



## Leadership Approaches for Sustainable Development: Balancing Profitability and Sustainability

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### ABSTRACT

This study aimed to explore how transformative, paradoxical, and inclusive leadership styles can collectively address the challenges of balancing economic growth with environmental and social sustainability. Drawing on paradox theory and social exchange theory, the research sought to understand how these leadership approaches foster innovation, collaboration, and ethical accountability in organizations. Using a quantitative research approach, the study was conducted as an organizational case study in Punjab, Pakistan, avoiding a strict positivist framework to provide nuanced insights. The findings demonstrate that the integration of these leadership styles effectively supports the achievement of the triple bottom line—profit, planet, and people—by resolving tensions between short-term profitability and long-term sustainability. The study offers a comprehensive framework for leaders in resource-intensive industries, suggesting actionable strategies to align profitability with sustainability imperatives.

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## 1. Introduction

Environmental degradation has become one of the biggest issues of our time, and businesses are more and more realizing they can no longer ignore it. Although several organizations have started embedding sustainability features in their business strategy, the gap for understanding how environmental factors affect corporate decisions and long-term strategy is huge. The aim of this study is to broaden this gap by examining the nexus between environmental degradation and organization strategy, specifically how companies react strategically to environmental issues towards their strategies. The Triple Bottom Line was developed by Elkington (1998), a basic trough which involves sustainability, this means that there has to be; social and environmental responsibility. However, finding the balance is difficult since we are also leaders who also have to figure out how to balance these sometimes competing pull from stakeholders, regulatory and market requirements. Leadership styles are required for this transformation. This study focuses on three distinct yet complementary leadership approaches: Paradoxical, transformational, and so inclusive. Paradoxical leadership was created to resolve the underlying paradoxes of sustainability (Smith & Lewis, 2011). Transformational leadership pushes employees to find ways of practicing innovative and ethical process while reflecting the company's sustainability objectives (Bass & Avolio, 1993). Psychologically and inclusive leadership facilitates a healthy atmosphere for diverse perspectives to enter into decision making (Carmeli, Reiter-Palmon, & Ziv, 2010). Approaches of explicit leadership in emerging markets like Pakistan, with its economy driven by banking sector and yet being aligning major degraders of the environment. The integration of these leadership styles is explored within this research to create a strong sustainable framework in the region that are of high industrial activity hubs. This study strives to provide actionable insights that can help leaders and policymakers in similar contexts think about economic growth challenges with environmental and social goals.

These leadership styles are more vital in emerging markets like Pakistan. Pakistan's economic growth and deteriorating environment are dual faced matters that are influenced by

the banking sector, with other industrial hubs. While important for economic development, these sectors are also central for environmental damage. For instance, the banking sector serves a vital role in financing of those industries that carry large environmental footprints. Activities that otherwise would be aligned with sustainability goals have been otherwise thwarted, by lack of comprehensive leadership frameworks. Few studies have existed on the leadership approaches and sustainability in such contexts, though the focus has primarily been on developed economies. Thus, there is a critical need to investigate how leadership styles for emerging markets can foster profitable transformation. A number of studies have taken place on individual leadership styles, yet there are still gaps on how this can lead to sustainability amounts. Less empirical work has been done on the practical application of paradoxical leadership in culturally and economically diverse settings; with most of the studies on paradoxical leadership being theoretical. Transformational leadership has also received great attention in Western context with very little attention to regions like South Asia in which Socio economic dynamics are quite different. Although inclusive leadership is identified as a source of collaboration, the link with sustainability has not been elucidated. Despite attention to leadership dimensions in the Triple Bottom Line, the interplay between these leadership styles and their collective impact on the Triple Bottom Line is relatively under researched, particularly in emerging markets such as Pakistan.

The aim of this research is to fill these gaps by studying how paradoxical, transformational and inclusive leadership styles can help in sustainability in Pakistan's industrial and economic hubs. This study focuses on an emerging market with special considerations in order to offer actionable insights to leaders of how to balance economic growth with environmental and social priorities. These findings will have important implications for both theory and practice since they provide a more nuanced understanding of leadership's role in sustainability. This research also provides policy makers and organizational leaders in similar contexts with strategies to navigate the challenges of sustainability while developing the economy. The research findings are significant as it has the potential to close the gap between theory and practice by building a comprehensive framework of how to lead in sustainability. Through analysis of the effect of paradoxical leadership on sustainability outcomes, discussion of the role of transformational leadership as driver of innovative practices, and investigation of the way in which inclusive leadership promotes collaboration, this study adds to the deeper understanding of how different types of leadership can symbiotically work to achieve their aims for sustainability. This will not only help to further scholarly discourse, but also provides practical counsel to leaders and policy makers who seek to steer economic activities to support environmental and social goals in high impact areas. The objectives of this study are to:

1. Examine the influence of paradoxical leadership on sustainability outcomes.
2. Analyze the role of transformational leadership in promoting sustainable practices.
3. Explore how inclusive leadership fosters collaboration and diversity in sustainability strategies.
4. Investigate the synergies between these leadership styles in achieving the triple bottom line.

This paper is structured as follows, the relevant literature and theoretical frameworks, underpinning the study are reviewed in the next section: namely, paradoxical, transformational, and inclusive leadership. Then methodology section states the research design, sampling strategy and data analysis using SD with SmartPLS. The analysis results are presented in the findings section with focus on the relationship between leader styles and sustainability outcomes. The results are then interpreted with the research objectives in mind and practical and theoretical implications are offered. Finally, the concluding section suggests the major findings and limitations and guides future research.

