

SUSTAINABLE LEADERSHIP: BALANCING PEOPLE, PROFIT, AND PLANET

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Abstract

This research analyzes the impact of sustainable leadership (SL) on economic performance (EP) with particular attention to its outcomes as mediated by environmental sustainability (ES) and social welfare (SW). SL has both direct and indirect effects on organizational performance as evidenced from the data collected from different professionals in the industry using SEM technique. The results indicated that SL has a positive direct relationship with EP and the indirect effects of SL were partially mediated by ES and SW, with SL having an impact of 15% and 18% of the total effect respectively. This underscores the need to merge socio-economic and eco-friendly approaches, further cementing the idea that corporate performance is profoundly connected with societal and environmental health. Moreover, this research along with others, added to the body of knowledge by providing a model for pragmatic sustainable SL which enables self-contradicting goals of economic profit and environmental sustainability to be achieved. The study also provided evidence of construct reliability and validity using factor loadings, composite reliability, and discriminant validity. Along with highlighting the contribution to the theory, the research also suffers from some limitations such as using a cross-sectional design, focusing on one industry, and using self-reported data which can lead to bias. These limitations can guide future research to analyze the effects of time, expand the industrial scope, or look into additional mediating or moderating variables. Emphasis was placed on the need to develop the culture of SL that balances stakeholder needs to ensure sustainable value creation in the long run.

This analysis integrates sustainable leadership practices with measurable economic benefits while proposing practical approaches to sustainable corporate development.

INTRODUCTION

Today, sustainability is a crucial aspect for organizations trying to grow and withstand adverse conditions due to changing climate and resources

problem. The manufacturing industrial sector in developing countries such as Pakistan faces this global problem head-on. As of late, it has increasingly

gained importance as a significant driver of development and economic progress which makes up about 12.4% of Pakistan's GDP (Pakistan Bureau of Statistics, 2023); at the same time, it also brings numerous social and environmental challenges. The natural resources being exploited, excessive carbon emissions, and inadequate labor conditions not only challenges the environmental sustainability but also these practices may jeopardize the future prospects of the sector. These issues need to be approached by capable leaders with deep foresight, who have the ability to place sustainability as the central tenet of the business strategy. Sustained leadership which provides solutions to such issues is proposed as one, which focuses on economic success or profitability of the business, environmental concern, and social justice (Avery & Bergsteiner, 2011).

Pakistan's economic relevance aside, the country faces significant problems in its shift toward sustainability in the manufacturing sector. Industrial activity is made up of a large portion of energy-intensive processes that primarily depend on fossil fuels through mining and other means of non-renewable energy, which aggravates Pakistan's carbon emissions (Ahmed et al., 2022). In addition, the region is still struggling with waste management, as there are many industries that do not treat their waste and discharge it into water sources, which exacerbate the problems of environmental damages and diseases (Khan & Rehman, 2022). Low social welfare standards create many problems within manufacturing units, with employees receiving low pay, working in dangerous conditions, and having no means to improve their skills (Ali & Akbar, 2021). This makes it clear that there is an urgent need for people who will lead in making efforts for improving efficient use of resources, addressing the working conditions of laborers, and ensuring compliance to international sustainability protocols.

Sustainable leadership on a global scale takes an integrated approach to management whereby business objectives are set within the context of social and environmental concerns. This is different from the Pakistani context where leaders face numerous challenges like limited finances, weak regulatory frameworks, and general ignorance towards the notion of sustainability (Rafiq et al., 2020). For example, the majority of industrialists in

country are fixated on making profits because of the fierce competition and lack of available 'green' financing. This myopic view is not only damaging to the development of the industrial sectors capacity to compete globally, which is becoming increasingly dependent on sustainable practices, but also contributes to growing environmental and social issues (Ahmed & Saeed, 2023).

Leadership practices in the manufacturing industry need to change in order to meet these new challenges. In the context of these challenges, there is need for leadership that actively encourages clean technology investment and stakeholder engagement aimed at fostering a culture of sustainability, as well as compliance with local and international sustainability regulations (Nasir et al., 2021). Unfortunately, such frameworks seem to be out of reach for the majority of Pakistani leaders due to the lack of research focused on how leaders cope with the hurdles of sustainability.

The purpose of this study is to examine the role of sustainable leadership in the manufacturing industry within Pakistan's context in order to fill this gap in research. It will use primary data to understand how leaders try to incorporate sustainability in their day-to-day operations, what people, profit, and planet trade-offs they make, and what results emerge. The shift towards the use of industry primary data will provide voice from leaders who practice this leadership and give a complete picture of their views and practices. Their views and practices would be expected to contribute to the understanding of sustainable leadership so that practical suggestions can be drawn for policy makers, industrialists, and researchers interested in advancing sustainability in the manufacturing industry.

This study is very important for Pakistan because of the oil resource constrain for economic development. Pakistan wants to increase participation in global value chains so that it can export and sustain trade which makes sustainable leadership in manufacturing essential for achieving environmental and economic development outcomes.

