



MEDIATING ROLE OF SUSTAINABLE LEADERSHIP IN BUYER-SUPPLIER RELATIONSHIPS: AN SUPPLY CHAIN PERFORMANCE: AN EMPIRICAL STUDY

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ABSTRACT. Background: The field of the supply chain have narrowly focused upon the development of effecting buyer-supplier relationship to support social sustainability. Previously studies have analyzed the relationship between responsible leadership and environmental performance. This paper aims to test the impact of supplier relationship management on social performance under the moderating influence of sustainable leadership.

Methods: The purpose of this study is to examine the moderation role of sustainable leadership between buyer-supplier relationships and social performance improvements. Empirical data is collected from 224 respondents from different manufacturers. Partial least squares structural equation modeling (PLS-SEM) has been used for hypotheses testing.

Results: The findings indicate that those four aspects of sustainable leadership- go beyond self-interest, talk enthusiastically, focuses on coaching and teaching, and see novel ideas on sustainability issues individually enhance the firm social performance.

Conclusions: This study provides a starting point for understanding the sustainable leader's role and its impact on social performance outcomes. The study has some potential implications for the implementation of sustainability-related practices that need to be acknowledged. First, the findings enrich understanding of how sustainable leader (SL) affects the inter-firm relationship. Second, the research also gives a practical explanation that inter-firm relationships are contingent rather than pervasive. Thus, managers are advised to continuously explore best approaches that improve managers' behavioral skills and adopt best practices to enhance sustainability performance.

Key words: Buyer-supplier relationship; Social sustainability; Transformational leadership; Supply chain management.

INTRODUCTION

Recently, there is a growing academic interest in corporate social responsibility leadership for sustainable development in developing countries [Pureza and Lee, 2020]. The growing concern towards protecting social performance challenges such as child labor issues, health, and safety issues in the production area has shown increasing interest among researchers to take a proactive role. However, despite all the progress made to date examines how responsible leadership impact on sustainability performance [Afsar et al.,

2020; Liao and Zhang, 2020], little research has examined how sustainable leadership influences on (Iqbal et al., 2020). Moreover, the role and impact on the sharing and maintenance of the exchange of information for firm performance outcomes have been ignored [Clifford Defee et al., 2010].

There is especially a lack of research about the interface between leadership and sustainable solutions [Wilson and McCalman, 2017]. So far, the present research has focused on leadership impact on learning sustainable practice [Gosling et al., 2014]. In this study, following [Hult et al., 2000], a sustainable

leader refers to encourage and build and adopt social initiatives in their operations that deal with environmental and social concerns, lead to the emergence of new leadership styles as [Avery and Bergsteiner, 2011]. The sustainable leader explains the concept of sustainability and provides insights into the social change process in organizations' operational practices and societal wellbeing. Given that many of the inter-firm relationships on sustainability issues are interrelated in complex ways requires leadership to initiate and disseminate sustainable practices for customer relationship management [Awan et al., 2018c]. There are two most significant approaches to the management of the customer-supplier relationships, either adopting contract governance, in which exchange is regulated through a written agreement or relational governance, in which exchange is regulated on participation and flexibility [Poppo and Zenger, 2002]. Prior literature has substantially examined the proliferation of integration of leadership style across the inter-firm relationships in various forms to achieve mutual and desirable goals [Dubey et al., 2015] with the formal focusing on design and assessment of strategic sustainability [Kurucz, Colbert, Ldeke-Freund, Upward, & Willard, 2017] and sustainable leadership enhance performance and organizational resilience [Avery and Bergsteiner, 2011]. Little or a few research studies have adopted responsible leadership to understand the motivation for sustainable development practices [Muff et al., 2020].

Sustainable leaders have the potential to deliver long term value for both employees and society. Transformational leadership behaviors are of critical importance in affecting participative and formalization relationship [Hult et al., 2007]. There is still a limited understanding of how leadership styles in the supply chain are playing a role in the translation of the process [Blome et al., 2017]. The researcher has described the importance of leadership style for effective information exchange to improve firm performance [Birasnav et al., 2015] and attempt to initiate and establish common goals that may benefit all supply chain members [Clifford Defee et al., 2009]. For example, Hult et al. [2000] provided findings on transformational

leadership's impact on customer-supplier linkages. Despite these understandings, the role of a leader in bolstering customer-supplier relationships remains unclear. However, existing literature appears to neglect the effect of sustainable leadership on sustainability performance [Iqbal et al., 2020].

Currently, research on leadership style remains disconnected to link inter-firm relationship to successful improvements in the social performance in two ways. First, the majority of earlier studies do not explore the role of leadership for the greater good of Wilson and McCalman [2017]. Second, previous studies have tended to investigate the question of which leadership has a high tendency to generate sustainability learning [Gosling et al., 2014] and environmental sustainability [Clifford Defee et al., 2010]. However, previous research studies to date have provided mixed findings on whether and how leadership style impact on sustainability performance. There remains a gap in the literature on which leadership styles play a role in the warrant of the success of the customer-supplier relationship.