## **2. Literature Review**

Theoretical framework for this study is Paradox Theory and Social Exchange Theory. Leaders are entrusted to negotiate and supply contradictions from these organizational contexts, per Paradox Theory (Smith & Lewis, 2011), meaning leaders should offer and manage contradictions of stability versus change and short term versus long term. Moreover, this theory echoes the paradoxical leadership theory which uses such tensions to promote innovation and adaptability (Zhang et al., 2022). With Social Exchange Theory (SET), leaders only have reciprocal relationships with followers. According to Blau (1964), employees will be more

committed and more innovative if the leader is trustworthy, supportive and fair. The understanding of which has emerged as the foundation for this understanding of the role of transformational and inclusive leadership in creating sustainable practices (Carmeli, Reiter-Palmon, & Ziv, 2010).

The theory of paradox explains how leaders navigate competing demands: short-term profitability versus long-term sustainability. The theory is especially germane to the research because it explains how sustainability practices in industries like banking produce tension. Theoretical lens of paradoxical leadership is used by them to embrace and to manage the paradox rather than avoiding them to bring innovative solutions for both financial and environmental goals (Zhang et al., 2022). Using the banking sector as an example where leaders balance the profitability with green financing, one might most likely use some ESG metrics. In this study, we apply Paradox Theory to analyze paradoxical leadership as a means of resolving such tensions to permit organizations to pursue both economic growth and sustainability at the same time. The focus presented in Social Exchange theory is on the reciprocal relationship between leaders and their followers grounded on trust, fairness and support. The theory supporting this study's exploration of transformational and inclusive leadership is based on the ability to develop strong interpersonal relationships in order to support sustainability objectives. For instance, transformational leaders encourage employees to innovate by helping employees develop a feeling of shared purpose and ethical responsibility. Like them, Inclusive leaders create psychologically safe environments in which diverse perspectives inform sustainability strategies. This research employs SET to investigate the scope into how trust and collaboration in organizations can encourage commitment to using sustainability practices, especially in industries where employee commitment to change and innovation is vital, such as the banking and agriculture sectors. The study developed a comprehensible framework to analyze the role of leadership in sustainability: the combination of Paradox Theory and Social Exchange Theory. SET deals with issues of balancing conflicting objectives through Paradox Theory, and deals with issues of interpersonal dynamics that promote collaborative innovation. These theories together inform the study's hypotheses, methodology, and interpretation of findings and provide multiple perspective on how leadership effects on achieving the triple bottom line of people, planet, and profit.

The capability of maximizing competing demands and tensions in organizations is called paradoxical leadership. The following leadership style is appropriate to sustainability cases in which leaders must balance short term profit with long term environmental and social objectives (Smith & Lewis, 2011). For example, banking industry leaders would have to look into how to increase production while decreasing environmental impact to become efficient. It is this paradoxical leadership that speaks to the culture of 'both' and thinking in order to drive innovation and adaptability (Zhang et al., 2022). With transformational leadership, you inspire people to do extraordinary things for your organization. As the need to develop sustainability is so important, this leadership style is fitting because it helps employees perform their work to follow the organization's ethical goals as well as long term goals (Bass & Avolio, 1993). Rescalvo-Martin, Gutierrez-Gutierrez and Llorens-Montes (2021) define transformational leaders as those who create a culture of innovation and moral accountability that encourages employees to seek out iterations of solutions that require short term costs and contribute in support of said effort. Inclusive leadership is about creating a climate where diverse perspectives are welcomed and included when making decisions (Carmeli, Reiter-Palmon, & Ziv, 2010). This leadership style creates psychological safety, and employees can contribute innovative ideas without fear of judgment (Edmondson, 1999). An inclusive leadership role, especially in the sustainability context, can ensure cross-functional collaboration and accept unpopular ideas. As reported by Beijer, Knappert and Stephenson (2024), inclusive leadership significantly amplifies the efficiency of sustainability initiatives by creating diversity and collaboration.

Leadership styles such as paradoxical, transformational and inclusive have been extensively studied in developed economies but their appropriateness and impact in emerging market economies like Pakistan needs further proof of concept. However, leadership approaches are often tailored in emerging markets due to resource constraints, socio political instability, and urgent necessity for sustainable development. Given that a significant portion of Pakistan lives in poverty and emerging markets like Pakistan are characterized by an increasing need to meet such competing demands, paradoxical leadership is especially important. This is common in such industries as manufacturing or banking in that the leaders often have to contend with tensions

between short term profitability and long term environmental sustainability. As an example, the same textiles thread money in Pakistan, a considerable cosmological GDP maker, also has a large ecological footprint made up of water and electrical continuity. The paradoxical leaders in this sector could instead utilize green technologies and still maintain production efficiency to mitigate these tensions. In her study, Zhang et al. (2022) introduces how paradoxical leadership helps secure strategic flexibility that allows organizations in resource constrained environments to innovate and adapt to sustainability challenges. Transformational leadership is essential if it helps to drive organizational change and to inspire innovation in resource intensive economies. Transformational leaders in the Pakistani banking sector could play a role in promoting sustainability friendly lending policies including green loans or ESG compliant investment facilities. Bass and Avolio (1993) propose that transformational leaders are able to synergistically mobilize employees in the alignment of long term organizational goal work. This is particularly important in developing economies where narrow short term thinking is the norm. Transformational leaders could use the example of such guidelines issued by the State Bank of Pakistan's 'Green Banking Guidelines' to incorporate the consideration of environmental aspects in the process of financial decisions (Ahmed, Azhar, & Mohammad; Dler M Ahmed, Z Azhar, & Aram J Mohammad, 2024; Dler Mousa Ahmed, Zubir Azhar, & Aram Jawhar Mohammad, 2024; Mohammad, 2015a, 2015b; Mohammad & Ahmed, 2017).

