoritative academic works, with particular attention to influential theoretical contributions and recent work that explicitly connects law with management or strategy.

The review was organized around five literature domains: strategic management and competitive advantage; resource-based theory and dynamic capabilities; institutional theory and nonmarket strategy; legal astuteness, legal strategy, and law-and-management scholarship; and emerging regulatory and technology-related management issues, including digitalization and artificial intelligence. Search concepts included combinations of legal capability, legal astuteness, legal strategy, law and strategy, dynamic capabilities, regulatory strategy, legal resources, competitive advantage, strategic adaptation, and corporate governance. Foundational studies were used to establish theoretical lineage, while recent scholarship was used to identify current developments and unresolved conceptual tensions.

This study adopts an integrative literature review combined with conceptual theory development. The design is appropriate because the article seeks to connect fragmented streams of research and develop a theoretically coherent construct rather than estimate a predetermined statistical relationship. The review therefore treats the literature as a conceptual field from which mechanisms, dimensions, boundary conditions, and outcomes can be identified and synthesized.

## Result and Discussion

Existing concepts are related to SLC but do not fully capture the construct proposed here. Legal compliance primarily concerns conformity with applicable rules; legal risk management emphasizes exposure reduction; legal astuteness emphasizes managers' ability to understand and use law strategically; legal strategy focuses on deliberate deployment of legal choices; and legal agility emphasizes the speed and adaptability of legal responses. SLC incorporates these insights but extends them by specifying an organization-level, higher-order capability that links legal sensing and interpretation to orchestration, opportunity conversion, strategic adaptation, and capability renewal.

**Table 1.** Distinguishing Strategic Legal Capability from related legal and strategic constructs.

| Construct | Primary focus | Unit of analysis | Strategic orientation | Dynamic adaptation |
|---|---|---|---|---|
| Legal compliance | Rule conformity | Organization | Reactive/defensive | Low |
| Legal risk management | Risk reduction | Organization | Defensive | Moderate |
| Legal astuteness | Strategic use of law | Manager/leader | Proactive | Moderate |
| Legal strategy | Strategic deployment of legal choices | Firm | Proactive | Moderate–high |
| Legal agility | Speed and adaptability of legal response | Legal function/firm | Adaptive | High |
| Strategic Legal Capability | Integrated legal-strategic capability | Organization | Proactive + adaptive | High |

### From Compliance Logic to Capability Logic

The synthesis reveals an evolution in the strategic interpretation of law. The traditional compliance model treats law primarily as a constraint: organizations identify obligations, prevent violations, and respond to legal exposure. A strategic-resource model goes further by using legal structures to protect and appropriate value. The capability model proposed here goes further again by emphasizing continuous organizational adaptation. The relevant strategic question becomes whether the firm can repeatedly transform legal and regulatory change into better strategic choices.

**Table 2.** Conceptual evolution of the strategic role of law. “Law 4.0” is used here as a proposed framing, not as an established theory.

| Logic | Role of Law | Organizational Orientation | Primary Outcome |
|---|---|---|---|
| Law 1.0 | Constraint | Reactive compliance | Risk reduction |
| Law 2.0 | Protection | Legal risk management | Resource protection |
| Law 3.0 | Strategic resource | Proactive legal strategy | Competitive advantage |
| Law 4.0 — proposed framing | Dynamic capability | Legal sensing, interpretation, orchestration, opportunity conversion | Strategic adaptation and sustainable advantage |

**Strategic Legal Capability as a Higher-Order Capability**

SLC is conceptualized as a higher-order capability because it coordinates multiple lower-level routines rather than representing a single skill. Regulatory monitoring, legal analysis, contracting, intellectual-property management, compliance, governance, and stakeholder engagement may each exist independently. Their strategic value increases when they are integrated into a coherent process for sensing, interpreting, orchestrating, and converting legal change. The higher-order nature of SLC also explains why two firms exposed to the same legal environment can experience different strategic outcomes.

