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The Role of Leadership in Driving Performance and Sustainability in Social Enterprises: A Qualitative Systematic Literature Review of Theoretical and Empirical Insights

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***ABSTRACT**. This study examines the role of leadership in driving organizational performance and sustainability within social enterprises through a qualitative systematic literature review of theoretical and empirical studies published up to 2024. Drawing on leadership theories such as transformational, servant, and ethical leadership, the review synthesizes how leadership practices influence both financial and social value creation. The findings reveal that effective leadership in social enterprises is characterized by mission alignment, stakeholder engagement, and the ability to balance dual objectives of economic viability and social impact. Furthermore, leadership contributes to long term sustainability by fostering innovation, resilience, and adaptive governance mechanisms. The review also highlights contextual factors, including institutional environments and resource constraints, that shape leadership effectiveness. This study provides integrative insights for scholars and practitioners seeking to enhance leadership strategies in hybrid organizational settings.*

***Keywords** Social enterprise leadership, Organizational performance, Sustainability, Transformational leadership, Systematic literature review*

INTRODUCTION

Social enterprises have emerged as hybrid organizational forms that integrate social mission objectives with market-based mechanisms to address complex societal challenges (Mair & Marti, 2006; Defourny & Nyssens, 2017). Unlike traditional for profit firms that primarily focus on economic value creation, social enterprises simultaneously pursue social and economic goals, often operating under conditions of resource constraints, institutional voids, and competing stakeholder demands (Saebi et al., 2019; Stevens et al., 2015). This dual mission creates inherent tensions commonly referred to as “mission drift” where organizations struggle to balance financial sustainability with social impact (Ramus & Vaccaro, 2017). In this context, leadership plays a critical role in navigating these tensions and ensuring both organizational performance and long term sustainability.

The growing importance of social enterprises in fostering inclusive development, particularly in emerging economies, has intensified scholarly interest in identifying the determinants of their success (Raimi et al., 2022; Estrin et al., 2013). Among these determinants, leadership has been consistently recognized as a pivotal factor influencing organizational effectiveness, stakeholder engagement, and value creation (Almandoz & Lee, 2022; Iskandar et al., 2023). However, despite the expanding body of literature, there

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remains a lack of consensus regarding which leadership styles are most effective in enhancing performance and sustainability in social enterprises (Jeong, 2024). Leadership commitment emerged as a foundational element, signaling organizational priorities and setting the tone for inclusive cultures (Ruslaini et, al., 2024).

Leadership in social enterprises is inherently complex due to the paradoxical nature of their goals. Leaders must simultaneously demonstrate entrepreneurial capabilities to ensure financial viability while maintaining a strong commitment to social value creation (Smith et al., 2012; Zahra et al., 2014). This duality requires a nuanced understanding of leadership approaches that go beyond conventional models applied in commercial enterprises. For instance, transformational leadership has been widely acknowledged for its ability to inspire change, foster innovation, and align organizational members with a shared vision (Bass & Avolio, 2000; Bastari et al., 2020). Empirical evidence suggests that transformational leadership positively influences both individual level outcomes, such as job satisfaction, and firm level outcomes, including economic and social performance (Jeong, 2024). Adopting aforward-thinking strategy that ensures both the company's financial success and its ability to thrive amidst challenges, changes, and uncertainties is a cornerstone of sustainable leadership for business resilience (Sugiharti, T., 2023).

In addition to transformational leadership, servant leadership has gained prominence in the context of social enterprises due to its emphasis on ethical behavior, employee development, and stakeholder well being (Petrovskaya & Mirakyan, 2018; Mohamad & Majid, 2014). Servant leaders prioritize the needs of employees and communities, fostering trust and collaboration, which are essential for achieving social impact (Newman et al., 2018). Similarly, ethical leadership has been identified as a critical driver of organizational culture and corporate social responsibility in social enterprises (Pasricha et al., 2018). These leadership styles reflect the value driven nature of social enterprises and highlight the importance of aligning leadership practices with organizational missions. A positive relationship between transformational leadership, job satisfaction, and organizational citizenship behavior human capital (Djap, W. et al., 2022).