Third, inclusive leadership encourages collaborative work by bringing together diversity of perspectives which is important to solve the many obstacles of emerging sustainability market. In Pakistan, industries such as agriculture can potentially rely more on inclusive leadership if stakeholder involvement from farmers to policymakers is required for sustainability. According to Carmeli, Reiter-Palmon and Ziv (2010), how inclusive leadership brings organizations closer to their potential by creating psychologically safe environment that promotes innovative problem solving. A good example is the application of inclusive leadership in Pakistan's agriculture sector to amalgamate indigenous knowledge with new sustainability practices such as water conservation techniques to enhance productivity while protecting the natural resources. Current empirical research in context of Pakistan is limited even though discussions on leadership styles have been a current focus. Consequently, the majority of studies tend to focus on western centric frameworks whereas sustained leadership dynamics in emerging markets cannot be captured by this. To fill this gap, this study examines how a combination of paradoxical, transformational and inclusive leadership styles can sustainably develop of Pakistan's banking sector and other high impact industries. It does this by adding to the knowledge created regarding the leadership role in creating sustainable practices under conditions of economic volatility and resource restrictions. Paradoxical leadership is an important method for dealing with the inherent tensions involved in sustainability problems, for example, reconciling short term profitability with long term environmental goals. This model of leadership embraces contradictions, and sees them as opportunities rather than as limits, which is especially useful in sustainability contexts in which specific demands are always in conflict (Smith & Lewis, 2011). The paradoxical leaders have been found so far, are to help companies become both economic and still sustain environment (Zhang et al., 2022). For instance, in resource intensive industries, leaders are frequently caught in dilemmas between operational efficiency or conservation of resources and paradoxical leadership allows strategic flexibility to reconcile competing demands (Hossain et al., 2024). Moreover, it improves organizational adaptability, and also increases its capability to meet sustainability goals.

Paradoxical leadership is especially applicable to the contradictions inherent with banking. The issue is that most banks are required to balance short term profitability versus long term overall environmental and social sustainability. For example, banks finance industries that have high environmental footprints (like energy or manufacturing) because that drives economic growth while racking up environmental degradation. Paradoxical leaders guide the way in these tensions with innovative solutions that strike just the right balance between these competing demands. They suggest, for example, financing greening the future, investing in renewable energy projects, and sustaining commercial viability through practices that are green. Paradoxical leadership enables banks to solve for financial and sustainability goals simultaneously in an era where one either doesn't exist or can exist but at the expense of the other. For a sustainable business practice, paradoxical leadership becomes essential as the banking sector is so important to fund the environmentally impactful industries. This leadership style prepares organizations to

address tensions between operational efficiency, resource conservation and long term environmental implications. Therefore, the hypothesis is as follow:

H1: Paradoxical Leadership have significant impact on sustainability practices of organization.

Fostering sustainable practices is closely related to transformational leadership because leaders who inspire and motivate teams to be aligned with long term ethical and environmental goals are said to be transformational (Bass & Avolio, 1993). This leadership style promotes creativity and innovation, which are necessary, even when those solutions come with considerable short term costs (He & Yun, 2022). Transformational leaders devise a vision with sensible climate objectives that generates consensus among employees for sustainable development objectives (Rescalvo-Martin, Gutierrez-Gutierrez, & Llorens-Montes, 2021). Diverse research has shown that transformational leadership promotes organizational flexibility and ethical accountability, and thus is especially advantageous in sectors that require both innovative solutions towards sustainability, like renewable energy and sustainable agriculture (Liu et al., 2023). Transformational leadership directly supports implementation of sustainability initiatives by fostering a culture of ethical responsibility and forward thinking. Transformational leadership not only inspires and motivates employees to act in a way that aligns with the organization's long term envision of sustainability, but also that it does so with a passion. This means in the banking sector where employees are encouraged to undertake innovation in the financing system that focuses on environmental and social outputs. For example, transformational leaders might encourage their employees to adopt sustainability oriented lending policies, for instance green loans or ESG (Environmental, Social and Governance) standards to determine if the investments align with these criteria. They promote an ethics of accountable forward thinking that includes organizational strategies that are not only regulatory but promote the good of society and the environment. Transformational leadership and its role for an organization making sustained changes in the banking sector. Transformational leaders facilitate organization frontier for sustainable finance models which reduce environmental impact while effectively complying with all sustainable practices. Therefore, the hypothesis for the research is as follow:

H2: Transformational Leadership have significant impact on sustainability practices of organization.

Collaboration and innovation in sustainability efforts require inclusive leadership which means to focus on psychological safety and their integration of several diverse perspectives (Carmeli, Reiter-Palmon, & Ziv, 2010). The advent of an environment where employees sense that they are valued and have an opportunity to add their ideas to the problem solving process makes this leadership style perfect for dealing with the complex challenges of sustaining sustainability (Edmondson, 1999). Inclusive leaders do this and studies have shown that the inclusion of diversity can be leveraged by the leaders to come up with innovative solutions for such sustainability challenges as waste reduction and resource optimization (Beijer, Knappert, & Stephenson, 2024). In addition, inclusive leadership contributes to the organizational commitment towards Corporate Social Responsibility (CSR) such that sustainability initiatives are founded on the needs and interests of assorted stakeholders (Zhu et al., 2022). Inclusive leadership provides an opportunity to keep the organizational capacity intact to realize sustainability goals through promoting open communication and collaboration. The banking industry is a complex one and in order to make good decisions, it needs leaders that will be inclusive. Inclusive leaders establish a psychologically safe environment and in turn encourage the employee to come up with new ideas such as providing sustainable product offerings or operational efficiency improvements. In the banking sector, inclusive leadership can facilitate approaches to sustainability strategies that involve multiple stakeholders – employees, regulator, customers and community relates. With this approach, banks can tackle wider issues of sustainability, for example, climate change or social inequality, by creating holistic and community led approaches. Internal operations by the banking sector do not merely include their role in driving sustainability, they also provide support to external stakeholders. Inclusive leaders take into account the different viewpoints of them works on more innovative and efficient sustainability strategies. This leadership makes sense because it helps bank operations pick up on societal and environmental standards of operation by encouraging inclusivity and collaboration. Therefore the research would test the following hypothesis:

H3: Inclusive Leadership have significant impact on sustainability practices of organization.