From an RBV perspective, SLC can become valuable when it is embedded in firm-specific knowledge, routines, relationships, organizational culture, and accumulated experience. Laws are generally public, so the scarce resource is not access to the text of a regulation. The scarce resource is the organizational ability to understand how legal rules interact with the firm's technologies, resources, markets, stakeholders, and strategic objectives. This capability may be path dependent and socially complex, making rapid imitation difficult.

From a dynamic-capabilities perspective, SLC follows the logic of sensing, seizing, and reconfiguring. Legal sensing detects change; legal interpretation transforms information into strategic meaning; legal orchestration enables action; and regulatory opportunity conversion captures value from changed institutional conditions. Strategic adaptation then feeds organizational learning, strengthening future sensing and interpretation. SLC therefore operates as a capability loop rather than a static stock of legal knowledge.

**The Four Dimensions of SLC**

1. Legal sensing

   Legal sensing is the capacity to identify emerging regulatory and institutional developments before they become immediate strategic constraints. It includes horizon scanning, regulatory monitoring, enforcement intelligence, judicial trend analysis, standards monitoring, scenario development, and early engagement with relevant experts. Its principal strategic value is temporal: early recognition expands the set of feasible responses.


**ISSN (e): 3047-552X**

2. Legal interpretation
   Legal interpretation is the capacity to translate legal information into strategic intelligence. Managers need to know not only what a rule says but how it affects costs, rights, incentives, technology, market access, business models, stakeholder expectations, and competitive position. This dimension requires cross-functional interaction between legal and business expertise.
3. Legal orchestration
   Legal orchestration is the capacity to coordinate legal instruments and organizational resources with strategic objectives. Contracts, intellectual-property rights, licenses, governance structures, regulatory permissions, dispute-resolution mechanisms, data arrangements, and corporate structures can be deliberately designed to allocate risk, protect value, increase flexibility, or facilitate market entry. Orchestration distinguishes strategic legal action from routine legal review.
4. Regulatory opportunity conversion
   Regulatory opportunity conversion is the capacity to identify and exploit legitimate opportunities created by regulatory change. New rules can raise standards, increase trust, eliminate low-quality competitors, create new service markets, or reward early adopters. The strategic organization asks not only "How do we comply?" but also "What new strategic possibilities does this regulatory shift create?"

**Strategic Legal Capability Loop**

The four dimensions form a recursive process. Legal sensing identifies change; legal interpretation explains its strategic meaning; legal orchestration mobilizes resources; and regulatory opportunity conversion converts institutional change into strategic value. Strategic adaptation is the immediate organizational outcome, while sustainable competitive advantage is a possible longer-term outcome when the capability is valuable, difficult to imitate, and continually renewed through organizational learning.