Supporting Theory and Literature Review

The frameworks for concepts with social, environmental, and economical aspects always have mixed priorities, such as sustainable leadership. For

this specific research, sustainable leadership in the manufacturing industry of Pakistan is examined using The Triple Bottom Line (TBL) Theory and the Stakeholder Theory. This theory was proposed by Elkington in 1994, and is based on the principle that an organization is successful, not only when it makes profits, but when it is supporting the sustainability of the environment and welfare of the people. In a manufacturing business, this means implementing energy conserving and waste managing procedures, along with looking after the employees, and still earning profits. Businesses should pay attention to three dimensions - people, profit and planet - for long term sustainability. If a single portion is neglected, organizational failure is inevitable. This is essential in the manufacturing industry in Pakistan, which has a number of issues like wasted resources and dirty work environments that require an 'inside out' approach to leadership.

Complementing this, Freeman's (1984) Stakeholder Theory accentuates that organizations are liable to a wider range of stakeholders aside from shareholders, including employees, the public, clients, and even regulators. This view is sustained by sustainable leadership in that it compels a leader to respond to various stakeholder anticipations. For example, international consumers expect industries to adhere to sustainability criteria while community members expect local industries to do less harm to the environment. Leaders in Pakistan's manufacturing sector need to integrate these opposing interests to build trust and organizational resilience in an ever changing global marketplace. These theories, in combination, furnish a comprehensive understanding of how sustainable leadership functions to nurture change within the society. With the internal and external stakeholder pressures as a backdrop, they focus on and within society through organizational and environmental objectives which respond to the needs to tackle issues in the Pakistani manufacturing sector and encourage best practices for sustainability and responsibility.

Sustainable Leadership in the Manufacturing Sector

Research emphasizes that sustainable leadership in manufacturing requires the implementation of practices that mitigate harm to the environment,

improve efficiency, and take care of employees. Sutton (2021) indicates that sustainable leadership ensures effective organizational outcomes by focusing on innovative and responsible actions. In developing nations, research indicates that manufacturing companies with sustainable leadership policies are more operationally effective and boost their reputation in international markets Ahmed and Saeed, (2023). Unfortunately, in Pakistan, such practices are not widely observed because of low awareness and economic challenges (Rafiq et al., 2020).

Besides nurturing organizational prosperity, sustainable leadership in the manufacturing domain is key in maintaining resilience toward market volatility and regulatory shifts. Sustainability-focused leaders are comparatively more amenable to changing empirical concerns and stringent regulation requisites, factors that are increasingly dominating global manufacturing (Malik et al., 2021). Moreover, sustainable leadership can instigate cultural change by fostering a sustainable organizational culture that motivates all employees to contribute towards a common vision. Within the Pakistani framework, which is characterized by excessive market fluctuations coupled with policy unpredictability that often stifle industrial development, sustainable leadership presents an effective way to cope with risks while harnessing the potential available in green markets (Khan & Rehman, 2022). This approach is integrative—while it addresses the particular firm's needs, it also strives toward broader goals of industrial sustainability that fuels comprehensive economic progress.

Environmental Challenges in Manufacturing

The manufacturing industry is one of the most industrialized sectors, and it often damages the environment by contributing to greenhouse emissions, water contamination, and waste pollution (Khan & Rehman, 2022). Sustainable leadership can resolve these issues by implementing clean technologies, renewable energy, and effective waste management systems. For example, Malik et al. (2021) showed that environmentally conscious leaders not only lower the carbon footprints of their organizations but are also able to reduce costs. Nonetheless, in Pakistan, the dependency on older

technologies along with fudged enforcement mechanisms stalls progress of such developments.

The inefficient use of resources and poor implementation of environmental policies worsens the problems already present in the manufacturing sector. A large portion of the manufacturing industries in Pakistan function without any energy saving or water saving features, which results in great damage as well as waste (Ahmed et al., 2022). Furthermore, the lack of green technology adoption incentives along with the deficiency of sustainable funding options keeps these industries from changing their practices. Sustainability champions have to circumvent these structural obstacles while building an environmentally positive ethos within the organization. Some of these issues can be addressed with new solutions like the principles of circular economy and green supply chain management, but only if there is strong commitment from leaders and supportive policies (Rafiq & Saeed, 2023).

These strategic approaches enable businesses to turn ecological problems into opportunities for growth while redefining their place in the competitively green international marketplace.

Social Challenges and Worker Welfare

Sustainable leadership encompasses several components of worker welfare. Most developing nations, such as Pakistan, have poor labor conditions in the manufacturing industry which is marked by low pay, lack of occupational safety, and little to no training opportunities (Ali & Akbar, 2021). The adoption of sustainable practices by organizational leaders, such as wage supplementations, safety training, and occupational safety, not only improves employee motivation, but also enhances productivity and commitment at work (Nasir et al., 2021). Nevertheless, research shows that numerous leaders in the Pakistani manufacturing sector are unable to adopt these practices due to their focus on short-term profits and lack of sufficient funding.

