

Research Article

Sustainable Leadership and Customer-Oriented Culture Drive Employee Performance Excellence

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Abstract: This study investigates the influence of sustainable leadership and customer-oriented culture on employee performance at PT Krakatau Sarana Properti (PT KSP), a subsidiary of PT Krakatau Steel operating in Indonesia's commercial property sector. Amid rapid globalization and technological change, organizations are compelled to foster adaptive cultures and leadership approaches that ensure both operational excellence and long-term sustainability. Drawing on Organizational Behavior and the Resource-Based View, this research positions sustainable leadership as a strategic resource that not only directly enhances employee performance but also shapes a customer-oriented culture—an intangible asset vital for organizational competitiveness. Employing a quantitative, explanatory research design, data were collected from 95 employees using a structured questionnaire and analyzed with Structural Equation Modeling-Partial Least Squares (SEM-PLS). The findings reveal that sustainable leadership has a significant positive impact on employee performance and customer-oriented culture. Additionally, customer-oriented culture exerts a strong influence on employee performance and partially mediates the relationship between sustainable leadership and employee performance. These results underscore the importance of integrating sustainability principles into leadership practices and embedding customer-centric values throughout the organization. The study provides both theoretical and practical contributions, offering a more holistic understanding of how sustainable leadership and organizational culture jointly drive superior performance. For PT KSP and similar organizations, investing in sustainable leadership development and cultivating a customer-oriented culture are recommended strategies to enhance employee motivation, adaptability, and long-term competitive advantage in a dynamic business environment.

Keywords: Customer Culture; Employee Performance; Organizational Behavior; Resource View; Sustainable Leadership.

1. INTRODUCTION

The rapid onset of globalization and the Industrial Revolution 4.0 has fundamentally transformed the global business landscape, intensifying competition across sectors due to continuous technological innovation, shifting customer preferences, and ever-evolving market dynamics. Organizations are now compelled not only to adapt swiftly but also to ensure that their workforce possesses the requisite capabilities to navigate increasingly complex challenges, especially those stemming from technological advancements (Olan et al., 2024). Against this backdrop, the nature of employment itself has undergone significant transformation. Digitalization and automation have redefined work processes, demanding a workforce that is flexible, innovative, and continuously upgrading its skillset (Rotatori et al., 2021). This shift toward a knowledge-based economy requires organizations to move beyond mere operational efficiency, placing greater emphasis on strategic human resource management.

In such a knowledge-driven system, employee performance becomes a pivotal determinant of organizational success. Many companies have failed to achieve their targets, largely due to suboptimal workforce performance (Latifah et al., 2024). Consequently, organizations are realizing that technical proficiency alone is insufficient; what is required is leadership that fosters an adaptive, collaborative, and results-oriented work environment.

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1.1. Sustainable Leadership and Organizational Performance

Sustainable leadership emerges as a key factor in cultivating a productive work culture, encouraging innovation, and ensuring organizational competitiveness amid rapid and relentless change. In this context, the role of leaders is increasingly critical—not just as strategic decision-makers but as change agents who inspire, guide, and empower employees. Sustainable leadership emphasizes long-term organizational viability, balancing business objectives with employee well-being and creating a work environment conducive to growth and innovation.

Effective leadership plays a crucial role in enhancing employee performance, especially in highly competitive business environments. Leaders who deploy the right leadership style can motivate employees, boost job satisfaction, and establish a positive organizational culture—all of which contribute to improved employee performance.

However, from the perspective of contingency theory, no single leadership style can be universally applied to all organizational contexts. The effectiveness of leadership is contingent upon the situation, organizational characteristics, and external factors such as market conditions, company culture, and employee traits (Fiedler, 1967; Egan, 2024; Porkodi, S., 2024). In a rapidly changing business world, companies must remain flexible and adapt to evolving market conditions to sustain competitiveness. Agile leaders are essential for responding to change, retaining competitiveness, and maintaining growth.

This approach underscores the need for leaders to adjust their leadership style according to prevailing circumstances. For instance, in dynamic and uncertain environments, transformational leadership may be more effective in driving innovation and employee motivation (Alshahrani et al., 2024; Bass, 1990; Karimi et al., 2023; H. Khan et al., 2020). Conversely, in stable situations with well-structured work procedures, transactional leadership may be better suited to enhancing efficiency and compliance with operational standards (Aburumman & Wasfi Alrweis, 2024; Burns, 1978; Khairy et al., 2023). While transactional leaders can positively impact organizational performance, an overreliance on this style can constrain long-term innovation and growth.