Furthermore, entrepreneurial leadership, characterized by innovation, risk taking, and opportunity recognition, is particularly relevant in enabling social enterprises to operate in dynamic and uncertain environments (Naderi et al., 2019; McMullen, 2011). Entrepreneurial leaders contribute to the development of sustainable business models that support both social and economic objectives, although their impact on organizational performance may vary depending on contextual factors (Jeong, 2024). The interplay between different leadership styles underscores the need for a comprehensive understanding of how leadership influences various dimensions of performance in social enterprises.

Despite these insights, existing research exhibits several limitations. First, many studies focus on single leadership styles without considering the comparative effectiveness of multiple approaches (Iskandar et al., 2023). Second, there is a tendency to emphasize either social or economic performance, rather than examining their interdependence (Bellostas et al., 2016; Pinheiro et al., 2021). Third, methodological fragmentation and contextual variability hinder the development of a unified theoretical framework for leadership in social enterprises (Saebi et al., 2019). Consequently, there is a need for a systematic synthesis of both theoretical and empirical studies to provide a holistic understanding of the role of leadership in this domain.

A qualitative systematic literature review (SLR) offers a robust methodological approach to address these gaps by integrating diverse perspectives and identifying patterns across studies (Ghauri et al., 2014). Through systematic analysis, an SLR can uncover the mechanisms through which leadership influences performance outcomes, including employee satisfaction, organizational commitment, innovation, and social impact (Arena et al., 2015; Suriyankietkaew et al., 2022). Moreover, it enables the identification of contextual factors such as institutional environments, stakeholder dynamics, and resource availability that shape leadership effectiveness in social enterprises (Ansari et al., 2012; Liu et al., 2021).

This study aims to contribute to the literature by conducting a qualitative systematic review of theoretical and empirical insights on the role of leadership in driving performance and sustainability in social enterprises. Specifically, it seeks to (1) identify dominant leadership styles examined in prior research, (2) analyze their impact on individual and organizational performance outcomes, and (3) explore how leadership contributes to the long term sustainability of social enterprises. By synthesizing existing knowledge, this study provides a comprehensive framework that integrates leadership theory with the unique characteristics of social enterprises.

In doing so, this research not only advances academic understanding but also offers practical implications for practitioners and policymakers. Effective leadership can enhance the capacity of social enterprises to deliver sustainable social impact while maintaining financial viability, thereby contributing to broader socio economic development goals (Austin et al., 2006; Bhattarai et al., 2019). Ultimately, understanding the role of leadership in social enterprises is essential for unlocking their full potential as agents of transformative change in society.

LITERATURE REVIEW

The literature on social enterprises highlights their unique hybrid nature, combining social mission objectives with economic sustainability, which creates complex managerial and leadership challenges (Mair & Marti, 2006; Defourny & Nyssens, 2017). Social enterprises operate within institutional and resource constraints while attempting to create both social and economic value, making leadership a critical determinant of organizational performance and sustainability (Saebi et al., 2019; Stevens et al., 2015). The dual mission orientation often generates tensions between social impact and financial performance, commonly referred to as mission drift, requiring effective leadership to balance competing priorities (Ramus & Vaccaro, 2017).

Scholarly research has increasingly emphasized the importance of leadership in enhancing the performance of social enterprises across different contexts (Almandoz & Lee, 2022; Iskandar et al., 2023). Empirical studies demonstrate that leadership significantly influences both individual level outcomes, such as job satisfaction and employee commitment, and organizational level outcomes, including economic and social performance (Jeong, 2024; Chang & Jeong, 2021). However, despite the growing attention, there is no universally accepted leadership framework that adequately captures the complexity of social enterprises (Saebi et al., 2019).

Transformational leadership is one of the most extensively studied leadership styles in social enterprises, primarily due to its ability to inspire organizational change and align employees with a shared vision (Bass & Avolio, 2000; Bastari et al., 2020). Empirical findings indicate that transformational leadership has a positive and significant relationship with job satisfaction, leader satisfaction, and both economic and social performance in social enterprises (Jeong, 2024). Similarly, research in different sectors confirms that transformational leadership enhances motivation and work performance through mediating variables such as organizational justice and intrinsic motivation (Gillet et al., 2013; Guterresa et al., 2020).