Sustainability outcomes are enhanced by a synergy between the transformational and paradoxical style of leadership. Transformational leadership gave employees the impulse to take on innovative and ethical conducts, while the paradoxical leadership gave the strategic scheme which helps make harmony between short and long term priorities, for instance, instant productivity and far reaching viability (Zhao et al., 2020) These leadership styles together help organizations cultivate a culture of innovative and resilient in enabling organizations to tackle the complex challenges of sustainability (Zhu et al., 2022). Transformational leadership was also found to improve the performance of paradoxical leadership because of alignment between employee motivations and organizational sustainability goals such that operational needs that are short term do not elicit sacrifices of long term objectives (Bass & Avolio, 1993; Liu et al., 2023).

Hypothesis 4: Transformational leadership mediates the relationship between paradoxical leadership behavior and business sustainability.

Paradoxical leadership complements inclusive leadership through the capacity to help create a space where a variety of perspectives can be bring into making decisions (Beijer, Knappert, & Stephenson, 2024). Where paradoxical leadership manages strategic tensions as diversity of versus control vs. flexibility, inclusive leadership assures diversity of insight into business strategies. The dynamic is particularly effective in sustainability settings where the various and, at times, conflicting interests have to be negotiated to achieve holistic solutions (Zhu et al., 2022). Because paradoxical and inclusive leadership styles work together to promote innovation, as well as adaptability and inclusion (Nembhard & Edmondson, 2006), organizations with leaders who displayed both paradoxical and inclusive traits appear better suited to take on sustainability challenges. A synergy of paradoxical, transformational and inclusive leadership styles plays together to advance sustainability in the banking sector. The strategic framework of paradoxical leaders can balance between conflictive priorities; transformational leaders can inspire innovation and commitment; and inclusive leaders can integrate the diverse perspectives in making decisions. Combined, these leadership approaches help the banking sector face its own particular challenges, from funding environmentally impactful industries, to advancing sustainable development. Particularly relevant for the bank, such integration of these leadership styles is required to achieve the strategic alignment and innovative thinking to meet the sustainability goals. Such a synergy makes banks able to achieve the triple bottom line: profitability, environmental sustainability and social equity, through good leadership practices.

Hypothesis 5: Inclusive leadership mediates the relationship between paradoxical leadership behavior and business sustainability.

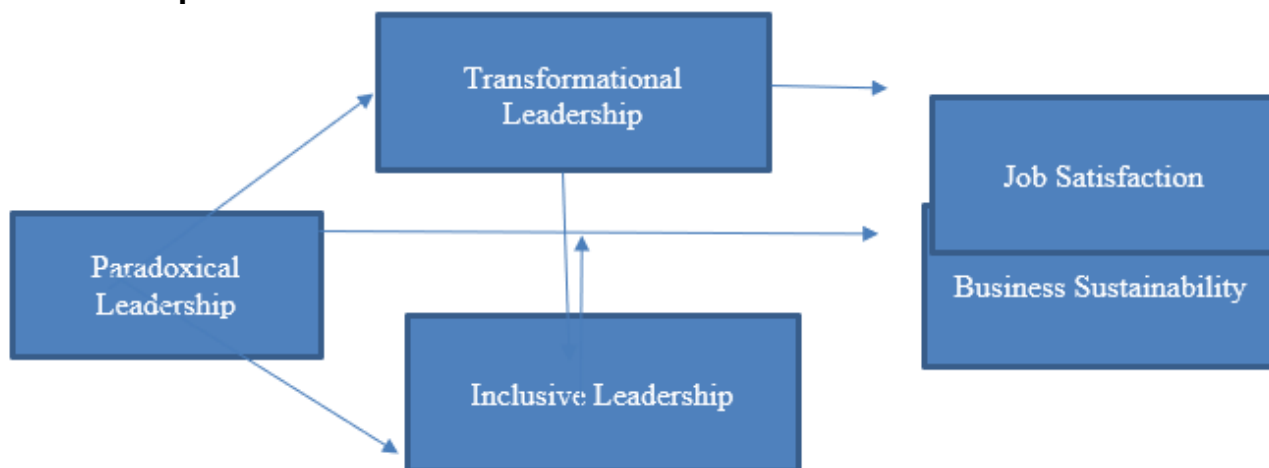
They both focus on collective innovation and collaboration and hence have a relationship with one another. Transformational leaders involve employees in ethical and sustainable pursuits while inclusive leaders ensure that all voices are heard in decision making (Bass & Avolio, 1993; Edmondson, 1999). The complementary dynamic that does this is one that allows organizational, and in turn individual resiliency and creativity, as diverse teams are more apt to create innovative solutions to sustainability challenges (Beijer, Knappert, & Stephenson, 2024). Studying the impact of inclusive leadership as an enabler of psychological safety on how employees engage with the organization's sustainability objectives to reinforce the impact of transformational leadership, Zhu et al. (2022) have demonstrated. These leadership styles, together form an inclusive and purpose driven culture which is necessary for sustainable development.

Hypothesis 6: Transformational leadership mediates the relationship between paradoxical leadership behavior and job satisfaction

The diagram illustrates the relationship between paradoxical leadership behavior, transformational leadership, inclusive leadership and business sustainability. Paradoxical leadership behavior directly influences both transformational and inclusive leadership styles. Transformational leadership contributes to business sustainability, likely by fostering innovation and aligning organizational goals with sustainable practices. Inclusive leadership promotes employee creativity by encouraging diversity of thought and engagement. Together, these

leadership approaches create a synergistic impact on both sustainable business outcomes and a culture of innovation among employees.