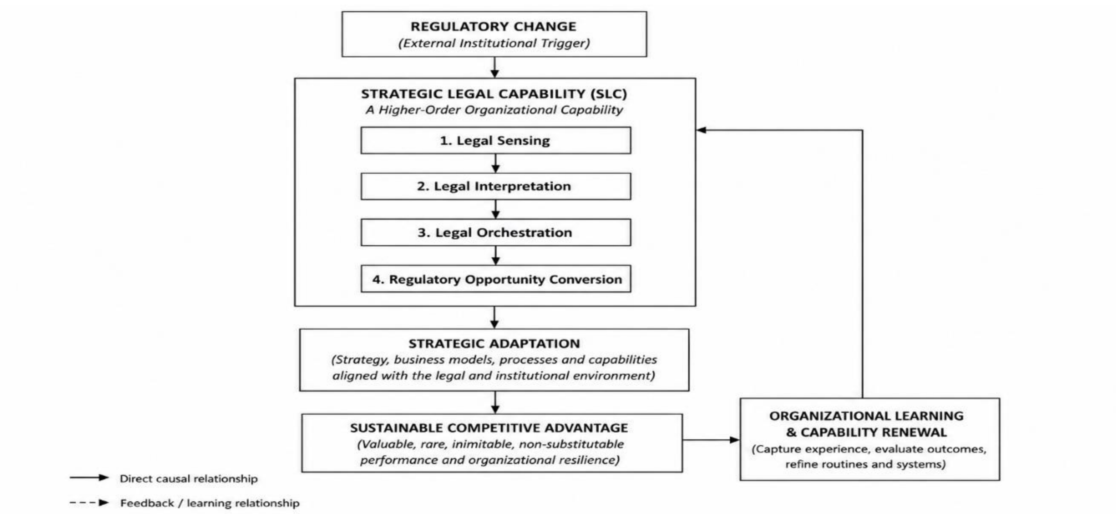


**Figure 1.** The Strategic Legal Capability (SLC) Framework: A Dynamic Capability Loop from Regulatory Change to Sustainable Competitive Advantage

The feedback component is essential. Strategic adaptation generates experience about which regulatory signals mattered, which interpretations were accurate, which legal instruments were effective, and which responses created value. Organizational learning captures that experience and renews the capability base. In the next regulatory cycle, the firm therefore does not start from zero: it possesses improved sensing routines, interpretive heuristics, cross-functional relationships, and response architectures. This recursive logic is what makes SLC a dynamic capability rather than a static legal resource.

The loop should be interpreted as a capability-renewal mechanism rather than a simple sequence of legal activities. Regulatory change is the external trigger, but the strategic consequence depends on what the organization does with the information it receives. Legal sensing reduces informational delay; legal interpretation converts information into strategic intelligence; legal orchestration aligns legal instruments with business resources; and regulatory opportunity conversion turns institutional change into actionable strategic value. These processes culminate in strategic adaptation, which can contribute to sustainable competitive advantage when the resulting routines and resource combinations are valuable and difficult to replicate.

**Mechanisms Linking SLC to Competitive Advantage**

The first mechanism is option expansion. Early legal intelligence allows firms to identify alternative structures before sunk costs become large. A market-entry strategy, for example, may be redesigned through licensing, partnerships, corporate restructuring, or phased investment when regulatory constraints are recognized early. SLC therefore increases the number and quality of strategically feasible options.

The second mechanism is strategic timing. Firms with stronger legal sensing can act before regulatory deadlines, enforcement patterns, or industry standards become binding. Early action can lower adjustment costs and create reputational or market advantages. Timing is particularly important when competitors face the same regulatory transition but differ in organizational readiness.

The third mechanism is value protection and appropriation. Legal orchestration can strengthen contracts, intellectual-property protection, governance arrangements, and allocation of liability. These mechanisms influence how firms capture returns from innovation and partnerships. Legal capability thus complements technological, financial, and human resources rather than functioning separately from them.

The fourth mechanism is legitimacy and resilience. Organizations that anticipate regulatory expectations and embed responsible governance into operations may strengthen stakeholder trust while reducing the probability and severity of disruptive legal events. Resilience can become strategically valuable when regulatory shocks are frequent or when business models depend heavily on public trust.

**Boundary Conditions: When SLC Matters Most**

Regulatory complexity is expected to increase the value of SLC because complexity raises the difficulty of interpreting rules and anticipating interactions among regulatory regimes.

However, the relationship is unlikely to be unlimited. Excessive legal centralization can slow decision-making, increase bureaucracy, and reduce innovation. SLC should therefore be understood as a selective capability: the objective is not maximal legal involvement but strategically timed legal integration.

Technological disruption strengthens the importance of legal sensing and interpretation because technological innovation can move faster than established institutional routines. Firms operating in digital platforms, AI, biotechnology, fintech, and data-intensive sectors face particularly high interaction between innovation and regulation. Legal capability can reduce strategic rigidity by allowing firms to adapt governance and business models as rules evolve.

Institutional uncertainty creates another boundary condition. When enforcement, judicial interpretation, or regulatory direction is difficult to predict, firms need capabilities that convert uncertainty into scenarios and options. SLC can therefore be especially valuable where formal rules are incomplete or rapidly evolving.