To fill the research gap, this paper examines the moderating impact of sustainable leadership between customer-supplier relationships and social performance in a developing country. The research question is, does sustainable leadership moderate the relationship between customer-supplier relationships and social performance improvements. We address the research question using a sample of 540 export manufacturers from different industries in Pakistan. Following prior studies, our questionnaires were targeted at experienced senior managers. The present study contributes to the existing research and theory in three ways. First, our research study addressed this gap by linking sustainable leadership to social performance improvements. We integrate the resource-based view (RBV) to examine senior management behaviors as an intangible asset in facilitating customer-supplier relationships impact on social performance. While previous research takes RBV perspective in explaining leader behavior that leverage resources individually to enhance their firm performance [Engelen et al., 2015]. Second, prior studies

have suggested that responsible leadership influence on environmental performance [Liao and Zhang, 2020], little research has been investigated on how sustainable leadership effects firm social performance. This study extends the previous study on corporate social responsibility leadership's impact on sustainable development issues [Pureza and Lee, 2020]. Third, there are little or no previous studies that explore the relationship between sustainable leadership and sustainability performance [Iqbal et al., 2020]. Our results provide evidence that sustainable leadership can enhance the customer-supplier relationship by displaying teaching, coaching, and motivation behavior by understanding differences and inspire partners by adding meaningful initiatives. Sustainable leaders has the potential to support sustainable development initiatives [Gosling et al., 2017].

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Theoretical Perspective: Resource-based view

Leadership is a salient aspect of organizational capability research when it comes to anticipate and manage relationships. The inter-firm relationship can be viewed as superior assets of a firm that allows one to gain mutual performance gains and to solve the sustainability problems [Formentini and Taticchi, 2016]. To achieve firm performance, a key determinant is how firm resources create value in relationships. The resource-based view (RBV) advances that a firm's exchange partner offers new information, research and development opportunities, ideas and this relationship creates value in the relationships (Inkpen, 2000). RBV has been recently used within a multiparty international joint venture [Mohr et al., 2016]. With more effective capabilities, a firm can develop relationships and coordinate economic exchanges. According to RBV, the value derived from interaction depends on the capabilities of the leadership of supplier firms, the resources, and information shared with the buyer through their employees. The resources and capabilities that the firm uses to "achieve the maximum social benefit from a limited amount of

resources available for social projects" [Pearce and Doh, 2005]. RBV stresses the importance of resources and capabilities, and it has played a significant role in explaining the competitive advantage of the firm [Barney et al., 2011]. As it has been suggested that leadership capabilities are rare resources in an organizational context, RBV describes how these capabilities are needed to be meet the firm objectives. Previous research viewed leadership as organizational specific capability Voola et al. [2004], which capability to understand the interest of collective and sacrifice for the greater good. RBV is viewed as a specific organizational capability. The conceptual framework of the study is shown in Fig. 1.

Hypotheses Development

Customer-supplier relationship management consists of joint planning, trust, monitoring, and governance mechanisms that foster a productive relationship between buyers and suppliers [Poppo and Zenger, 2002]. To provide a complete model of governing inter-firm relationships, a governance mechanism is often used [Poppo and Zhou, 2014]. Formal contracts or contract governance represents the fundamental structure; it entails specifying agreement for continuation and dispute resolution [Poppo and Zenger, 2002]. According to Pilbeam et al. [2012], contract governance is defined as "the extent to which decision making is regulated by explicit rules and procedures. Firms use a formal mechanism to encourage appropriate partner behavior by prescribing specific production processes and procedures that a supplier must follow [Stouthuysen et al., 2012]. While the analysis of governance mechanisms has drawn mainly from transaction cost economy (TCE), researchers, e.g. [Liu et al., 2009; Luo, 2002; Poppo and Zhou, 2014]. According to TCE (Williamson, 1985), view of a governance structure as controlling the opportunistic behavior. Despite the weakness of the contracts, it enables firms to protect individual rights, safeguard against opportunism, and coordinate firms' activities to achieve the desired goals of both parties [Lumineau, 2015; Zhou and Xu, 2012]. Customer-supplier relationship management through contract governance reflects the agreement inherent in

social issues and in turn, a firm can mobilize the resources to create opportunities and promote social performance improvements. The following hypothesis is proposed:

H1: Contract governance positively affects the improvement of social performance in export manufacturing firms.

Relational governance refers to the extent to which business exchanges are coordinated via social relations, trust, and shared norms [Heide and John, 1992; Poppo et al., 2008]. Relational governance relies on trust and relational norms. In developing a relationship, customer and suppliers enjoy a high degree of autonomy and choose the means of cooperation, whenever the opportunity arises [Poppo and Zhou, 2014]. According to resource base view, exchange of relationship with the partner is a valuable asset; past research has shown that relational mechanism is positively associated with relationship performance [Liu et al., 2009; Poppo and Zhou, 2014]. Jang, Zheng, & Bosselman [2017] also noted that leadership style to be positively related to the performance. Researchers have investigated whether contract or relational governance attempts to function effectively to improve social performance [Awan et al., 2018c]. The customer-supplier relationship ensures that firms can cope with social sustainability issues [Gimenez et al., 2012]. Previous empirical studies demonstrate a significant positive link between contractual and formal governance and performance outcomes [Venus Lun et al., 2015]. Awan [2019] observed that relational governance is positively associated with social performance improvement. Furthermore, there is an emerging consensus in the governance literature that relational governance is the basis for enduring and effective performance improvements. We argue that export manufacturers with relational governance encourage to set up a mutual understanding with partners the actions to be carried out for failure in the protection of social issues so that they have better practices to settle down issues. Following this, we posit:

H2: Relational governance positively affects the improvement of social performance in export manufacturing firms.