### 2.1. Conceptual Framework



### 3. Research Methodology

For this study, a mixed method approach was used involving quantitative survey data with a thorough review of current literature to investigate the leadership role in promoting sustainability. Thus this dual approach involved both empirical data and theoretical insights to ensure that findings were based upon explanation and also workable in practice, towards a full and nuanced understanding of the interaction between leadership styles and sustainable practices. Sustainability challenges are particularly acute in Punjab, Pakistan a region of significant industrial activity, where the research focused. They had selected the targeted sector that is banking sector because they made a critical contribution to the province's economy and in all cases have outstanding environmental and social impacts. The purpose of the study is to examine the relationship between paradoxical, transformational and inclusive leadership styles to sustainability outcomes. These leadership styles were assessed for their effectiveness in addressing sustainability challenges by, quantitatively, providing measurable insights into the perceptions of employees. It also situated these findings within current academic discussion through contextualizing, drawing on established theories and previous empirical studies.

#### 3.1. Data Collection

To achieve this purpose, this study employed structured surveys as the primary data collection method, with a sample of 400 persons made up from banking employees. A purposive sampling strategy was utilized to select a diverse sample of 300 participants from the banking sector employees in Punjab, Pakistan. To allow practical constraints of data collection within the banking sector as well as make the analysis robust and reliable, sample size of 300 participants was selected. Both fit and preliminary analysis indicate that this size falls within accepted ranges for structural equation modeling, which suggest sample sizes of 200 to 300 participants in studies with more than one latent construct. Participants from a variety of organizational levels (senior level, mid level, and executive) across multiple banking institutions were selected to represent a cross section of our target population. This provides generalizability to the findings and permits plurality in regards to how leadership styles and sustainability practices are viewed in the sector. This helped the study to take in insights coming from people working directly on sustainability challenges and balancing short term profitability with longer term environmental and social goals. Through its sampling strategy the applied sample targeted resource intensive industries in an area characterized by high concentration of industrial activities and relevant and of applicability to similar contexts.

The survey instrument was built on validated scales from previous research on leadership and sustainability. Items assessing paradoxical leadership, which reflects leadership's ability to navigate competing demands, such as resource conservation and operational efficiency, were used to assess paradoxical leadership. Items related to leaders' ability to promote ethical behavior and encourage teams to adopt innovative sustainability solutions were transformational leadership items. The research evaluated leaders' inclusion through their abilities to create psychological safety through fostering open and diverse perspectives in decision making. The

survey also asked questions about sustainability outcomes, including waste reduction, energy efficiency, and incorporation of community oriented practices. In order to be reliable and accurate while measuring each of the leadership styles, the survey instrument was developed with validated scales from previous research. Items from which leaders' ability to navigate competing demands such as balancing short-term profitability with long term sustainability objectives was assessed were used to assess paradoxical leadership. Items from transformational leadership were centered on the degree to which leaders provoke innovation, ethical accountability, and organizational support. Psychological safety, openness to diverse perspectives and collaborative decision making was measured as a way of measuring inclusive leadership. To ensure their clarity and consistency, these scales were also tested on a subset of participants before pretesting to determine reliability, as measured by Cronbach's Alpha, for all constructs was greater than an accepted 0.70. The survey underwent pretesting with a subset of respondents in order to ensure reliability and validity. Data were collected across several organizations of different sizes and affiliation with selected sectors in Punjab representing a diverse and representable sample.

### **3.2. Data Analysis**

The principal statistical tool in this study was SmartPLS which is capable of handling complex models with latent constructs and enables the study to investigate the relationship between leadership styles and sustainability outcomes. With the help of SmartPLS, both measurement and structural model assessments are possible. Through metrics of Cronbach's Alpha, Composite Reliability (CR), Average Variance Extracted (AVE), all constructs were found to have achieved sufficient levels of internal consistency and convergent validity in assessing the measurement model. For the analysis of the hypothesized relationships of the structural model, regression analyses involving path coefficient and t-statistics were run. The analysis revealed that paradoxical leadership produced strong relationships to the sustainability outcomes, and transformational and inclusive leadership style logistic moderations. Interaction terms (e.g., the moderating role of transformational and inclusive leadership) were tested using the software's capability to handle these, particularly in relation to hypotheses regarding the synergies between leadership styles. SmartPLS was used to mitigate the problems of robustness and applicability of the findings explored in this study, allowing for a more nuanced understanding of how leadership dynamics lead to sustainability within organizational contexts. This study fits in with its focus on the relationships between leadership styles and sustainability outcomes and consistent with this, SmartPLS was chosen for its ability to handle complex structural equation models (SEMs) consisting of latent constructs. We compare this to covariance based SEM methods, and find that SmartPLS is better suited for the banking sector context in Pakistan because it accommodates smaller sample sizes and makes fewer assumptions about data distribution. Additionally, it enables a detailed analysis of the interaction between leadership styles and helps to fulfil the objective of this study: explore synergies and its effect on sustainability practices.

Responses from participants were summarized in descriptive statistics thus giving an overview of how each leadership style is perceived to contribute to sustainability. Correlation and regression analysis were used to explore the strength and the significance of the relationships among the variables. The impact of each leadership style on key sustainability metrics has been specifically analyzed. The study looked into whether paradoxical leadership correlates with higher levels on innovation in sustainable resource management, or transformational leadership, with more employee engagement in sustainability initiatives. The role of inclusive leadership on fostering collaboration whereby promoting psychological safety is analyzed to understand its role in helping address complex sustainability challenges.

In addition, the literature review was used as a secondary data source, accounting for a theoretical background for the reading of the quantitative results. These results were contextualized using established theories (Paradox Theory, Social Exchange Theory), bridging between empirical observations and broader conceptual frameworks. For example, Paradox Theory showed how leaders dealt with competing demands, and Social Exchange Theory revealed why the patterns of relationships have led to sustainable or unsustainable outcomes. This study integrated survey data with literature insights to assure a comprehensive handling of the leadership role in sustainability. The methodological rigour of this approach enhances the validity and hence the applicability of the findings for informing leadership practices to support sustainable development goals.