In addition to transformational leadership, servant leadership has been widely recognized as particularly relevant for social enterprises due to its emphasis on ethical responsibility, stakeholder engagement, and employee well being (Petrovskaya & Mirakyan, 2018; Mohamad & Majid, 2014). Empirical evidence suggests that servant leadership positively influences interpersonal relationships, leader satisfaction, and social performance outcomes, although its impact on economic performance may be less pronounced (Jeong, 2024). Furthermore, servant leadership fosters trust and organizational commitment, which are critical for sustaining mission driven organizations (Newman et al., 2018).

Entrepreneurial leadership also plays a significant role in enabling social enterprises to operate effectively in uncertain and dynamic environments (Naderi et al., 2019; McMullen, 2011). This leadership style emphasizes innovation, opportunity recognition, and risk taking, which are essential for achieving financial sustainability (Zahra et al., 2014). However, empirical findings suggest that while entrepreneurial leadership contributes positively to employee satisfaction, its direct impact on economic and social performance may vary depending on contextual factors (Jeong, 2024).

Ethical leadership has also been identified as a critical driver of organizational culture and corporate social responsibility in social enterprises (Pasricha et al., 2018). Ethical leaders influence organizational values and behaviors, thereby enhancing stakeholder trust and long term sustainability (Ehrhart, 2004). This is particularly important in social enterprises, where legitimacy and accountability are central to maintaining stakeholder support (Austin et al., 2006).

The concept of paradoxical leadership provides an additional theoretical lens for understanding leadership in social enterprises, as leaders must simultaneously manage conflicting demands related to social and economic objectives (Smith et al., 2012). Paradoxical leadership emphasizes the ability to embrace tensions and integrate competing logics, which is essential for sustaining hybrid organizations (Smith et al., 2012). This perspective aligns with broader discussions in leadership studies that highlight the dialectical and socially constructed nature of leadership (Collinson, 2005; Alvesson & Spicer, 2012).

Beyond leadership styles, several studies highlight the importance of contextual and organizational factors in shaping the effectiveness of leadership in social enterprises (Estrin et al., 2013; Ansari et al., 2012). Social capital, institutional environments, and stakeholder engagement significantly influence organizational performance and the ability of leaders to achieve sustainable outcomes (Ansari et al., 2012; Liu et al., 2021). Additionally, market orientation and innovation capabilities have been shown to enhance the performance of social enterprises when combined with effective leadership (Bhattarai et al., 2019; Pinheiro et al., 2021).

Performance measurement in social enterprises presents another critical challenge due to the need to capture both social and economic outcomes (Arena et al., 2015; Bellostas et al., 2016). Scholars emphasize the importance of multidimensional performance frameworks that integrate financial metrics with social impact indicators (Stevens et al., 2015). Leadership plays a crucial role in designing and implementing these performance measurement systems, ensuring alignment with organizational goals (Arena et al., 2015).

Recent studies also highlight the role of sustainable leadership in enhancing resilience and long term sustainability in social enterprises (Suriyankietkaew et al., 2022). Sustainable leadership focuses on long-term value creation, stakeholder engagement, and environmental responsibility, which are essential for achieving sustainable development goals (Suriyankietkaew et al., 2022). This aligns with broader research on social entrepreneurship that emphasizes the importance of innovation and institutional embeddedness in scaling social impact (Smith & Stevens, 2010; Ghauri et al., 2014).

Despite these advances, several research gaps remain. First, many studies examine leadership styles in isolation without considering their interaction effects (Iskandar et al., 2023). Second, there is limited integration of theoretical and empirical perspectives, leading to fragmented knowledge (Saebi et al., 2019). Third, the contextual variability of social enterprises across regions and sectors limits the generalizability of findings (Raimi et al., 2022). These limitations highlight the need for a comprehensive systematic literature review to synthesize existing knowledge and provide a holistic understanding of leadership in social enterprises.

The literature indicates that leadership plays a pivotal role in driving both performance and sustainability in social enterprises, with transformational, servant, entrepreneurial, and ethical leadership emerging as dominant approaches (Jeong, 2024; Newman et al., 2018; Pasricha et al., 2018). However, the effectiveness of these leadership styles depends on contextual factors, organizational characteristics, and the ability of leaders to balance social and economic objectives (Smith et al., 2012; Estrin et al., 2013). Therefore, a systematic qualitative synthesis of theoretical and empirical insights is essential to advance understanding and inform future research and practice.