The moderating role of Sustainable Leadership

Sustainable leaders have the potential to deliver long term value for both employees and society and share a transformation (common) style of assuming social responsibility. Sustainable leadership refers to “any ethical behavior that has the intention and effect of helping groups of people address shared dilemmas in significant ways not otherwise achieved” [Bendell et al., 2017]. With the growing importance of social performance issues to transform a firm in terms of sustainable practices, leadership should envision real sustainability as an essential component of the organization’s relationships [Efthimiou, 2017; Jones et al., 2017]. However, sustainability initiative management is not only an organizational management task but also part of a wider leadership style to create successful inter-firm relationships on social issues. For example, [Awan et al., 2018c] noted that leadership is important in relationship management across the supply chain initiatives has helped firms to achieve social performance objectives. More recently, there has been significant interest and focus on how leadership style affects the development of social performance. Consistent with this yearning for the implementation of ethical and sustainable solutions to system problems requires leadership for the greater good [Wilson and McCalman, 2017]. Essentially, firms with high customer integration focus and involvement occupy a unique position that provides exposure to new ideas and perspectives to improve social performance via a transformational leadership (TL) style [Awan et al., 2017]. Many previous studies highlight the importance of TL for improving firm performance [Aragón-Correa et al., 2007]. The extant literature on leadership has suggested that the TL approach may be effective and serves as a role model by showing they have won willingness to sacrifice for the good and interest of collective [Bass and Riggio, 2006]. However, a sustainable leader explains the concept of sustainability and provides insights into the social change process in an organization's operational practices. This shows that leadership characteristics enable him to understand the necessity to pay attention to the partner's interest to maintain

long-term relationships. Leaders possessing the visionary and inspirational motivation characteristics have more willingness to take partners' need into consideration, and as a result, enhance performance [Birasnav, 2013]. Thus, we expect that the effect of contract governance on social performance improvements may vary under greater influence of the sustainable leadership style. Thus, we suggest:

H3a: The relationship between contract governance and social performance improvement is stronger for export firms with a greater influence on the sustainable leadership style.

Clifford Defee et al. [2009] argue that transformational leadership is likely to reflect cognitive stimulation and individualized consideration. As a result, much of the manufacturing sector has shifted towards an emphasis on inter-firm governance mechanism, along with an intensified focus on coordination and cooperation to demonstrate more performance outcomes [Gimenez et al., 2012]. Further, [Fredendall et al., 2005] suggests that visionary leadership embraces collaboration. [Hult et al., 2000] found that buyers show more commitment and can maintain a long-term relationship with suppliers. Defee et al. [2009] argue that TL positively affects the supply chain performance by motivating and encouraging pursuing company goals. Gosling et al. [2017] suggest that firms must take into account the supply chain leadership approach to increase collaboration and enhance learning. Further, Jones et al. [2017] light the importance of transformative leadership and the implementation of a sustainable system. With a more effective leadership style, a firm can develop relationships, and coordinate economic exchanges. The previous discussion in the literature shows that relational governance aims to balance relationship stability and develop more trust through information sharing. We argue that sustainable transformational leadership ensures and promotes cooperation, demonstrates the ability to seek different perspectives when solving social issues, and enthusiastically participate in the development of social issues. The sustainable leadership style may itself support

prior agreements, expectations of cooperation by mutual understandings, and thereby improved social performance. Thus, we suggest:

H3b: The relationship between relational governance and social performance improvement is stronger for export firms with a greater influence on the sustainable leadership style.

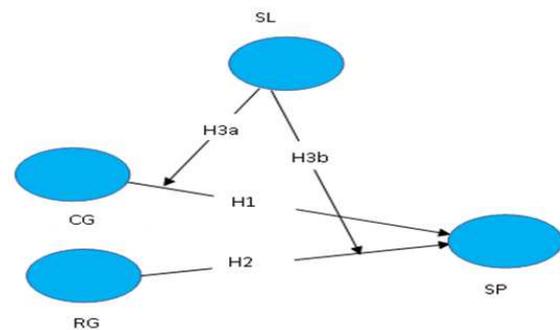


Fig. 1. Research model

METHODOLOGY

Data collection and Validation

The data was gathering using a structured survey method from the selected sample firms. We distributed survey questionnaires to the target respondents. Data for this study were collected from the top, middle, and operational level employees in different manufacturing industries in Pakistan. The list of sample firms was obtained from the Federal Chamber of Commerce and Industry online directory. The respondents in our target sample were within the export manufacturing firms, as export manufacturing has a major share in-country foreign exchange. Respondents were informed that participation in this study is voluntary, and data is being collected only for fully academic research. We collected data from senior managers from different industrial sectors. The sample comprised of 540 export manufacturing firms. In total, 224 usable questionnaires representing an overall response rate of forty-one percent were received. Respondents varied