#### 4. Analysis and Findings

This chapter presents the study's findings using a measurement model and structural regression analysis. The results are then summarized to explore the relationships between key constructs, Business Satisfaction (BS), Paradoxical Leadership Behavior (PLB), Transformational Leadership (TL), Inclusive Leadership (IL), Job Satisfaction (JS), and Encourage Innovation (EI). This chapter entails the full measurement model assessment regarding reliability and validity and its evaluations exhibiting the intended values on hypothesized paths in the regression analysis. The demographic distribution of the sample is shown in table (1). The demographic profile of the respondents is 73.53 percent male and 26.47 percent female. The majority are represented by people who are 6 and 45 years old, which is 42.81%, and those between 26 and 35 years, which is 29.08%, 0.3 percent, which is also represented by people who are 56 years or over. Positions at the senior managerial level – 57.52%; at the middle management level – 37.58%; and positions at the executive level – 4.90. Experience years are widely dispersed; 27.45% have 11 to 15 years, 27.12% are 16 to 20, and 1.96% are more than 21; a distribution of experience years does not exist. Such is usual and suggests a fair measure of officers being managers and of the experience involved being quite varied

**Table 1: Demographical Distribution of Sample**

Variables	Categories	Frequency	Percentage
Gender	Female	81	26.47%
	Male	225	73.53%
Age	18 to 25	51	16.67%
	26 to 35	89	29.08%
	36 to 45	131	42.81%
	46 to 55	34	11.11%
	56 and above	1	0.33%
Position Level	Executive	15	4.90%
	Mid-level Manager	115	37.58%
	Senior Manager	176	57.52%
Years of Experience	1 to 5 years	59	19.28%
	6 to 10 years	74	24.18%
	11 to 15 years	84	27.45%
	16 to 20 years	83	27.12%
	21 years and above	6	1.96%

The results of the measurement model assessment in a structural equation modeling study are represented in Table (2 and 3). Each construct (BS or TL) is a latent variable to be explained by multiple items (BS1 and BS2). These are survey questions or indicators meant to measure the concept of interest. These loadings tell you how well each item correlates with its respective constructs. Strong loadings are those with values greater than 0.70; in general, other values have been regarded as high. Thus, there are equal values of the construct's all items equal to 0.70, which means all construct items are strong indicators of their constructs. The report reliability metrics to evaluate the construct's consistency and validity. Cronbach's Alpha measures internal consistency; an Alpha above 0.70 is generally accepted. For instance, the Alpha of business satisfaction is 0.833, showing reliability. CR is composite reliability for measuring the overall reliability of the construct and has a value above 0.70, meaning that the set of indicators would consistently measure the latent variable. All the constructs also have this value above. AVE stands for the variance ratio due to the construct to the variance due to measurement error. At 0.626, job satisfaction needs to be above 0.50 to be considered valid(0.626 > 0.50), thus convergent. It is above 0.50 for all constructs, not just job satisfaction. These are shown in Table 2.

The study show discriminant validity that show the correlation among items. The results show that the values that show correlation with variable itself are bigger that the values that show the correlation with other variables. These values are exposed that the discriminant validity is valid. These values are given in Table 3.

**Table 2: Convergent Validity**

Constructs	Items	Loading	Alpha	CR	AVE
Business Satisfaction	BS1	0.799	0.833	0.839	0.601
	BS2	0.763			
	BS3	0.803			
	BS4	0.809			
	BS5	0.697			
Encourage Innovation	EI1	0.843	0.882	0.885	0.681
	EI2	0.827			
	EI3	0.864			
	EI4	0.817			
	EI5	0.772			
Inclusive Leadership	IL1	0.748	0.833	0.837	0.601
	IL2	0.764			
	IL3	0.748			
	IL4	0.823			
	IL5	0.79			
Job Satisfaction	JS1	0.759	0.851	0.856	0.626
	JS2	0.76			
	JS3	0.802			
	JS4	0.815			
	JS5	0.819			
Paradoxical Leadership Behavior	PLB1	0.792	0.837	0.839	0.606
	PLB2	0.818			
	PLB3	0.801			
	PLB4	0.756			
	PLB5	0.722			
Transformational Leadership	TL1	0.787	0.838	0.841	0.607
	TL2	0.81			
	TL3	0.759			
	TL4	0.785			
	TL5	0.754			

**Table 3: Discriminant Validity**

	BS	EI	IL	JS	PLB	TL
BS	0.775					
EI	0.713	0.825				
IL	0.756	0.746	0.775			
JS	0.747	0.698	0.691	0.791		
PLB	0.768	0.756	0.758	0.705	0.779	
TL	0.757	0.708	0.786	0.716	0.736	0.779

The results from the regression analysis are given in Table (4). The paradoxical leadership behavior significantly influenced business satisfaction with a p-value < 0.05. The result shows that the beta value is positive, which shows that using paradoxical leadership behavior has resulted in better business satisfaction. Secondly, the influence of paradoxical leadership behavior is also critical at a 1% significance level on transformational leaders. Paradoxical leadership behavior also contributes to a 1% significance level as a measure of inclusive leadership behavior. In addition, the transformational leadership and paradoxical leadership behavior interaction variable is also highly significant at a 1% significance level. Nevertheless, the moderating impact of transformational leadership on the relationship between paradoxical leadership behavior and business satisfaction is a negative indication of the influence.

The p-value of the interaction variable between inclusive leadership and paradoxical leadership behavior is more extensive than 0.05. Thus, inclusive leadership cancels out the significant effect of paradoxical leadership behavior on business satisfaction. Similar to the six hypotheses of the study, transformation and paradoxical leadership behavior interaction variables  $p < 0.05$  also suggest that these interaction variables are also accepted, which means transformation leadership moderates the relation between paradoxical leadership behavior and job satisfaction. Additionally, because transformational leadership is present, the relationship

between paradoxical leadership behavior and job satisfaction turns the opposite. The last hypothesis, seven, is not accepted because the p-value is above 0.05; inclusive leadership does not moderate the impact of paradoxical leadership behavior on encouraging innovation.