METHODS

This study adopts a qualitative systematic literature review (SLR) approach to examine the role of leadership in driving performance and sustainability in social enterprises by integrating both theoretical and empirical insights. A qualitative SLR is particularly appropriate for synthesizing fragmented knowledge, identifying conceptual patterns, and developing a deeper understanding of complex social phenomena such as leadership in hybrid organizations that pursue both social and economic objectives (Saebi et al., 2019; Mair & Marti, 2006).

The research design follows a systematic, transparent, and replicable review process to ensure rigor and reliability in the selection, evaluation, and synthesis of existing studies. Systematic literature reviews are widely recognized for minimizing bias and enhancing the validity of findings through structured procedures (Tranfield et al., 2003). In the context of social entrepreneurship research, this approach enables the integration of diverse perspectives on leadership styles, organizational performance, and sustainability outcomes (Iskandar et al., 2023).

This study is grounded in an interpretivist paradigm, which emphasizes understanding meanings, contexts, and relationships rather than testing causal hypotheses. Such an approach is suitable for exploring leadership phenomena in social enterprises, where organizational dynamics are shaped by social missions, stakeholder engagement, and institutional environments (Alvesson & Spicer, 2012; Collinson, 2005).

A comprehensive literature search was conducted using major academic databases, to identify relevant peer reviewed journal articles. The search focused on publications related to leadership, performance, and sustainability in social enterprises. The following keywords and Boolean combinations were used: “social enterprise” and “leadership”, “leadership” and “performance” and “social enterprises”, “sustainable leadership” and “social entrepreneurship”, “transformational leadership” or “servant leadership” and “social enterprise performance”. The search process prioritized recent and high impact studies, while also including seminal works that have significantly contributed to the field (Saebi et al., 2019; Defourny & Nyssens, 2017).

To ensure the quality and relevance of the selected literature, the following inclusion and exclusion criteria were applied. Inclusion criteria: peer reviewed journal articles and academic book chapters. Studies focusing on leadership in social enterprises or social entrepreneurship contexts. Articles addressing performance, sustainability, or both. Empirical and theoretical studies published in English. Publications between 2000 and 2024 to capture contemporary developments.

Exclusion criteria: non peer reviewed sources (e.g., opinion pieces, blogs). Studies unrelated to leadership or social enterprises. Articles lacking empirical or theoretical rigor. Duplicate studies across databases. These criteria are consistent with prior systematic reviews in entrepreneurship and management research, ensuring methodological rigor and relevance (Tranfield et al., 2003; Saebi et al., 2019).

The study selection process followed a three stage screening procedure. Initial Screening (Title and Abstract Review): articles were screened based on titles and abstracts to identify potentially relevant studies related to leadership, performance, and sustainability in social enterprises. Full Text Review: selected articles were further evaluated through full text analysis to ensure alignment with the research objectives. Studies that explicitly examined leadership styles (e.g., transformational, servant, ethical leadership) and their impact on organizational outcomes were retained (Newman et al., 2018; Pasricha et al., 2018). Final Inclusion: only studies that met all inclusion criteria and demonstrated methodological rigor were included in the final dataset. This structured selection process helps reduce selection bias and enhances the credibility of the review findings (Tranfield et al., 2003).

Data from the selected studies were systematically extracted using a standardized data extraction form. The following key information was recorded: author(s) and year of publication, research objectives, theoretical framework, methodology (qualitative, quantitative, mixed method), leadership style(s) examined, key findings related to performance and sustainability.

The extracted data were then analyzed using thematic coding, a widely used qualitative technique for identifying patterns and relationships across studies (Braun & Clarke, 2006). The coding process involved. Open Coding: identifying initial concepts related to leadership, performance, and sustainability. Axial Coding: grouping similar concepts into broader themes (e.g., leadership styles, stakeholder engagement, mission alignment). Selective Coding: integrating themes into overarching categories that explain the role of leadership in social enterprises. This iterative process enables the development of a comprehensive understanding of how leadership influences organizational outcomes (Ghauri et al., 2014).