AI intensity provides a contemporary boundary condition. AI systems generate simultaneous questions concerning data, intellectual property, transparency, accountability, discrimination, cybersecurity, safety, and liability. The greater the organization's dependence on AI-enabled processes, the greater the potential value of integrating legal capability into technology and strategy decisions from the beginning rather than at the final approval stage.

The preceding mechanisms imply that SLC should not have a uniform effect across all institutional environments. Its value depends on the amount of legal change the organization must process, the speed at which technology and regulation interact, and the degree of uncertainty surrounding institutional interpretation. The propositions below translate these arguments into relationships that can be examined empirically.

**Theoretical Propositions**

a) Proposition 1
   Legal sensing capability positively influences strategic adaptation under conditions of regulatory volatility.
b) Proposition 2
   Legal interpretation capability positively influences strategic decision quality by translating legal information into business-relevant strategic intelligence.
c) Proposition 3
   Legal orchestration capability positively influences strategic flexibility by coordinating legal instruments with organizational resources and strategic objectives.
d) Proposition 4
   Regulatory opportunity conversion mediates the relationship between Strategic Legal Capability and competitive advantage.
e) Proposition 5
   Strategic adaptation mediates the relationship between Strategic Legal Capability and sustainable competitive advantage.
f) Proposition 6

The value of Strategic Legal Capability increases with regulatory complexity up to a threshold, after which excessive complexity may weaken capability effectiveness through coordination and interpretation costs.

g) Proposition 7

Technological disruption strengthens the relationship between legal sensing, legal interpretation, and strategic adaptation.

h) Proposition 8

AI intensity strengthens the relationship between Strategic Legal Capability and sustainable competitive advantage through strategic adaptation.

**Contribution to Strategic Management**

The first contribution is conceptual integration. SLC connects law-and-management scholarship with established strategic-management theories without reducing legal capability to ordinary compliance. It explains why legal knowledge can become strategically valuable and how that value can be renewed as institutional conditions change.

The second contribution is construct differentiation. SLC should be distinguished from legal astuteness, which emphasizes the capacity of managers to understand and use law strategically. SLC incorporates legal astuteness but moves toward firm-level routines and coordination. It is also broader than legal risk management because it includes opportunity recognition and value creation, not only risk reduction.

The third contribution is mechanism specification. Instead of asserting that legal capability simply improves performance, the framework proposes a chain from legal sensing and interpretation through orchestration and opportunity conversion to strategic adaptation and sustainable competitive advantage. This creates a testable theoretical architecture rather than a descriptive claim.

The fourth contribution concerns the changing nature of competition. As regulation increasingly intersects with technology, sustainability, data, and AI, legal capability becomes relevant to innovation strategy, not merely to defensive governance. The framework therefore positions law closer to the core of strategic management.

To facilitate empirical development, the framework can be operationalized through observable routines rather than relying on an abstract perception of legal sophistication. The following dimensions provide an initial measurement architecture that future scale-development studies can refine and validate.

**Table 3.** Illustrative operationalization of the Strategic Legal Capability framework

| Construct | Core dimension | Illustrative indicators |
|---|---|---|
| Strategic Legal Capability | Legal sensing | Regulatory scanning; early-warning routines; horizon monitoring; enforcement intelligence |

| Construct | Core dimension | Illustrative indicators |
|---|---|---|
| Strategic Legal Capability | Legal interpretation | Cross-functional legal intelligence; scenario analysis; translation of legal change into strategic implications |
| Strategic Legal Capability | Legal orchestration | Strategic contracting; IP deployment; governance design; licensing; regulatory engagement |
| Strategic Legal Capability | Regulatory opportunity conversion | Identification of new markets; differentiation through regulatory readiness; trust-building; first-mover adaptation |
| Strategic adaptation | Organizational response | Business-model redesign; resource reconfiguration; technology redesign; market repositioning |
| Sustainable competitive advantage | Strategic outcome | Differentiation; resilience; value appropriation; durable strategic position |

**Implications and Research Agenda**

Future empirical research should operationalize SLC as a multidimensional construct. Legal sensing can be measured through regulatory horizon scanning, scenario planning, and early-warning routines. Legal interpretation can capture cross-functional translation of legal developments into strategic implications. Legal orchestration can measure the strategic use of contracts, intellectual property, governance, licensing, and regulatory mechanisms. Regulatory opportunity conversion can assess the extent to which firms identify and exploit legitimate opportunities arising from legal change.