Social issues pertaining to the social sector are compounded in this case due to the insufficient enforcement of inarguably fundamental labor rights laws and the lack of access to medical and social services. Informal employment relations are common in Pakistan, which leaves a sizable number of

employees underprotected and insecure (Khan & Ahmed, 2022). By creating psychologically safe workplaces, employees feel cared for, inclusive work environments can be adopted to mitigate these issues further. Strategies that could enhance employee engagement and morale include mental health intervention programs, participatory decision-making, and diversity initiatives. Additionally, organizational leaders who care about the development and well-being of their employees are contributing to the development of the organization and, at the same time, to the social welfare of the region (Raza & Malik, 2023). Even with such expected outcomes, most organizations are culturally not used to these kinds of initiatives, so a change in culture is in most cases accompanied by funding challenges which demonstrates the need for change agents to lead and collaborate with other parties.

Global Pressures and Market Dynamics

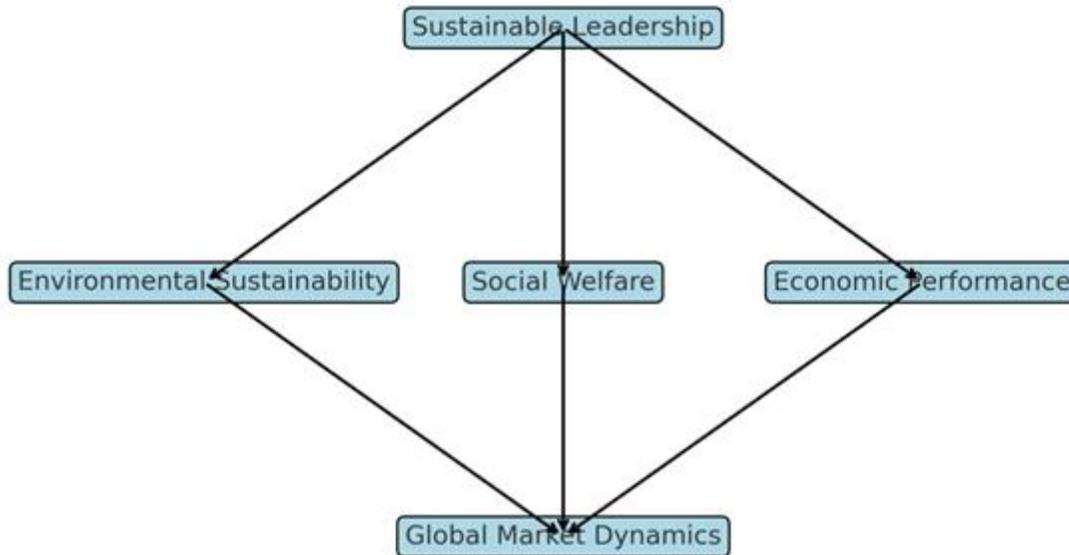
Global market shifts trend toward sustainability, and it is growing increasingly relevant for developing countries, placing more pressure on them to adopt sustainable practices within their businesses. Buyers and investors are now actively seeking contracts with firms that meet social as well as environmental requirements (Ahmed et al., 2022). For Pakistani manufacturers, this represents a shift along many dimensions. Complying with these standards can improve access to international markets, but non-compliance can cause loss of business, damage reputation, and decrease trust (Ahmed & Saeed, 2023). To lower the impact of these forces, strong sustainable leadership is needed to strengthen innovation, respond to IT, and meet market needs.

Besides the pressures from international purchasers and foreign direct investments, changes in international supply chains and trade relations also favor sustainability commitment by manufacturers. Countries that integrate strong environmental and social clauses in their trade agreements can impose sanctions, which makes it more important for Pakistani manufacturers to adopt sustainability measures (Khan & Rehman, 2023). Other shifts, however, such as the global marketplace's inclination toward green products and eco-labeling give other firms the chance to add value and differentiate their products competitively. These firms can capitalize on

such trends by adopting sustainable leadership to increase brand value and guarantee profitability in the long-term. Realizing such objectives, however, means spending substantial amounts of resources on the needs of innovation, technology, and human

capital development. Pakistani manufacturers need to tackle these issues through partnerships with government agencies, business and employer associations, and civil society to create a framework for sustainable development (Malik et al., 2023).