The analysis is guided by a multi theoretical framework that integrates insights from leadership theory, social entrepreneurship theory, and sustainability perspectives. Key theoretical lenses include. Transformational Leadership Theory, which emphasizes motivation, vision, and performance enhancement (Bass & Avolio, 2000; Bastari et al., 2020). Servant Leadership Theory, highlighting ethical behavior and stakeholder orientation in social enterprises (Petrovskaya & Mirakyan, 2018; Newman et al., 2018). Paradox Theory, explaining how leaders balance social and economic goals (Smith et al., 2012). Social Capital Theory, emphasizing the role of networks and relationships in enhancing performance and sustainability (Ansari et al., 2012; Estrin et al., 2013). These frameworks provide a robust foundation for interpreting the findings and identifying key mechanisms through which leadership drives organizational success.

To ensure the reliability and validity of the included studies, a quality assessment was conducted based on: clarity of research objectives, appropriateness of methodology, robustness of data analysis, validity of conclusions. Studies that demonstrated strong methodological rigor and clear contributions to the literature were prioritized. This approach aligns with best practices in systematic reviews and enhances the trustworthiness of the findings (Podsakoff et al., 2003).

The study employs a narrative synthesis approach, which is suitable for integrating qualitative and heterogeneous findings across studies. Narrative synthesis allows for the identification of recurring themes, patterns, and relationships while preserving the contextual richness of individual studies (Tranfield et al., 2003).

The synthesis focuses on: the types of leadership styles prevalent in social enterprises. The mechanisms through which leadership influences performance. The role of leadership in achieving sustainability and managing mission drift. Contextual factors affecting leadership effectiveness (e.g., institutional environment, geography). This approach facilitates a holistic understanding of leadership in social enterprises and provides insights into both theoretical and practical implications (Saebi et al., 2019; Jeong, 2024).

RESULTS

This qualitative systematic literature review synthesizes theoretical and empirical findings on how leadership influences both organizational performance and sustainability outcomes in social enterprises. The analysis of peer reviewed studies published up to 2024 reveals several interconnected themes, including leadership styles, governance mechanisms, stakeholder engagement, innovation capacity, and hybrid value creation.

Leadership Styles and Their Impact on Social Enterprise Performance. The literature consistently identifies transformational leadership as a dominant driver of performance in social enterprises. Transformational leaders inspire shared vision, foster commitment to social missions, and enhance employee motivation, which contributes to both financial and social outcomes (Banks et al., 2016; Masa'deh et al., 2024). Empirical evidence shows that transformational leadership enhances organizational adaptability and innovation, enabling social enterprises to operate effectively in resource-constrained environments (Liu et al., 2023).

Similarly, servant leadership emerges as highly relevant due to its alignment with social value creation. Servant leaders prioritize stakeholder well being and community impact, which strengthens trust and legitimacy among beneficiaries and partners (Eva et al., 2019). Studies indicate that servant leadership positively influences employee engagement and mission alignment, ultimately improving organizational performance (Qiu et al., 2024).

In contrast, transactional leadership plays a more limited but still important role, particularly in ensuring operational efficiency and accountability. While less effective in driving innovation, transactional leadership contributes to short term performance stability (Northouse, 2021).

Leadership and Sustainability Orientation. Leadership plays a critical role in embedding sustainability within the strategic orientation of social enterprises. Sustainable leadership integrates economic, social, and environmental goals into decision making processes (Avery & Bergsteiner, 2011). The review finds that leaders who adopt a long term perspective are more likely to implement sustainable business models and practices (Iqbal et al., 2020).

Empirical studies highlight that sustainability oriented leadership fosters triple bottom line performance, balancing financial viability with social impact and environmental responsibility (Elkington, 1997; George et al., 2023). Leaders influence sustainability outcomes by shaping organizational culture, promoting ethical behavior, and encouraging responsible resource use.

Hybrid Leadership in Managing Dual Objectives. Social enterprises operate under hybrid logics, combining commercial and social objectives. This creates tensions that require hybrid leadership capabilities. The literature shows that effective leaders navigate these tensions by balancing mission integrity with financial sustainability (Battilana et al., 2015).

Hybrid leaders demonstrate cognitive flexibility and the ability to reconcile competing institutional demands. They employ strategies such as mission drift prevention, stakeholder prioritization, and adaptive governance structures (Smith et al., 2013). Empirical findings suggest that leadership effectiveness in managing hybridity directly affects organizational sustainability and long term performance (Doherty et al., 2014).

Governance, Accountability, and Ethical Leadership. Leadership is closely linked to governance mechanisms in social enterprises. Ethical leadership enhances transparency, accountability, and stakeholder trust (Brown & Treviño, 2006). The review finds that strong governance structures, supported by ethical leadership, reduce risks of mission drift and improve organizational legitimacy.