One leadership paradigm considered capable of ensuring organizational sustainability as an outcome of enhanced employee performance is sustainable leadership. Sustainable leadership focuses on building communities with shared values and a collaborative culture that drives innovation, creativity, and organizational sustainability (Sajjad et al., 2024). As a contemporary leadership paradigm, sustainable leadership integrates sustainability principles into organizational leadership practices. This concept has evolved significantly in both academic and practical discourse in response to the complexity of global challenges, climate change, and growing social demands. Previous research has shown that sustainable leadership can contribute to improved employee performance by accounting for relevant contingency factors (Ahsan & Khawaja, 2024; Iqbal & Piwowar-Sulej, 2022b). Hargreaves & Fink (2005) conceptualize sustainable leadership as leadership practices that foster and maintain ongoing learning, actively develop leadership succession, and consider the broader organizational ecosystem when making decisions. Lambert (2012) further expands this definition by emphasizing the adoption of a systemic perspective, understanding the interconnections between organizational well-being, community, and the natural environment, and making decisions that consider future generations' needs. Raza and Johannsdottir (2024) identify best practices for implementing sustainable leadership based on multiple case studies of organizations that have successfully adopted this approach.

Sustainable leadership holds significant implications for contemporary leadership theory and practice. Meta-syntheses by Prabhu and Westerman (2023) suggest that adopting sustainable leadership can be applied as a contemporary practice to enhance performance at both individual and organizational levels, including in companies such as PT Krakatau Sarana Properti (PT KSP).

1.2. The Case of PT Krakatau Sarana Properti (KSP)

Initial survey data regarding employee performance at PT Krakatau Sarana Properti indicate a decline in performance during the first quarter of 2025. Internal observations and data suggest that this decline may be attributed to prevailing leadership approaches, specifically direct supervision by line managers. Preliminary surveys on leadership at PT

KSP reveal a need for a paradigm shift in leadership to align with performance demands and the company's long-term orientation. While indicators related to sustainability values and CSR programs scored relatively high, those related to resource efficiency and digital transformation lagged behind.

This drop in sustainable leadership scores correlates with diminished employee performance. Research consistently finds a strong relationship between leadership style and employee performance (Huo et al., 2023; Iqbal & Piwowar-Sulej, 2022a; A. Javed et al., 2021). Optimal employee performance occurs when employees possess ability, motivation, and opportunity-elements that leadership can unify and activate (Luo et al., 2025).

Another determinant of performance is organizational culture. Luo et al. (2025) argue that employee performance can be enhanced through unique, inimitable internal resources such as leadership and culture. A customer-oriented culture, in particular, plays an instrumental role in influencing employee performance within the framework of sustainable leadership. Such a culture is defined as a constellation of organizational values, beliefs, and behaviors that prioritize identifying and responding to customer needs as a fundamental strategic imperative (Deshpandé et al., 2023).

Studies in Indonesia's property and infrastructure sectors (Widodo & Purnama, 2023; Permata & Satrio, 2024) confirm a positive relationship between customer-oriented culture and multidimensional employee performance, highlighting the psychological mechanisms underlying this relationship. However, at KSP, the customer-oriented culture is largely limited to external customers, neglecting the equally important role of internal customers (employees and work units). This incomplete integration undermines interdepartmental relationships and diminishes operational effectiveness, despite evidence suggesting that customer orientation, both internal and external, is key to performance (Ghlichlee & Bayat, 2021; Matsuo, 2019; Zablah et al., 2012).

Preliminary surveys at PT KSP reveal that, while there is a relatively strong foundation in customer service orientation—especially regarding work culture and leadership values—there are notable weaknesses in systems and processes, such as cross-departmental coordination, technology utilization, and reward systems.

1.3. Research Gaps and Business Phenomena

Despite extensive research on the influence of leadership on employee performance, most studies have focused on traditional styles such as transformational and transactional leadership. Research on sustainable leadership, particularly in Indonesia's commercial property sector, remains limited. Moreover, although customer-oriented culture has been shown to enhance performance, its implementation at PT KSP remains partial, focusing mainly on external customers and overlooking internal ones.