in education and hierarchical level. Respondents were asked to rate their level of leadership style. The unite of analysis was the ongoing relationship between the respondent firm and the selected partner. Accordingly, sustainable leadership constructs, as we slightly modified the items following the study objective with the help of pre-test of survey questionnaires. On average respondents had worked between 5 to 15 years is 48.21 percent,

and more than 15 years are 38.83 percent, indicating that respondents are knowledgeable and familiar with the industry operations. 16.96 percent had a master's or higher and 29.46 percent had a bachelor's degree. Since respondents were senior-level supply chain managers from export manufacturing firms, they have an adequate level of English language proficiency. Firm's characteristics are presented in Table.1

Table 1. Firm's Characteristics

| Industry type | f | % | Education Level | f | % |
|----------------------------|-----|-------|------------------------|-----|-------|
| Surgical | 56 | 25.00 | Secondary | 113 | 50.44 |
| Sports | 66 | 28.57 | Bachelor | 66 | 29.46 |
| Leather wares | 29 | 12.94 | Master | 38 | 16.96 |
| Textile | 73 | 32.58 | Other | 7 | 03.12 |
| Titles | f | % | *Firm size | f | % |
| General Manager Operations | 62 | 30.35 | Less than 50 | 23 | 10.26 |
| Managing Director | 47 | 20.98 | Between 51 and 250 | 105 | 46.87 |
| Director Supply chain | 68 | 30.35 | More than 251 | 96 | 42.85 |
| Director import and export | 36 | 16.07 | Firm age | | |
| Other | 11 | 04.91 | Less than10 | 63 | 28.12 |
| Experience | f | % | Between 11 and 30 | 113 | 50.44 |
| Less than 5 | 29 | 12.94 | Between 21 and 30 | 29 | 12.94 |
| Between 5 &15 | 108 | 48.21 | Greaterh than 30 | 19 | 08.48 |
| More than 15 | 87 | 38.83 | | | |

*Firm size = measured in the number of employees, bFirm age = Number of years in the same business

Variable measurement

The study includes the scales followed by a systematic approach suggested by Churchill Jr [1979], adapted where possible and adopting from established measures which have been in previous research settings. Respondents were asked to rate all items in the questionnaire on a seven-point Likert scale 2 1 – Strongly disagree to 7 – Strongly agree”.

Customer-supplier relationship management

A four-item scale developed by [Carey et al., 2011; Ferguson, 2005; Heide and Stump, 1995] was used to measure the customer-supplier relationship management practices by adopting Contract governance and relational governance Lusch and Brown [1996].

Sustainable leadership

We used a four-item scale of transformational leadership developed by Hult et al. [2000] in the context of buyer-supplier

linkages. We adopted the scale by Hult et al. [2000] and modified in the context of our study following the recommendation of academicians in the process of a pre-test and validated the construct through the pre-test of the survey. The results of the measurement model provide adequate reliability and validity of the scale.

Social performance

The overall social performance was assessed by using items measure developed by [Awaysheh and Klassen, 2010; Kleindorfer et al., 2005]. The survey items are presented in Table 2.

Table 2. Constructs and measures

| Construct | Items | Measures | |
|---|-------|--|-----------------|
| "To what degree do you agree or disagree with the following statements about". "1 – Strongly disagree 7 – Strongly agree)" | | | Factor loadings |
| Contractual Governance (CG) | CG1 | "We have formal written agreements outlining social issues" | 0.793 |
| | CG2 | "We have formal written agreements outlining how to Handel technical requirements" | 0.766 |
| | CG23 | "We have formal written agreements that detail the rights and obligations of both parties" | 0.915 |
| | CG4 | "We have formal written agreements that precisely state the legal remedies for failure to perform" | 0.879 |
| "To what degree do you agree or disagree with the following statements about" "1 – Strongly disagree 7 – Strongly agree" | | | |
| Relational Governance (RG) | RG1 | "Our customer is involved early in the development of social initiatives" | 0.682 |
| | RG2 | "Our firm has a mutual understanding of how to carry out solutions for failure in the protection of social issues" | 0.776 |
| | RG3 | "Our firm has a mutual understanding of how to settle down issues with our customer on the social protection of our workers" | 0.822 |
| | RG4 | "Our firm has a mutual understanding with customers the actions to be carried out when there are accidents at worker place" | 0.754 |
| "To what extent does each of the following statements you agreed or disagreed that your firm has improved performance. Please use the following scale to record an answer for each statement listed below (circle an answer for each item) 1: not at all, 2: a limited extent, 3: Slightly improve 4: Neutral, 5: a moderate extent, 6: a great extent, 7: a very great extent" | | | |
| Social Performance (SP) | SP1 | "We have Improved safety and health of existing employees" | 0.729 |
| | SP2 | "We Improved the quality of life and basic health of the local community" | 0.754 |
| | SP3 | "We have improved employee level of satisfaction with policies" | 0.739 |
| | SP4 | "We have improved employee occupational health, safety, and labor conditions" | 0.681 |
| "To what extent do you agree, the decision-makers in your firm gave priority to seeking news opportunities for your firm, tried to develop a clear common view, leading and coordinated? Please use the following scale to record an answer for each statement listed below (circle an answer for each item).1 – Strongly disagree to 7 – Strongly agree" | | | |
| Sustainable Leadership (SL) | SL1 | "They go beyond their self-interest for the good of social supply chain process" | 0.756 |
| | SL 2 | "They talk enthusiastically about what needs to be accomplished in the social supply chain process" | 0.804 |
| | SL 3 | "They spend time in coaching and teaching about the supply chain process" | 0.811 |
| | SL 4 | "They seek different perspectives when solving purchasing problems" | 0.765 |