Board leadership and participatory governance also play significant roles. Leaders who engage stakeholders in decision making processes create more inclusive and accountable organizations (Cornforth, 2014). This participatory approach strengthens sustainability by aligning organizational goals with stakeholder expectations.

Leadership and Innovation for Social Impact. Innovation is a key determinant of performance in social enterprises, and leadership is central to fostering innovation capacity. Leaders encourage experimentation, risk taking, and knowledge sharing, which are essential for developing scalable social solutions (Saebi et al., 2019).

The review highlights that leadership influences both technological innovation and social innovation. Social innovation, in particular, requires leaders to identify unmet societal needs and mobilize resources creatively (Phillips et al., 2015). Empirical studies show that leadership driven innovation enhances both impact and competitiveness.

Stakeholder Engagement and Network Leadership. Effective leadership in social enterprises extends beyond internal management to external stakeholder engagement. Leaders act as network builders, connecting organizations with communities, governments, and private sector partners (Austin et al., 2006).

The literature indicates that stakeholder oriented leadership improves access to resources, enhances collaboration, and increases social impact (Bryson et al., 2015). Leaders who actively engage stakeholders are better positioned to achieve sustainable outcomes and scale their initiatives.

Contextual and Institutional Influences.The effectiveness of leadership in social enterprises is influenced by contextual factors such as institutional environments, cultural norms, and regulatory frameworks. Studies show that leadership strategies vary across regions and sectors (Stephan et al., 2015).

In emerging economies, leaders often face greater resource constraints and institutional voids, requiring adaptive and entrepreneurial leadership approaches (Mair & Marti, 2009). Conversely, in developed contexts, leadership focuses more on scaling impact and institutional collaboration.

Integrated Framework of Leadership, Performance, and Sustainability. The synthesis of findings suggests an integrated framework in which leadership acts as a central mechanism linking organizational capabilities to performance and sustainability outcomes. Leadership influences: strategic direction (vision and mission alignment), organizational culture (values and ethical behavior), operational processes (efficiency and innovation), stakeholder relationships (engagement and legitimacy). These dimensions collectively determine the ability of social enterprises to achieve sustainable performance.

Overall, the review demonstrates that leadership is a critical determinant of both performance and sustainability in social enterprises. Transformational, servant, and hybrid leadership styles are particularly effective in addressing the unique challenges of social enterprises. Leadership not only drives internal organizational effectiveness but also shapes external relationships and long term sustainability strategies.

DISCUSSION

The findings of this qualitative systematic literature review reinforce the central premise that leadership plays a critical and multidimensional role in shaping both organizational performance and sustainability outcomes within social enterprises. Across the reviewed literature, leadership is not merely a managerial function but a strategic and normative force that integrates social mission, economic viability, and long term sustainability orientation (Jeong, 2024) . This aligns with the broader conceptualization of social enterprises as hybrid organizations that must simultaneously balance social impact and financial performance under conditions of institutional complexity (Ghosh et al., 2024) .

A key theme emerging from this review is the interdependence between leadership style and organizational performance, particularly in contexts characterized by resource constraints and social mission orientation. Empirical evidence demonstrates that leadership significantly influences performance outcomes by shaping organizational culture, strategic direction, and stakeholder engagement (Jeong, 2024) . This finding is consistent with earlier studies emphasizing that leadership determines how effectively social enterprises mobilize resources and achieve operational efficiency while maintaining their social objectives (Park et al., 2024) . However, unlike traditional firms, the performance metrics in social enterprises extend beyond financial indicators to include social and environmental impact, thereby requiring a more holistic leadership approach.

When compared with prior research, this review identifies sustainable leadership as the most dominant and relevant leadership paradigm in social enterprises. Sustainable leadership emphasizes long term value creation, ethical decision-making, and stakeholder inclusivity, which are essential for addressing complex social challenges (Ahsan & Khawaja, 2024) . This supports the findings of Ribeiro and Leitão (2024), who argue that sustainable leadership is intrinsically linked to sustainable entrepreneurship through its ability to foster innovation, resilience, and adaptability. Compared to traditional leadership models such as transactional or transformational leadership, sustainable leadership provides a broader framework that integrates environmental, social, and governance (ESG) considerations into organizational strategy.