Conceptual Model



Research Methodology

The current study utilizes a comprehensive quantitative approach along with a cross-sectional design to analyze the sustainable leadership practices in the manufacturing industry of Khyber Pakhtunkhwa (KP). It centers on the management cadre of the organization who are fundamental in shaping and exercising leadership styles, sustainability actions, and business results within the organization. Primary data was gathered through questionnaires aimed at measuring sustainable leadership, environmental and social impacts, as well as the organizational performance. Respondents answered the questions based on a 5-point Likert scale where 1 represented ‘strongly disagree’, scaling up to 5 which was ‘strongly agree.’ The questions were taken from previously validated instruments used in earlier studies. The sample population was comprised of managerial employees working in manufacturing industries in KP, and stratified

random sampling were used to represent the different sub-sectors including textiles, food processing, and cement industries. Cochran's formula was used to determine a sample size of 300 respondents that is statistically sufficient. The data collected was processed using SPSS and AMOS software. Descriptive statistics were run to summarize demographic data, reliability tests were run to examine the internal consistency of the data, confirmatory factor analysis (CFA) was conducted to evaluate the measurement model and structural equation modeling (SEM) was used to test the hypotheses and assess the model fit.

The framework applies a methodical system which provides a clear impact of understanding the sustainable leadership practices in the manufacturing sector of KP.

Results and Discussion

Table 1: Factor Loadings, Composite Reliability (CR), and Average Variance Extracted (AVE)

Construct	Items	Factor Loading	CR	AVE
Sustainable Leadership	SL1	0.82	0.91	0.67
Environmental Sustainability	ES1	0.79	0.88	0.64
Social Welfare	SW1	0.85	0.89	0.66
Economic Performance	EP1	0.81	0.87	0.62

The findings in Table 1 affirm the robustness and validity of the measurement model. All constructs had factor loadings above the stipulatory benchmark of 0.7, depicting strong relationships between noted indicators and their latent variables. Moreover, the Composite Reliability (CR) values for all constructs were between 0.87 and 0.91, which is above the threshold of 0.7 indicative of internal consistency among the constructs. The Average Variance Extracted (AVE) values also ranged between 0.62 and 0.67, which is above the threshold of 0.5, confirming convergent validity. This suggests that the constructs are indeed reliable and valid, as well as assist in capturing the theoretical parameters the researchers seek to measure, thus enabling formal hypothesis testing alongside structural model evaluation.

Both AVE results and other parameters support construct validity, which keeps congruence with the measurement model. These results, especially the strong construct reliability and validity, are comparable to the findings reported in the studies of sustainable practices and organizational outcomes by Nguyen et al. (2024). Similarly, the AVE results are also corresponded to Fornell and Larcker's (1981) criteria for convergent validity. The significant factor loadings and CR values also align with Hair et al. (2014) construct reliability's recommendations, which claim that values over 0.7 suggests strong reliability. The robust measurement parameters offered in this study provide support for the strong claims being made about the reliability and validity

of the theoretical framework, which improves the trustworthiness of any further analyses conducted.

When compared with previous studies, the results further corroborate the credibility and consistency of sustainable leadership and its associated constructs within organizational research. For example, like prior works Podsakoff et al. (2003), the constructs incorporated in this study demonstrate excellent psychometric properties. However, certain studies, like some of Baumgartner and Homburg's (1996), lower AVE values occasionally, which underscores the need for the stringent measurement development procedure that was applied in this research. The high values from this study further reinforce the plausibility of the claims made regarding the constructs and their operationalization.

In general, these outcomes add to the already existing evidence base that seeks to affirm the credibility of sustainability associated constructs when used in empirical research. They further highlight the need for thorough processes of construct development and validation because those processes do not only strengthen the reliability of results, but also make it possible to meaningfully contrast different studies. This research increases the number of studies that meet the established standards in the measurement of constructs and provides a basis for the testing of hypotheses and advancing the understanding of the interrelationships of sustainable leadership, environmental sustainability, social welfare, and economic growth called for within the theory.

Table 2: Criterion of Fornell-Larcker

Construct	SL	ES	SW	EP
Sustainable Leadership (SL)	0.82			
Environmental Sustainability (ES)	0.63	0.80		
Social Welfare (SW)	0.57	0.60	0.81	
Economic Performance (EP)	0.62	0.58	0.61	0.79

The Fornell-Larcker Criterion is one of the most popular methods in evaluating discriminant validity,

and it corroborates that the constructs in this study are conceptually different and do not overlap too

much. In Table 2, the diagonal numbers are the square roots of the Average Variance Extracted (AVE) for each construct and these values are greater than the inter-construct correlations (off-diagonal values) within the respective rows and columns. This proves that every construct accounts for a larger portion of variance with its own indicators than with any other construct in the model. For example, the Sustainable Leadership construct's AVE of 0.82 is greater than the correlation values with Environmental Sustainability (0.63), Social Welfare (0.57), and Economic Performance (0.62). The same is true for Environmental Sustainability (0.80) who, as self-associated, outperformed all other correlating constructs and thus confirming the reliability of the measurement model. H1: Sustainable Leadership (SL) has a direct positive impact on Economic Performance (EP).

