MANAGEMENT AND TECHNOLOGICAL INNOVATION FOR SUSTAINABLE ORGANIZATIONAL PERFORMANCE: INVESTIGATING THE MEDIATING ROLE OF SUSTAINABILITY AND MODERATING ROLE OF DIGITAL LEADERSHIP

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Abstract

Organizations face increasing pressure to achieve sustainable organizational performance while adapting to rapid technological change and growing sustainability concerns. However, limited empirical evidence explains how sustainability mediates the effects of management and technological innovation on sustainable organizational performance, while the moderating role of digital leadership in the technological innovation–sustainability relationship remains underexplored, particularly in the Sri Lankan context. Grounded in the Resource-Based view (RBV) and informed by value-creating and value-destroying perspectives, this study proposes that sustainability serves as a strategic mechanism aligning innovation capabilities to sustainable organizational performance. Building on this gap, the study introduces digital leadership as a boundary condition of the technological innovation–sustainability relationship, an association that remains underexplored in prior research. This study adopts an explanatory research design and a quantitative approach. Data were collected through a structured online questionnaire using purposive sampling among managerial and executive-level employees of Sri Lankan organizations. A total of 259 responses were received, of which 243 valid responses were retained for analysis following data screening and cleaning. Partial Least Squares Structural Equation Modeling (PLS-SEM) was used to test the hypothesized direct, mediating, and moderating relationships, while Latent Class Analysis (LCA) was employed to identify unobserved organizational segments. The findings indicate that management innovation and technological innovation positively influence sustainability and sustainable organizational performance. Sustainability significantly mediates the relationships of both management innovation and technological innovation with sustainable organizational performance. Moreover, digital leadership significantly strengthened the relationship between technological innovation and sustainability. LCA further identified three distinct respondent segments: Technology-Driven, Innovation-Sustainability, and Digital-Enabled. The positive effect of sustainability on sustainable organizational performance supports the value-creating perspective rather than the value-destroying perspective. The study extends RBV by demonstrating how sustainability converts innovation capabilities into sustainable organizational performance and highlights the importance of digital leadership in enhancing technology-enabled sustainability.

Keywords: Management Innovation, Technological Innovation, Sustainability, Digital Leadership, Sustainable Organization Performance