Common method bias

Based on the guidelines of Armstrong and Overton (1977), non-bias was examined in this study by comparing the group of early respondents to late respondents. Following the recommendation by Vink et al. [2008], responses received within four weeks were considered early respondents and responses received after four weeks from the receiving the questionnaire were considered late respondents. The t-test performed at a 95%

confidence level revealed no bias on early and late respondents. Since the present study used self-reporting survey measures from a single source, we used "Harman's one-factor" test to examine the potential threat of common method variance (CMV) by using exploratory factor analysis for all exogenous and endogenous variables [Podsakoff et al., 2003]. The result shows that no single factor account for most of the variance, the first factor extracted only accounts for 27.36% of the total variance. This provides support that CMV is not an issue. Prior to data collection,

academician's experts were invited to review the questionnaire and then pretested among 12 manufacturing firms to gain clarity of content and improve readability and refine survey instrument to make it appropriately adapted to the local context in Pakistan.

Reliability and validity

To assess the model validity, the present study followed a two-step approach, as recommended by [Henseler et al., 2014], "coefficient of determination" (R²), "standardized root mean square" residuals (SRMR) [Henseler et al., 2014]. To avoid the multicollinearity issue, the variance inflation factor (VIF) values were lower than 2.16 for each of the indicators, showing the no auto-correlation issue in the data. The result of The factor analysis yielded items loadings of all constructs above the threshold value of .50, indicating unidimensionality [Hair Jr and Hult, 2016]. Cronbach's alpha of each construct exceeds ($\alpha > 0.60$) (Bagozzi and Yi, 1988); Composite reliability values (CR > 0.70), establish the reliability and convergent validity of latent construct (Fornell and Larcker, 1981).

The results of reliability and validity are presented in Table 3.

DATA ANALYSIS AND RESULTS

Analysis Methods

Partial least square (PLS) structural equation modeling approach was used, and PLS 3.2.1 Henseler et al. [2014] and PROCESS [Hayes and Krippendorff, 2007] software were used respectively for the measurement model and structural model analyses to test the theoretical model (Figure 1). PLS-SEM is very suitable for exploratory research [Hair et al., 2019] like ours, where the conceptual is more in line with theory building than theory testing. Whereas structural equation modeling (co-variance based) takes into account errors in measurement, and not situated for smaller sample size and non-normal distribution of variables [Hair Jr and Hult, 2016]. Several studies have to endorse model fit measures for PLS-SEM (Henseler et al., 2016). PLS model provides the predictive relevance of the model [Henseler et al., 2014].

Table 3. Constructs factor loadings, validity, and reliability

| Items | Factor loadings | r | t-value | *AVE | **CR | ***CA |
|------------------------------|-----------------|---|---------|-------|-------|-------|
| Contractual Governance (CG): | | | | 0.706 | 0.905 | 0.872 |
| CG1 | 0.793 | | 9.44 | | | |
| CG2 | 0.766 | | 9.67 | | | |
| CG3 | 0.915 | | 12.55 | | | |
| CG4 | 0.879 | | 11.30 | | | |
| Relational Governance (RG) | | | | 0.577 | 0.845 | 0.841 |
| RG1 | 0.682 | | 6.15 | | | |
| RG2 | 0.776 | | 8.27 | | | |
| RG3 | 0.822 | | 10.88 | | | |
| RG4 | 0.754 | | 8.36 | | | |
| Social Performance (SP) | | | | 0.594 | 0.854 | 0.853 |
| SP1 | 0.729 | | 9.04 | | | |
| SP2 | 0.754 | | 9.54 | | | |
| SP3 | 0.739 | | 9.33 | | | |
| SP4 | 0.681 | | 6.55 | | | |
| Sustainable Leadership (SL) | | | | 0.61 | 0.865 | 0.793 |
| SL1 | 0.756 | | 9.80 | | | |
| SL2 | 0.804 | | 11.73 | | | |
| SL3 | 0.811 | | 12.67 | | | |
| SL4 | 0.765 | | 9.77 | | | |

Note: *AVE: Average variance extract; **CR: Composite Reliability; ***CA: Cronbach's alpha

The exogenous construct explains the study applies Chin (1998) recommendation to analyze the predictive accuracy by investigating the variance extracted in the endogenous construct. The value of (R²) falls between, 0.02 to 0.13 are considered weak, values between 0.13 and 0.26 are considered

moderate, and finally, the values greater than 0.26 are considered substantial. The PLS examination appears that the structural model as a whole counts for about 58% of the variance in the firm social performance. Scale means standard deviations are presented in Table 4.