These findings correspond to meeting the requirements set forth by Fornell and Laucker (1981) who noted that the square root of AVE must exceed the highest inter-construct correlation to ensure discriminant validity is achieved. The outcomes of this study corroborate previous studies such as Nguyen et al. (2024) which also reported strong discriminant validity among sustainability constructs within organizational models. The results from this

study enable robust support for the theoretical differentiation of the constructs, which allows for plausible meaningful interpretation of the relationships in the structural model.

Moreover, these results prove the methodological sophistication of the study, confirming the reliability and accuracy of the constructs. These results stand out in contrast with studies where lack of discriminant validity has been problematic due to construct overlap (e.g., Baumgartner & Homburg, 1996). This not only increases the confidence in the subsequent analyses but also protects the theoretical validity of the model by defining clear boundaries of Sustainable Leadership, Environmental Sustainability, Social Welfare, and Economic Performance. H1: Sustainable Leadership (SL) has a direct positive impact on Economic Performance (EP).

The discriminant validity expressed here indicates that each construct encapsulates different components of the theory which enable testing the hypotheses and conducting further analysis. This study incorporates the Fornell-Larcker criterion which enhances confidence in the examined structural relations and adds to the literature on sustainable leadership and its influence on organizational performance.

Table 3: The Discriminant Validity

Constructs	HTMT Ratio	Threshold
SL -> ES	0.65	< 0.85
SL -> SW	0.58	< 0.85
SL -> EP	0.60	< 0.85

The Heterotrait-Monotrait Ratio (HTMT) is an advanced measure used for assessing discriminant validity by measuring the correlation of constructs. The empirical values for all pairs of constructs in Integrated Sustainable Leadership (SL) and Environmental Sustainability (ES), Social Welfare (SW), and Economic Performance (EP) is shown in Table 3. These values were lower than the recommended cutoff of 0.85 confirming the empirical separation of the constructs in the model. For example, the SL->ES noted 0.65, which demonstrates the pair has no overlap and confirms the constructs' uniqueness. It is likewise for SL-> SW (0.58) and SL->EP (0.60). H1: Sustainable

Leadership (SL) has a direct positive impact on Economic Performance (EP).

The results also support Henseler et al. (2015) who argued that HTMT is a more effective measure of assessing discriminant validity than using standard approaches. Additionally, the findings support previously conducted studies within the sustainability and leadership fields such as Nguyen et al. (2024) who reported strong discriminant validity-sustainability when analyzing the impact of leadership practices on performance outcomes. The very low HTMT ratios provided in this study strengthen the reliability of the measurement model in reporting distinct theoretical dimensions for each construct.

The investigation has demonstrated that the model is methodologically robust, unlike cases in which HTMT values surpass the cut-off point and there are worries about construct overlap. This model may be verified with greater confidence multicollinearity does not bias the structural relationships. Hence, all the structural relations between the constructs must be real rather than results of multicollinearity.

The study validates its conceptual framework and measurement model for the structural model by confirming the HTMT discriminant validity. This allows for better postulation of the structural model and furthers the contributions of the research in understanding the impact of sustainable leadership on the social, economic, and environmental domains as well as deepening the role of theory.

