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The impact of sustainable leadership on environmental social governance (ESG) with the mediating role of environmental performance, A study of manufacturing sector of Pakistan



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Abstract

In addition, the growing importance of sustainability and the ESG performance of companies has inspired firms to practice leadership behaviors that promote environmental responsibility and sustainability. This is especially true in environmental industries like the production of cement because sustainable leadership has been a critical element in enhancing the environmental performance and sustainability goals of organizations. This research study aims to determine the influence of dimensions of sustainable leadership on ESG performance using environmental performance as a mediator in the cement industry of Pakistan.

This research study will focus on four key dimensions of sustainable leadership, namely environmental concern, long-term visionary leadership, sustainability innovations, and ethical leadership. Meanwhile, environmental performance serves as the mediating variable while ESG performance is the dependent variable in this research study. Upper Echelons Theory and Natural Resource-Based View (NRBV) Theory are the theories underpinning this research study.

Quantitative research methodology was utilized in this study, and the data collection technique involved structured questionnaire surveys carried out amongst managers and professionals employed in leading cement manufacturing firms in Pakistan. A total of 312 responses were received from which only the valid data was utilized, and Statistical Package for Social Sciences (SPSS) and Partial Least Squares Structural Equation Modeling (PLS-SEM) were used in analyses via SmartPLS software.

The results indicate that all dimensions of sustainable leadership significantly affect environmental performance in a positive manner. Ethical leadership was found to be the most significant predictor of environmental performance, followed by long term vision, environmental consciousness, and innovation for sustainability. The study further showed that environmental performance is a significant predictor of ESG performance. More importantly, the mediating effect of environmental performance on the relation between sustainable leadership and ESG performance was found to be significant.

This study makes a contribution to the literature on sustainability and ESG, as there is limited empirical evidence from the cement manufacturing sector in Pakistan.

Keywords: Sustainable leadership, Environmental performance, ESG performance, Ethical leadership, Sustainability, Cement industry, Pakistan, PLS-SEM.