Research should examine whether SLC is a first-order or higher-order capability using confirmatory factor analysis and structural equation modeling. Longitudinal research is especially appropriate because the value of SLC is expected to emerge through repeated cycles of sensing, adaptation, and learning. Comparative studies across industries and institutional environments can test whether the proposed boundary conditions alter the capability-performance relationship.

AI offers a particularly important empirical setting. Researchers can test whether SLC predicts responsible AI adoption, speed of regulatory adaptation, innovation outcomes, organizational resilience, or stakeholder trust. Another emerging question is whether AI-enabled legal intelligence changes the internal architecture of SLC. If routine legal monitoring becomes automated, competitive differences may shift toward human judgment, governance, ethical reasoning, and cross-functional orchestration.

Managers should treat legal capability as part of strategic infrastructure. Senior legal leaders should be involved in major strategy reviews when legal conditions materially affect value creation. Firms can establish regulatory-intelligence routines, integrate legal scenarios into investment decisions, and create cross-functional teams linking legal, risk, technology, finance, and business units. The objective is not to make strategy more bureaucratic, but to ensure that legally material information reaches decision makers early enough to improve strategic choice.

Policymakers should recognize that regulatory complexity creates uneven capability demands. Large firms may possess extensive legal resources while smaller firms face disproportionate interpretation costs. Clear guidance, transition periods, accessible standards, regulatory sandboxes, and transparent consultation can reduce unnecessary capability asymmetries while preserving substantive regulatory objectives.

**Limitations and Directions for Empirical Validation**

A particularly important next step is to examine whether SLC is best modeled as a reflective or formative higher-order construct. If its dimensions represent complementary capabilities that jointly constitute SLC, a formative specification may be theoretically appropriate. Future studies should therefore combine qualitative interviews with legal executives and strategic managers, exploratory factor analysis, confirmatory factor analysis, and structural models before making strong causal claims.

The conceptual nature of the article creates several limitations. First, the proposed dimensions and relationships have not yet been empirically validated. Second, the framework is intentionally cross-disciplinary and may require contextual refinement across industries and institutional systems. Third, sustainable competitive advantage is a demanding outcome that should not be attributed to legal capability alone; technology, human capital, organizational design, and market positioning remain important complementary resources. These limitations define rather than weaken the research agenda. They call for scale development, longitudinal designs, cross-country comparisons, and tests of mediation and moderation.

## Conclusion

This article argues that the strategic role of law should be reconsidered. Compliance remains necessary, but it is an insufficient explanation of how firms create and protect value in environments characterized by regulatory volatility, technological disruption, and institutional uncertainty. The proposed Strategic Legal Capability framework reframes law as a dynamic organizational capability that can influence strategic choice, adaptation, resilience, and competitive advantage.

SLC is conceptualized through four dimensions: legal sensing, legal interpretation, legal orchestration, and regulatory opportunity conversion. These dimensions create a recursive capability loop through which firms detect institutional change, translate it into strategic intelligence, coordinate legal and organizational resources, and convert regulatory developments into strategic opportunities. The resulting capability can expand strategic options and improve the timing and quality of adaptation.

The article's main theoretical contribution is to connect law-and-management scholarship with RBV, dynamic capabilities theory, and institutional theory through a single organization-level construct. The framework also establishes eight propositions that can be tested empirically and identifies regulatory complexity, technological disruption, institutional uncertainty, and AI intensity as important boundary conditions. The broader implication is consequential: in contemporary strategic management, law should not be treated merely as the boundary around strategy. Under the right organizational conditions, law can become part of the capability through which strategy is created, adapted, and sustained.

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