Table 4. Mean, Standard Deviation and Correlations

| Items | Mean | S.D | SP | CG | RG | SL | FS | FA |
|-----------------|-------|------|--------------|--------------|--------------|--------------|--------|----|
| SP | 4.62 | 1.22 | 0.770 | | | | | |
| CG | 5.11 | 1.34 | 0.43** | 0.840 | | | | |
| RG | 4.85 | 1.26 | 0.29** | 0.14* | 0.759 | | | |
| SL | 4.08 | 0.92 | 0.32* | 0.24* | 0.36** | 0.781 | | |
| ^a FS | 2.18 | 0.83 | 0.07 | 0.04 | 0.16* | 0.07 | 1 | |
| ^b FA | 19.26 | 8.01 | 0.05 | 0.12* | 0.11* | 0.08 | 0.35** | 1 |

Note: SD: Standard Deviation, CG: Contractual Governance, RG: Relational Governance, SP: Social performance, SL: Sustainable Leadership, FS: Firm Size, FA: Firm Age, **Correlation is significant at the $p < 0.01$ level, *Correlation is significant at the $p < 0.05$ level, a Logarithm of all employees and number of years in business.

From a statistical explanatory modeling point of view, testing predictive accuracy is relevant and emphasized in PLS-SEM literature (Henseler et al., 2016). The predictive validity (predictive relevance Q2) was evaluated by applying the Stone-Geisser test using a blindfolding procedure with an omission distance 8 (Geisser, 1974). The Q2 greater than zero is regarded as predictive relevance for that particular construct. In this study, Q2 is 48.2% for endogenous latent constructs. The effect size relevance (f^2) is considered strong, moderate, and weak effect sizes 0.35, 0.15, and 0.02, respectively. As results reveal, 58% of social performance is together described by all the exogenous variables. The literature suggests some

methods for testing moderation analysis effects.

Hypotheses Testing

PLS-SEM analysis was run to test the proposed conceptual model. The results show that CG has a significant positive effect on social performance ($\beta = 0.341$, $p < .05$, $t = 5.207$), which supports H1. RG also affects social performance ($\beta = 0.22$, $p < .05$, $t = 3.534$). The direct effect of sustainable transformational leadership has a positive effect on social performance. The significance is derived from 5,000 bootstrapped samples.

Table 5. Relationships between variables (direct effect and interaction effect)

| Structural path | Coef. (β) | t values | 95 % BC CI | Results |
|---------------------|-------------------|----------|---------------|-------------------|
| CG → SP | 0.341 | t=5.207 | (0.112,0.352) | Supported |
| RG → SP | 0.224 | t=3.534 | (0.007,0.336) | Supported |
| Interaction SL x CG | 0.230 | t= 3.544 | (0.009,0.311) | Supported |
| Interaction SL x RG | 0.193 | t=2.256 | (0.003,0.202) | Partial Supported |

To test the moderating effect of sustainable leadership on the relationship between customer-supplier relationship and social performance improvement, we used SPSS PROCESS using bootstrapping for simple moderation following the guidelines by Preacher and Hayes (2008). The PROCESS macro V2.13 was then used to examine the moderation effect using a bias-corrected 95% bootstrap confidence interval (CI). 95% CI bias-corrected bootstrap for the interaction of TL and CG on SP does not contain zero, indicating interaction effects standardized root means square residual (SRMR) for the model is 0.051, indicating a good fit is assuming the cut-off 0.08 (Hu et al., 1995). The results

findings are presented in Fig. 2. H3a and H3b state that sustainable leadership will moderate the relationship between CG and SP. The results of the analysis presented in the Table.5, show a significant interaction between CG x SL and RG x SL on SP ($\beta = 0.23$, $p < .05$, $t = 3.544$) and ($\beta = 0.19$, $p < .05$, $t = 3.256$) respectively.

As table 5, indicates that the interaction between SL x CG is significantly positively related to social performance improvement, lending support for the H3a ($\beta = 0.230$, $t = 3.544$). Since sustainable leaders (SL) involve in establishing customer-supplier relationships through formal governance mechanisms. SL is

more attentive to exchange more quality information. However, H3b is supported since the interaction between SL x RG is significant and positively ($\beta = 0.193$, $t = 2.256$). In line with the hypothesis, this implies that the relational mechanism affects social performance when the level of transformational leadership is high. Similarly, the marginal effect of relational mechanisms

on social performance depends on sustainable leadership. Relational governance may play a marginal role in facilitating social performance improvements. Thus, the likelihood that the contract governance mechanism would enhance social performance when the firm could rely on sustainable leaders.