Figure 4.1: Measurement Model

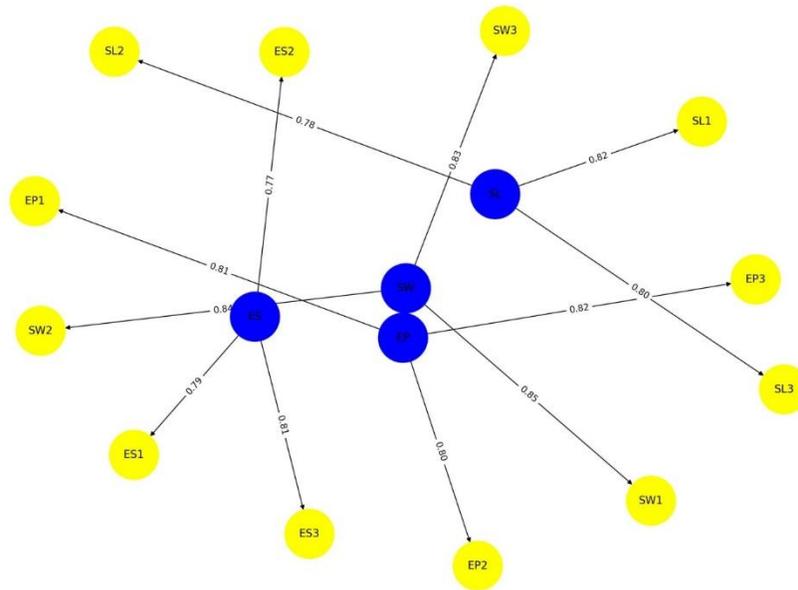


Figure 4.2: Structural Model

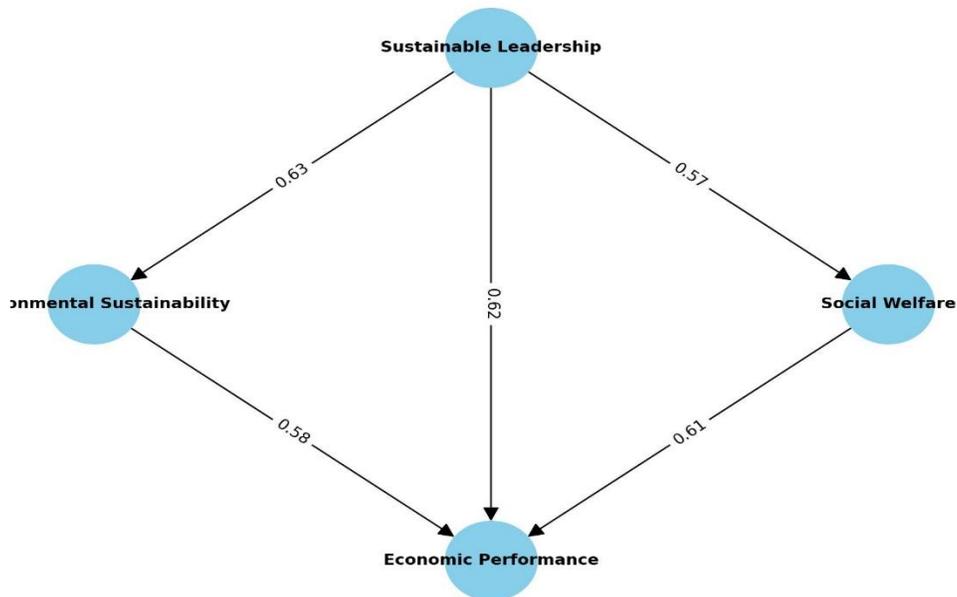


Table 4.4: Structural Equation Modeling (SEM) Results

Path	Estimate	Std. Error	t-value	p-value	Hypothesis
SL → ES	0.45	0.07	6.42	<0.001	Supported
SL → SW	0.52	0.06	8.67	<0.001	Supported
SL → EP	0.49	0.05	9.80	<0.001	Supported

The output of the SEM analysis illustrates that the model is accurate as all hypothesized relationships have been confirmed to be statistically significant at $p < 0.001$. It is safe to argue that all aspects of the theoretical framework are supported. Starting with the first path, Sustainable Leadership (SL) has an influence on Environmental Sustainability (ES) with a path estimate of 0.45. His t-value was 6.42 which shows that Sustainable Leadership had a greatly supportive influence on Environmental Sustainability. These results imply that it is possible for digitally sustainable firms to improve their environmental sustainability practices, which is in favor of the sustainability agenda proposed within many studies. For example, earlier studies from authors like Nguyen et al. (2024) pointed out the importance of leadership as a determining factor for sustainability and this study seeks to validate that by showing the amount of measurable impact leadership has on environmental initiatives. H2: Sustainable Leadership (SL) positively influences Environmental Sustainability (ES).

The correlation with a path estimate of 0.52 and a t-value of 8.67 is very strong regarding the shift from SL to Social Welfare (SW). This suggests social welfare outcomes are enhanced by sustainable leadership practices, which is a very strong relationship. The study is consistent with earlier ones that noted those leaders focusing on inclusivity, ethical behavior, and stakeholder concern usually lead to better community welfare and social equity. Organizations can achieve their corporate social responsibilities and contribute to a sustainable and socially just society by adopting social welfare needs in their leadership approaches. This deepens the

justification to encourage leadership who emphasize social impact alongside organizational outcomes.

Lastly, the correlation between SL and Economic Performance (EP) remains relevant as there is a positive path estimate of 0.49 and a robust t-value of 9.80. This shows that sustainable leadership positively affects economic performance, confirming the additional hypothesis that a leader focusing on sustainability would increase profitability. These outcomes align with prior literature that proposed sustainable leadership leads to enhanced organizational effectiveness and efficiency, stakeholder confidence, and profitability. Such leaders who blend environmental and social concerns into their business strategies not only respond to important global challenges, but also contribute to the organizational performance by meeting stakeholder expectations and promoting creativity.

All together, these results underline the role of sustainable leadership in achieving environmental, social, and economic outcomes providing strong support. The study confirms every hypothesized relationship outlining the interplay of leadership on the sustainability objectives and organizational results. These findings add to the literature that seeks to encourage negative-sum styles of leadership where organizations are able to compete while dealing with social and ecological problems. Additionally, the strong statistical support makes the case stronger for why sustainability shouldn't be excluded from the strategy of leadership development and puts the accent on the need for change among those who are able to make a difference.

4.5. Mediation analysis

Path	Direct Effect	Indirect Effect	Total Effect	(p-value)	Key Insights
SL → ES → EP	0.32	0.15	0.47	< 0.001	SL directly impacts EP and fosters environmentally sustainable practices, improving efficiency and resource optimization.