**Table 4: Hypothesis Testing**

	<b>Beta</b>	<b>Standard Deviation</b>	<b>T-statistics</b>	<b>P value</b>
PLB → BS	0.768	0.037	20.914	0.00
PLB → TL	0.736	0.039	18.949	0.00
PLB → IL	0.758	0.037	20.239	0.00
TL* PLB → BS	-0.051	0.017	3.003	0.00
IL * PLB → BS	-0.027	0.017	1.775	0.08
TL* PLB → JS	-0.038	0.018	1.974	0.05
IL* PLB → EI	-0.028	0.015	1.793	0.07

## 5. Discussions

The findings were that integrating paradoxical, transformational, and inclusive leadership styles improved organizational capabilities in handling sustainability challenges. Leaders successfully dealt with resource conservation versus profitability conflicts. For instance, Leaders in the energy sector implemented clean energy technologies while staying profitable. Paradoxical leadership creates innovation by motivating employees to accept contradictions, such as optimizing efficiency and reducing environmental impact (Smith & Lewis, 2011; Zhang et al., 2022). In the banking sector this is especially so, as it is physical in nature and therefore critical to a paradoxical leadership from the tension between the demand for profitability and the demand for sustainability. People who lead in this style are good at screening conflicting priorities, including taking bottom line concerns and conversely producing long term environmental and social concerns. HSBC, a global banking institution, is a good example of the leadership approach described above. HSBC has used green bonds to finance projects in renewable energies and as it slowly cuts ties with traditional high carbon industries like coal. HSBC's commitment to phase out coal financing by 2030 is a beautiful paradox and shows how paradoxical leadership can unintentionally address the dilemmas aroused by competing demands. By pursuing this approach, banks can achieve profitability on one end and significant steps in the direction of environmental stewardship on the other, an approach needed in today's financial environment in which maintaining both income and profits at the same time is critical.

This form of leadership motivates teams to emphasize the outcome of approving long-term organizational goals ahead of short-term goals for immediate gains. In banking industry, the leaders motivated employees to adopt sustainable practices such as waste reduction and renewable resource utilization. However, ethical accountability became important because employee behavior matched the sustainability objectives (Bass & Avolio, 1993; He & Yun, 2022). In the business world, transformational leadership allows teams to motivate themselves towards the organization's long term sustainability goals. These leaders create an innovative and ethical behavior within their organizations. ING Group, a Dutch multinational bank, has been an example of this leadership style with its Terra Approach, that's putting its financial portfolio on line with the Paris goals. At ING, transformational leaders have encouraged employees to develop sustainability linked loans that reward clients for attaining environmental goals. These loans incorporate interest rates with a borrower's achievement of certain sustainability metrics that embed sustainability into the bank's core business. Transformational leaders fuel a culture of innovation and long term thinking by helping their employees find solutions and meaningfully change organizational goals to meet global sustainability initiatives.

Psychological safety allowed diverse teams to contribute innovative solutions within environments made inclusive by these inclusive leaders. Inclusive leadership enabled collaborative problem-solving utilizing local know-how alongside modern sustainability practices in agriculture. That approach also handled difficult issues like water conservation and soil health (Beijer, Knappert, & Stephenson, 2024; Carmeli, Reiter-Palmon, & Ziv, 2010). The banking sector supports the complexity of sustainability challenges, and inclusive leadership is indispensable. The psychological safety generated with this kind of leadership style makes room for differences of opinion and actual involvement of stakeholders in decision making processes. It can be seen in the case of the Bank of America, with its Environmental Business Initiative, which channeled \$300 billion to sustainable investments. The bank engaged a wide set of stakeholders (employees, communities, environmental groups) which led to the identification of

high impact areas in the areas of renewable energy, water conservation and affordable housing. The bank's sustainability strategy was more innovative and effective because the voices of people of all backgrounds informed it through inclusive leadership. This story shows how inclusive leadership promotes the collaboration and expands the boundary of sustainability efforts in the financial institutions. The results of this study demonstrate the ability for paradoxical, transformational, and inclusive leadership styles in supporting the advancement of sustainable practices within organizations. Each hypothesis was supported varying in degree of support and explained theoretically as well as practically how the leadership dynamics that underlie sustainability outcomes.

H1 is thus supported: paradoxical leadership has indeed a strong impact on sustainability practices. Leaders who used this style did effectively resolve this tension between short run profitability and long run environmental and social goals, and engendered innovation and adaptability. This is consistent with previous research by Smith and Lewis (2011) and Zhang et al. (2022) that reasoning paradoxically can resolve incompatible demands. Hossain et al. (2024) discuss how, for instance, paradoxical leadership allowed for adoption of renewable technologies with little loss of operational efficiency in banking sectors. The approach of this leadership makes it possible for organizations to see contradictions as a source of opportunity, with innovation and resilience being incentives for pursuing sustainability initiatives.

H2 results are strongly validated in that transformational leadership has a strong impact on sustainability outcomes. To transform the culture at work, transformational leaders engaged employees to remain focused on the distant horizon instead of getting trapped in. Items immediate gain mindset, enabling the creation of an ethical accountability and an innovative thinking culture. In this way, it confirms the results of (Bass & Avolio, 1993) and (He & Yun, 2022) on the leading role of transformational leadership in matching organizational objectives with sustainable development. From this study, transformational leadership was a key in creating motivation for teams to implement waste reduction strategies and to utilise renewable resources, reflecting an ethical level and forward thinking approach.