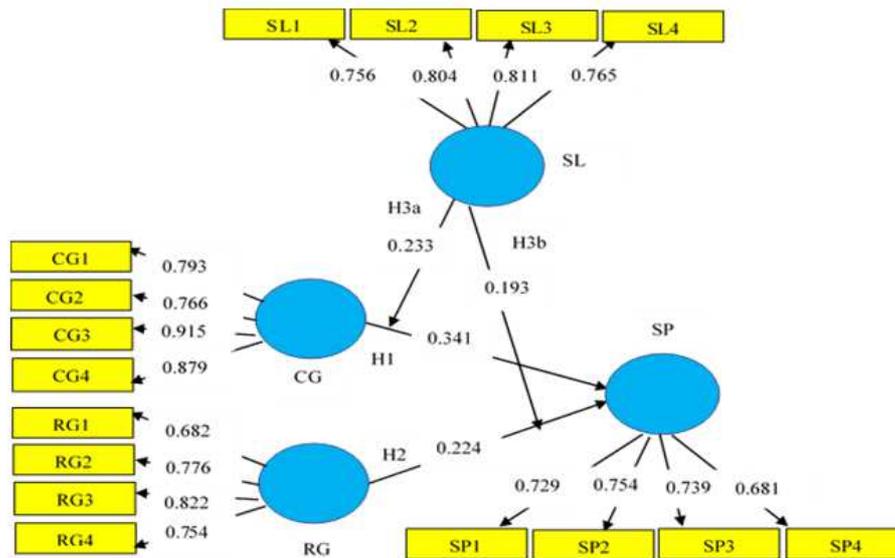


Fig. 2. PLS Path model and results

DISCUSSION AND CONCLUSION

This study argued that sustainable leadership (TL) style may act as an explanatory mechanism of the relationship between customer-supplier relationship management and social performance improvement (SPI). This study examines whether and how sustainable leadership may ensure that the positive effect of customer-supplier relationships impacts social performance improvements. Our result reveals that four aspects of sustainable leadership- go beyond self-interest, talk enthusiastically, focuses on coaching and teaching, and see novel ideas individually enhance the firm social performance.

The present study contributes to the literature by examining the association between sustainable leadership and

sustainability performance. Although, prior studies have suggested that responsible leadership influence on environmental performance [Liao and Zhang, 2020], little research has been investigated on how sustainable leadership effects firm social performance. Our research study addressed this gap by linking sustainable leadership to social performance improvements. First, we integrate a resource based view (RBV) to examine senior management behaviors as an intangible asset in facilitating customer-supplier relationships impact ton social performance. While previous research takes RBV perspective in explaining leader behavior that leverage resources individually to enhance the firm performance [Engelen et al., 2015]. Our study findings are in line with the RBV that top management behaviors become a valueable resource, which makes it difficult to intimate by the competitors. Second, our study extends the previous study on corporate social responsibility leadership's impact on

sustainable development issues [Pureza and Lee, 2020]. This research provides evidence by showing that sustainable leadership promotes the partner relationship. Second, our results contribute to sustainable leadership literature Tideman et al. [2013], by suggesting that SL may inspire and supports actions that go beyond self-interest and enthusiastically support sustainability initiatives towards a great world for today and future generations. Our results consistent with the findings of [Hult et al., 2007], the leadership style can appropriately manage the resources embedded with the partners for the social performance overall. Our study also contributes to the development of social performance, while previous research has shown that corporate social responsibility strategy is positively associated with social performance [Orazalin and Baydauletov, 2020]. Our study extends research on sustainability by enhancing our understanding of the leadership style that affects the customer-supplier relationship for social performance improvements. Consequently, it is suggested that transformational leaders can be interpreted as sustainability leaders, who possess adaptive leadership behaviors and who are likely to support buyer participation in a flexible relational exchange without any threat of punishment and understand when a partner has to be supported with the required resources. Third, our findings show that sustainable development requires leaders who's teaching and coaching are the most effective ways to foster change in organizational relationship dynamics. This study presents evidence for the importance of a transformational leader in buyer-supplier linkages context Hult et al. [2000]. The sustained capacity of SL is essential to success in implementing the governance mechanism that will sustain social performance. In this direction, SL constitutes the need for sustainable leaders, who can make a balance among what needs to be accomplished, and when to go beyond self-interest and take a different perspective on solving the differences. Thus, sustainable leaders look beyond self-interest, focuses on coaching and resolving differences in the customer-supplier relationship process to gain organizational objectives in the sustainability context. Sustainable leaders imbue the meaning of and shaping organizational

sustainable development objectives during the social change process and provide crucial initiatives that serve the needs of the existing employees to grow and develop with the organization. The study is in line with the United Nations Sustainable Development Goals (UNSDGs) that highlight the need of improving health, safety, and labor conditions through sustainable development goal policy instruments (SDG17), which would be promising and support to redesign and enhance partnership building among international buyers from developed countries and suppliers from developing countries on the experience and resourcing strategies to support the achievement of the sustainable development goals.