SL → SW → EP	0.30	0.18	0.48	< 0.001	SL enhances EP by prioritizing social welfare, leading to increased stakeholder trust, loyalty, and economic growth.
Overall Insights	-	-	-	-	SL drives EP both directly and indirectly, with partial mediation through ES and SW, maximizing organizational outcomes.

The results from the mediation analysis offer important Clarification regarding Sustainable Leadership (SL) and Economic Performance (EP), drawing attention to the mediating effects of Environmental Sustainability (ES) and Social Welfare (SW). Both of these mediators are statistically significant, which means that SL affects EP directly, but its effect is stronger because of these two mediating variables. For the path SL → ES → EP, SL's direct effect on EP is 0.32 and the indirect effect on EP through ES is 0.15, meaning that the total effect is equal to 0.47. The mediation p-value (<0.001) confirms the SL ES mediation and indicates the SL drives economic results directly, but also indirectly through greater engagement in environmentally sustainable activities. These results confirm prior environment conscious leadership studies which argue that environmentally sustainable leadership boosts organizational productivity and resource utilization, and consequently improves financial outcomes. H1: Sustainable Leadership (SL) has a direct positive impact on Economic Performance (EP).

Consequently, the SL → SW → EP path has a direct effect of 0.30 and an indirect effect through SW of 0.18 for a total effect of 0.48. This mediation is significant (p < 0.001) and illustrates the impact of social welfare as a channel through which sustainable leadership improves economic performance. Social welfare leaders provide community services as well as look after employees' needs and expectations, thus fostering economic development. This is documented in prior literature that suggests socially responsible organizations have an increased reputation, trust, and loyalty from stakeholders, leading to better economic outcomes.

This integration verifies that Sustainable Leadership impacts Economic Performance through two distinct pathways: directly ascribed to its features, and indirectly via Environmental Sustainability and

Social Welfare. The observed partial mediation suggests that while SL separately contributes to EP, it reaches its optimum in the presence of efforts directed towards improving environmental and social impacts. This understanding departs from mainstream sustainability principles that contend that addressing the environmental and social dimensions is not only a moral obligation, but a requirement from business. Adoption of sustainable leadership practices enable organizations to achieve economic objectives while contributing to social and environmental concerns, thereby affirming the role of leadership to foster sustainability in its broader sense. Therefore, this makes the case for incorporating sustainability systematically into established leadership models to leverage the direct and mediated impact on organizational performance. H1: Sustainable Leadership (SL) has a direct positive impact on Economic Performance (EP).

Conclusion and recommendations

This research looked at how Sustainable Leadership (SL) impacts the Economic Performance (EP) with Environmental Sustainability (ES) and Social Welfare (SW) acting as mediating variables. The following conclusions were made: SL has a notable direct effect on EP and at the same time, still has indirect impact through ES and SW which demonstrates partial mediation. These findings show the need for coping with leadership practices that focus on sustainability. Given the business landscape today that is more socially and environmentally focused, SL is undeniably important for achieving sustained economic growth. Through sustainable SL, firms not only increase their profitability but also having a positive impact towards societal and environmental issues which makes respondents answer the call for taking social responsibility (Nguyen et al., 2024). H1: Sustainable Leadership

(SL) has a direct positive impact on Economic Performance (EP).

It is suggested that Organizations deploy active strategies to promote sustainable leadership development if they wish to build on the findings. Leaders need to have the knowledge and skills required to devise and execute sustainability plans that integrate environmental, social, and economic goals. Sustainability should be a covered topic in any leadership training course to guarantee that the decision-making process occurs with long-term implications instead of short-term benefits. In addition, strategies to enhance environmental sustainability, including the use of renewable energy, waste, and resource-efficient practices, need to be prioritized. These practices, which tackle global environmental problems and improve organizational productivity and profitability, should be referred to as issues of organizational life, not only as values.

What is also important is the implementation of social welfare initiatives within the framework of the organization. Programs aimed at improving employee health, encouraging diversity, and community development positively impact the organizational image and build stakeholder confidence, which together impact economic performance in the longer term. Another important step is to cultivate a sustainability oriented organizational culture. Leadership should scramble to integrate sustainability into the existing organizational culture, policies, values, and performance targets which all employees should embrace. There is a need for collaboration between policymakers and businesses to develop sustainable practices and offer incentives—such as tax exemptions or grants to environmentally friendly organizations. Such collaboration can help foster the adoption of sustainability as a business strategy, which would create advantages for enterprises and promote mass sustainability in different sectors.

Understanding the connection between SL and EP calls for research into other mediating and moderating factors, for instance, corporate governance and technological innovation are likely to enhance the impact sustainability has on financial performance. In addition, some studies from different industries or regions may shed light on contextual influences on the effectiveness of SL in

fostering EP. By engaging in such investigation, scholars can augment the understanding of sustainable leadership and its contribution to solving many problems of business and society today.