Another important insight from this review is the mediating role of innovation and organizational resilience in the relationship between leadership and sustainability performance. Studies show that leaders who prioritize sustainability tend to foster innovation ecosystems that enable organizations to respond effectively to environmental and social challenges (Ahsan & Khawaja, 2024) . This finding is consistent with prior literature highlighting that innovation is a critical driver of sustainability in social enterprises, particularly in resource-constrained environments where creative problem-solving is essential (Fay & Flöther, 2024) . Compared to earlier studies, this review provides stronger evidence that innovation is not merely an outcome but also a mechanism through which leadership influences sustainability.

In addition, the review highlights the importance of leadership characteristics and experiences, particularly in shaping sustainability outcomes. Drawing on upper echelons theory, leadership decisions are influenced by leaders' cognitive frameworks, values, and prior experiences, which in turn affect organizational strategies and performance (Sang et al., 2024) . This finding aligns with previous empirical studies demonstrating that leaders with sustainability oriented backgrounds are more likely to adopt ESG practices and achieve higher sustainability performance. Compared to earlier research, this review extends the discussion by emphasizing the relevance of leadership cognition in hybrid organizational contexts such as social enterprises.

Furthermore, this review identifies stakeholder engagement as a critical mechanism linking leadership to sustainability outcomes. Social enterprises operate within complex stakeholder ecosystems that include beneficiaries, governments, investors, and communities, making stakeholder alignment essential for long term success (Ghosh et al., 2024) . Leadership plays a pivotal role in managing these relationships by fostering trust, collaboration, and shared value creation. This finding is consistent with prior studies suggesting that effective stakeholder management enhances both social impact and organizational legitimacy (Park et al., 2024) . However, compared to earlier literature, this review highlights the increasing complexity of stakeholder dynamics in the context of sustainability transitions.

Another significant finding concerns the integration of social entrepreneurial orientation and leadership. Research indicates that entrepreneurial orientation, characterized by innovation, proactiveness, and risk taking, significantly influences sustainability performance in social enterprises (Kim & Yoon, 2024) . Leadership plays a crucial role in fostering this orientation by creating an environment that encourages experimentation and strategic risk taking. Compared to prior studies, this review suggests that the interaction between leadership and entrepreneurial orientation is particularly important in overcoming structural constraints such as limited funding and institutional support.

Moreover, the findings emphasize the role of leadership in balancing dual objectives, namely social impact and financial sustainability. This duality presents a persistent tension in social enterprises, often referred to as the “mission drift” dilemma. Leadership is essential in maintaining alignment between these objectives by embedding social values into organizational strategy and decision making processes (Jeong, 2024) . Compared to earlier research, this review provides stronger evidence that leadership not only mitigates mission drift but also enhances organizational coherence and strategic clarity.

The review also reveals that organizational culture serves as a critical conduit through which leadership influences performance and sustainability. Leaders shape organizational values, norms, and behaviors that promote sustainability oriented practices, such as environmental responsibility and social accountability (Park et al., 2024) . This finding aligns with prior studies emphasizing the importance of culture in driving sustainable performance. However, compared to earlier research, this review highlights the need for adaptive and learning oriented cultures that can respond to rapidly changing external environments.

In comparing the findings of this review with at least eight prior studies, several key consistencies and divergences emerge. Consistency with Jeong (2024): Leadership significantly enhances both performance and sustainability in social enterprises. Consistency with Ahsan & Khawaja (2024): Sustainable leadership drives innovation and resilience. Consistency with Ribeiro & Leitão (2024): Leadership is central to sustainable entrepreneurship ecosystems.

Consistency with Ghosh et al. (2024): Sustainability in social enterprises depends on multi dimensional factors including leadership and governance. Consistency with Park et al. (2024): Leadership positively affects environmental performance and role behavior. Consistency with Sang et al. (2024): Leadership characteristics influence ESG outcomes. Consistency with Kim & Yoon (2024): Entrepreneurial orientation enhances sustainability performance. Consistency with Fay & Flöther (2024): Ethical and sustainability considerations are integral to innovation processes.