This study provides a starting point for understanding the sustainable leader's role and its impact on social performance outcomes. Our study has some potential implications for the implementation of sustainability-related practices that need to be acknowledged. First, our findings enrich understanding of how sustainable leader (SL) affects the inter-firm relationship. When contract governance is implemented by the SL, they attempt to find divergent views when solving problems. As long as, organizations maintain SL, it would be able to maintain effective inter-firm relationships and to achieve firm social performance. Second, our study also gives a practical explanation that inter-firm relationships are contingent rather than pervasive; it depends on external to which TL behaviors are promoted in the level of organizations. Thus, managers are advised to continuously explore best approaches that improve managers' behavioral skills and adopt best practices to enhance sustainability performance. TL may inspire and supports actions that go beyond self-interest and enthusiastically support sustainability initiatives towards a great world for today and future generations. An organization needs a new style of leaders for the management of a complex web of the relationship on sustainability demands. Tripple bottom line practices become an urgent priority for manufacturers globally for the common good. In this context, the sustainable leader may serve as a change agent to take an exigent role in sustainable development.

The implication of the present study should be seen within the context of its limitations that provide directions for future research into the role of sustainable leadership and the success of corporate environmental management practices. There is a demand for successful inter-firm relationships not just to go beyond self-interest but to recognize best sustainability practices with the long-term goal to increase competitiveness. The present study took place in a South Asian developing country, and the sample was comprised of four manufacturing industries. The generalizability of this study may be of concern along with the fact that the research design of this study focuses on single informants so that common method bias may be a concern. Future research studies may consider what specific style of leadership is most critical for creating opportunities for the circular economy. Future studies could, therefore, examine how a leadership characteristic influences its efforts on agility, and lean production leads to achieving sustainable development performance outcomes. Future research may investigate which leadership style may influence on firm initiatives towards the generation of data-driven insights and initiate a circular economy in the industry 4.0 perspective. Furthermore, future researchers should explore whether there is a special leadership style that may influence on big data analytics with firm dynamic capabilities to enhance the firm's operational and economic performance. It is also vital to realize how different forms of institutional forces form ties with the supplier country's national government and how these affect a firm's corporate sustainability performance, particularly from the big data analytics capabilities. In recent years, an increased interest in social performance initiatives is warranted for global green growth. Within the manufacturing industry, the transformational leadership style as a sustainable leader is crucial for achieving gender equality, health, and safety issues and improving child labor issues.

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MEDIACYJNA ROLA ZRÓWNOWAŻONEGO PRZYWÓDZTWA W RELACJI: KUPIEC-SPRZEDAWCA W ŁAŃCUCHU DOSTAW - BADANIE EMPIRYCZNE

STRESZCZENIE. Wstęp: Obszar łańcucha dostaw skupił się na rozwoju efektywnej relacji sprzedający-kupujący, co umożliwia lepsze rozwój zbalansowany w obszarze socjalnym. Poprzednie badania skupiały się na analizie zależności pomiędzy odpowiedzialnym przywództwem a wpływem na środowisko. Celem pracy jest przetestowanie wpływu zarządzania relacjami z dostawcami na rozwój zbalansowany w obszarze socjalnym przy umiarkowanym wpływie zrównoważonego przywództwa.

Metody: Celem pracy jest określenie roli moderatora zrównoważonego przywództwa pomiędzy relacjami sprzedający-kupujący oraz poprawą postępowania w obszarze socjalnym. Dane empiryczne zostały zebrane wśród 224 osób z różnych przedsiębiorstw. Do testowania hipotez zastosowano modelowanie równań strukturalnych PLS-SEM (partial least squares).

Wyniki: Uzyskane wyniki wskazują, że cztery aspekty zrównoważonego przywództwa wspomagają postępowania w obszarze socjalnym, a mianowicie: wychodzenie poza dbałość tylko o własne interesy, entuzjazm w podejściu do innych, skupienie się na coachingu i instruktażu oraz zauważanie nowych idei w obszarze zrównoważonego rozwoju.

Wnioski: Praca dostarcza początkowych danych do zrozumienia roli przywództwa zrównoważonego i jego wpływ na socjalną strefę działalności. Zaprezentowano potencjalne implikacje wdrożenia w praktyce rozwoju zrównoważone, które jej wymagają dodatkowej analizy. Po pierwsze, praca zwiększa wiedzę jak zrównoważone przywództwa wpływa na relacje w obrębie firmy. Po drugie, daje praktyczne wyjaśnienie, że relacje w obrębie firmy są raczej zależne aniżeli o charakterze dominującym. Dlatego też zaleceniem dla kierownictwa jest ciągle poznawanie i zwiększanie umiejętności miękkich oraz zaadaptowanie najlepszych praktyk dla dalszego rozwoju zrównoważonego.

Słowa kluczowe: relacja kupiec-sprzedawca, rozwój zrównoważony socjalnie, przywództwa w transformacji, zarządzanie łańcuchem dostaw

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