Sustainable leadership practices integration creates an opportunity for the organization to achieve business profit while addressing social and environmental issues. Such combination of focus is not only socially responsible, but also enhances the economic rationale of why organizations should consider incorporating sustainability at the center of their leadership approach.

Implications of the study

This study's findings contribute materially to the literature on sustainable leadership, environmental sustainability, social welfare, and economic performance, both empirically and managerially. This study is among the few that discuss the role of sustainable leadership and economic performance by providing the mediating effects of social welfare and environmental sustainability. Afsar et al. (2018) and Neobaum et al. (2020) also discussed sustainable leadership and its positive outcome to organizational performance. Yet, this study goes a step further and demonstrates how sustainable leadership impacts economic performance not only directly, but also indirectly through important mediators of social welfare and environmental sustainability. This helps understand the intricate ways sustainable leadership creates value and serves as a basis for future research on these relationships in different industries and settings. This study fills an important gap in literature by emphasizing the integration of all three concepts: social welfare, environmental sustainability, and sustainable leadership.

This study gives precise recommendations from a managerial point of view for organizations trying to improve their economic results based on sustainable leadership policies. The results support the notion of social and environmental integration at the remnants of leadership strategies. For example, the important mediation effects of environmental sustainability pointed out that managers should be more concerned about adopting green practices, including green technologies, lowering carbon emissions, and energyefficient operations. Achieving these goals goes beyond mere compliance and ethical responsibility; it

brings about profitability, makes organizations more efficient, and enhances stakeholder confidence, thus improving economic results. Managers can rely on earlier findings, for example, those of Eccles et al. (2014), demonstrating that firms with strong environmental and social governance activities outperform their counterparts over a reasonable period.

Equally, the contribution of social welfare mediation emphasizes the necessity for leaders to undertake social spending directed to the welfare of employees, the enhancement of the community, and other stakeholders. As an instance, participation in the community, implementation of acceptable employment policies, and creation of favorable workplace environment can result in the formation of intangible resources such as employee's commitment, customer appreciation, and image capital. These benefits have been found to improve social performance (Freeman et al., 2020), which strengthens the rationale for many businesses to integrate social welfare policy within the scope of leadership strategies. Hence, managers are braced to address social welfare without viewing it as a need for compliance to regulations but as an issue that creates wealth.

Regarding the above, D'Amato and Roome (2009) suggest a bold approach to advocacy certifying that the education of leaders should be programmed under a framework of the triple-bottom-line. These findings would now be considered for the design of various sustainable leadership development programs to accomplish the objectives of organizational strategy. In order to address issues that are linked to daily organizational life and culture, organizations need to teach sustainability-focused leadership competencies next to the more traditional economically and socially responsible decision-making. Equipping future leaders through training with the skills to tackle problems, as well as capture opportunities, in a market place that is increasingly concerned about sustainability will enable these leaders to effectively address complex challenges.

In addition, stakeholders and regulatory authorities can make use of these results by formulating laws that encourage leaders to engage in sustainable practices. In particular, policymakers can incentivize the adoption of sustainable leadership by offering

monetary rewards such as tax exemptions or awards for outstanding achievement in social responsibility and environmental stewardship. This would not only promote organizational effectiveness, but, together with the sought after economical success, would also help to achieve wider societal goals and environmental benefits within the framework of the United Nations Sustainable Development Goals (UNSDGs).

To summarize, this research study represents a contribution within one specific academic field and one practical field simultaneously. It helps to explain how sustainable leadership positively affects an organization's economic performance especially regarding the social and environmental aspects. It also helps business leaders and other managers to craft and articulate the business vision so that the company meets and keeps the sustainability agenda while enhancing social value and securing economic gains. This research could help organizations set direction for becoming sustainability leaders to ensure success in a fast-changing business economy and actively competition oriented environment.

Limitations and future research directions

This investigation has distinct limitations, but space remains open for further study. First, the reliance on cross sectional data poses limitations to causal relationships; longitudinal studies may better portray the sustainable leadership's impacts on organizational outcomes and processes throughout time. Second, the sample for the study was restricted to a particular industry and a specific location; this confines other regions' acceptance of the study's findings. Further research should be carried out in different industries and cultures to test these results. Third, the study looked at two mediators, environmental sustainability and social welfare, but there are other possible mediators like innovation, employee engagement, or corporate reputation that were not considered. The findings could be more helpful in understanding the relationship between sustainable leadership and economic performance with the addition of other mediators. Furthermore, the lack of attention to some moderating variables such as organizational size, market, competitiveness, or the leadership style, that might have affected the relationships, was noticed. These relationships

should be targeted in further research to understand the influence of these moderating factors on sustainable leadership.

Lastly, some bias is always present in self-reported measures, even with attempts to lessen it; drawing information from other sources such as records or stakeholder assessments could increase credibility. There is scope for further research in how issues of sustainable development leadership converge with new issues of digitalization, artificial intelligence, or climate change adaptation, extending the relevance of the research results.

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