Despite these consistencies, the review also identifies several divergences. For instance, while some studies emphasize the dominance of sustainable leadership, others suggest that no single leadership style is universally effective across all social enterprise contexts (Jeong, 2024). This indicates that leadership effectiveness may be contingent on contextual factors such as organizational size, sector, and institutional environment. Additionally, while prior studies often focus on environmental sustainability, this review highlights the growing importance of social sustainability as an equally critical dimension (Annarelli et al., 2024).

Another divergence lies in the measurement of performance and sustainability outcomes. While traditional studies rely on quantitative metrics, this review underscores the importance of qualitative dimensions such as stakeholder satisfaction, social impact, and organizational legitimacy. This reflects a broader shift in the literature toward more holistic and multidimensional performance frameworks.

Overall, this discussion underscores that leadership is a central integrative mechanism that connects performance, sustainability, innovation, and stakeholder engagement in social enterprises. The findings suggest that future research should adopt more nuanced and context-sensitive approaches to understanding leadership, particularly in relation to hybrid organizational models and sustainability transitions. Furthermore, there is a need for longitudinal and mixed-method studies to capture the dynamic and evolving nature of leadership in social enterprises.

CONCLUSION

This qualitative systematic literature review highlights that leadership plays a pivotal and multidimensional role in driving both performance and sustainability in social enterprises. The synthesis of theoretical and empirical studies published up to 2024 demonstrates that leadership in social enterprises extends beyond traditional managerial functions, encompassing mission alignment, stakeholder engagement, and the integration of social and economic value creation.

First, the findings confirm that mission driven leadership is a central determinant of organizational effectiveness. Leaders in social enterprises must continuously balance dual or hybrid objectives financial viability and social impact which requires a strong commitment to organizational purpose and value based decision making (Battilana et al., 2015; Doherty et al., 2014). Such leadership ensures that performance is not measured solely in financial terms but also in terms of social outcomes and long term sustainability.

Second, transformational and participatory leadership styles emerge as dominant approaches that enhance organizational performance. Transformational leadership fosters innovation, employee motivation, and adaptability, which are critical in resource constrained environments (Renko et al., 2015). Meanwhile, participatory leadership strengthens stakeholder trust and collaboration, enabling social enterprises to mobilize networks and resources effectively (Smith et al., 2013). These leadership styles collectively contribute to improved organizational resilience and impact scalability.

Third, the review underscores the importance of leadership in embedding sustainability into organizational strategy and operations. Leaders act as institutional entrepreneurs who shape governance structures, ethical practices, and accountability mechanisms that support long-term sustainability (Mair & Marti, 2006; Nicholls, 2010). This includes fostering partnerships, ensuring transparency, and aligning organizational activities with broader sustainable development goals.

Fourth, leadership capability in managing institutional complexity and resource constraints is identified as a critical success factor. Social enterprise leaders must navigate diverse stakeholder expectations, regulatory environments, and funding challenges while maintaining mission integrity (Battilana & Lee, 2014). Effective leadership enables organizations to manage these tensions and sustain performance over time.

Overall, this review contributes to the literature by integrating fragmented insights into a comprehensive understanding of how leadership drives both performance and sustainability in social enterprises. It highlights that effective leadership is not only a strategic asset but also a fundamental mechanism for achieving social impact and organizational longevity.

LIMITATION

Despite providing valuable insights, this study has several limitations that should be acknowledged. First, the review is limited to secondary data derived from previously published studies, which may introduce publication bias. Studies with significant or positive findings are more likely to be published, potentially overlooking contradictory or null results (Tranfield et al., 2003).

Second, the heterogeneity of definitions and conceptualizations of social enterprises across studies poses a challenge to comparability. Variations in institutional contexts, organizational structures, and operational models may influence how leadership and performance are interpreted (Doherty et al., 2014). This diversity limits the generalizability of the findings.

Third, the reliance on qualitative synthesis may introduce subjective interpretation in the analysis and categorization of findings. Although systematic procedures were followed to ensure rigor, the interpretation of themes and relationships may still be influenced by researcher bias (Thomas & Harden, 2008).

Fourth, the review does not empirically test causal relationships between leadership practices and organizational outcomes. Instead, it synthesizes existing evidence, which may limit the ability to draw definitive conclusions regarding causality.

Finally, contextual factors such as cultural, institutional, and geographic differences are not deeply examined in this review. Leadership effectiveness may vary significantly across different contexts, and future research should incorporate comparative and cross cultural analyses to enhance understanding.

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