The findings of these results support H3: inclusive leadership matters for sustainability practices by increasing collaborative practices and innovation. Psychologically safe environments were established by inclusive leaders, where diverse perspectives were encouraged and innovation was found for sustainability challenges. These results mirror (Carmeli, Reiter-Palmon, & Ziv, 2010) and Beijer, Knappert and Stephenson (2024) who talk about the importance of inclusive leadership in enhancing organizational capacity to deal with complex sustainability issues. For instance, in the agricultural field, inclusive leadership allowed for the integration of basic local knowledge with cutting edge sustainability

H4 was supported by the findings in that transformational leadership mediated the relationship between paradoxical leadership and sustainability. Paradoxical leadership supplied the strategic account for how to blissfully balance to coexisting contending proclivities, while transformational leadership pushed teams to innovate and partake conclusively with the long-term durable goal positioning. According to Zhu et al. (2022), this finding is consistent with these two styles being complementary to their sustainability outcomes. To a certain degree the results partly support H5, in that inclusive leadership partially mediates between paradoxical leadership and business sustainability thus with caveats. Inclusive leadership strengthened diversity and collaboration, but less so in the moderating effect on paradoxical leadership's effects on sustainability. This finding agrees with the work of Nembhard and Edmondson (2006) who point out the difficulties of putting together the varying perspectives on strategic decisions.

It showed how these leadership styles complement each other. At the strategic framework level, paradoxical leadership offered ways to strike balances that work at cross purposes. Innovative thinking and ethical accountability took place in the context of transformational leadership, while inclusive leadership was maintained in relationships with diverse teams. Together, these styles advanced a holistic perspective on sustainability, considering economic, social, and environmental issues. Thus, for example, in the banking sector, paradoxical leaders balanced production with environmental resources, transforming leaders inspired inventiveness in waste disposal, and inclusive leaders arranged that each worker contributed to sustainability

initiatives. This synergy allowed organizations to achieve the three bottom lines of people, planet, and profit (Elkington, 1998).

The banking sector plays a dual role in sustainability: it supports economic growth by funding various activities, but is highly environmental degrading in funding high impact ones. The exploration of leadership styles in the sector is critical in achieving the set sustainable development goals because of such paradox. Specifically, the study examines in explicit terms how paradoxical, transformational and inclusive leadership styles could allow the banking sector to mitigate its environmental impact while maintaining profitability. Paradoxical leadership, for example, might offer a way forward from the tension between profitability and sustainability; transformational leadership could spearhead innovative sustainable practices; and inclusive leadership might spur cross sector collaboration as a means to address complex environmental challenges. By understanding these dynamics the study closes the gap in understanding what leadership strategies are needed to align the banking sector's operations with environmental goals.

## **6. Conclusion**

Through the analysis of this case, this study demonstrates the impact of good leadership on the business practice and helps maintain the organization successful in the long term. That is not just about managing resources and directing operations. Leadership is about safely navigating the all too even compromise between financial profitability and environmental and social responsibility. Adapting and incorporating into culture creates an environment of change that uses paradoxical, transformational and inclusive leadership styles to create resilient business environments in response to such global demand. Paradoxical leadership is a way to satisfy preferences, such as 'short term' versus 'long term.' Transformational leadership enables teams to imagine and fight toward a sustainable future and inclusive leadership creates a space to appreciate and use diverse perspectives in solving complex sustainability problems. Each school of leadership offers a civic readiness to thrive in a competitive, eco aware marketplace, demonstrating that sustainability and profitability are mutually useful. However, as this study is largely centered on the banking sector, the implications for sustainability leadership across industries in emerging economies are tremendously important. Similar challenges exist in resource intensive sectors such as manufacturing, agriculture and energy, in balancing profitability with environmental and social responsibility. When these industries face competing demands, for instance optimizing resource efficiency while meeting sustainability targets, paradoxical leadership can assist them in understanding (and navigating) the tradeoffs involved. This can therefore provide itself change to industries that heavily rely on traditional practices and deliver systemic change by inspiring innovation and a culture of ethical accountability. Inclusive leadership involves involving diverse stakeholder perspectives into the problem solving processes, leading not only to decision making but also collaborative solution to complex sustainability challenges. If industries in emerging markets adopt these leadership styles, they will accelerate their march toward the triple bottom line of people, planet and profit and become global leaders in sustainable development.

### **6.1. Implications for Practice**

Of course, leadership development requires a little time investing to build a comprehensive training programs focused on sustainability. These programs shouldn't be set up if they don't ready the leaders to handle competing requirements and to create an innovative and collaborative work environment. By teaching leaders the skills they need to face these challenges, organizations can be assured that organizational leadership will change and grow, resists turbulent times, and is renewed to drive proactive growth. From here, we need to shift away from short term leadership and towards leadership based upon sustainability.

From a policy angle, policymakers allow sustainable practices in different industries. Such supportive frameworks are subsidies to renewable energy projects policies based on penalties for deviation or refusal to comply with environmental regulations, etc. that facilitate firms in adhering to greener directions of practice. To achieve this alignment, policymakers can assure these policies support in filling the business' desire to build out solutions and pursue innovation. It promotes an environment within which companies are free to innovate and invest in sustainability, all for the benefit of the planet and economies.

At last, sustainability needs to be incorporated into the overall strategy of a firm by developing organizational theory consistent with the sustainability objectives. The process of allowing principles of paradoxical, transformational, and inclusive leadership to come into alignment within the organizational culture is included in this. They help businesses to solve complex challenges, to engage employees, and to create a culture of inclusion where many points of view result in innovation. These leadership principles would help the organization to become sustainable and to stay competitive in the international eco sensitive market.

## 6.2. Future Research

Future research could investigate how these leadership styles would operate in other cultures and sectors, like b. Finally, it would also be interesting to examine how leadership influences sustainability over time, longitudinally. In addition, research on how we can exploit technology to better the leadership effectiveness for sustainability is needed. This research adds to an emerging literature on leadership and sustainability by offering a practice-based framework through which an organization can achieve its sustainability objectives. This can help future development in an ethical inclusive, and innovative manner by experimenting with different leadership styles.

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