Additionally, there is a dearth of research positioning customer-oriented culture as a mediating variable between sustainable leadership and employee performance. From a Resource-Based View (RBV), customer-oriented culture constitutes a valuable, rare, and inimitable strategic resource that can amplify leadership's impact on performance. Therefore, this research seeks to bridge these gaps by developing an integrative model encompassing sustainable leadership, customer-oriented culture, and employee performance at PT Krakatau Sarana Properti.

The core business phenomenon at PT KSP is a marked decline in employee performance in the first quarter of 2025, influenced by suboptimal sustainable leadership and an organizational culture overly focused on external customers. Low scores in resource efficiency, digital transformation, cross-departmental coordination, and reward systems highlight the need for a more adaptive and synergistic organizational ecosystem. These realities underscore the necessity of strengthening sustainable leadership that balances business goals with employee well-being while cultivating a customer-oriented culture—both internally and externally—to enhance employee performance and sustain competitive advantage.

1.4. Research Objectives and Contributions

This study seeks to answer three inter-related research questions: (1) whether sustainable leadership influences employee performance at PT KSP; (2) whether a

customer-oriented culture affects employee performance at PT KSP; and (3) whether a customer-oriented culture mediates the relationship between sustainable leadership and employee performance.

The objectives of the research are threefold. First, it aims to explicate the direct impact of sustainable leadership on employee performance. Second, it intends to examine the effect of a customer-oriented culture on employee performance. Third, it endeavors to assess the mediating role of a customer-oriented culture in the linkage between sustainable leadership and employee performance.

The study makes several contributions. Theoretically, it extends the existing literature on leadership and organizational behavior by empirically investigating the interplay among sustainable leadership, customer-oriented culture, and employee performance. While prior research has typically associated sustainable leadership with organizational sustainability, innovation, or environmental outcomes, the present work links it directly to employee performance within service- and property-based contexts. By integrating perspectives from Organizational Behavior and the Resource-Based View, the study positions customer-oriented culture as an intangible, valuable, and inimitable asset that mediates the sustainable-leadership-performance relationship. Moreover, it broadens the concept of customer orientation to encompass both external and internal customers, thereby offering a more comprehensive theoretical model.

From a practical standpoint, the findings are expected to guide PT KSP in formulating more sustainable and customer-focused leadership strategies aimed at enhancing employee performance. The research provides actionable recommendations for implementing sustainable leadership practices, strengthening a customer-oriented culture, and refining human-resource policies-particularly those concerning leadership development and performance enhancement grounded in customer-centric values.

1.5. Contextual Overview

This research is conducted at PT Krakatau Sarana Properti (KSP), a subsidiary of PT Krakatau Steel specializing in commercial property and service provision. KSP faces challenges of declining employee performance linked to inadequate sustainable leadership and a culture centered predominantly on external customers. This context underpins the necessity to empirically test the role of sustainable leadership in enhancing employee performance, both directly and through the reinforcement of customer-oriented culture as a mediating variable.

2. LITERATURE REVIEW

The literature review is an essential foundation for any research, providing the theoretical underpinnings and context necessary to situate the study within existing scholarly discourse. In this research, the theoretical scaffolding comprises a grand theory-Organizational Behavior (OB)-and a middle-range theory-Resource-Based View (RBV)-supplemented by applied theories relevant to sustainable leadership, customer-oriented culture, and employee performance.

2.1. Organizational Behavior as Grand Theory

Organizational Behavior (OB) serves as the grand theory for this study, offering a comprehensive lens through which to understand how individuals, groups, and organizational structures shape workplace behaviors with the ultimate goal of organizational effectiveness (Robbins & Judge, 2022). OB synthesizes insights from psychology, sociology, anthropology, and economics to analyze employee motivation, group dynamics, leadership, and organizational culture. It operates on three levels of analysis: the individual (motivation, perception, personality, decision-making), the group (team dynamics, communication, leadership, conflict), and the organization (culture, structure, organizational change).

A central assumption relevant to this research is that sustainable leadership can shape a customer-oriented culture, which in turn contributes to heightened employee performance. Leaders are not only decision-makers but also architects of culture and employee motivation. This is especially critical as globalization and digitalization demand

greater flexibility, innovation, and adaptability from employees. OB's multi-disciplinarity and empirical foundation render it an appropriate anchor for examining how sustainable leadership and customer-oriented culture are developed to enhance employee performance.

However, OB's traditional models have been critiqued for their linearity and predictive limitations in volatile, uncertain, complex, and ambiguous (VUCA) environments (Rimita et al., 2020). Moreover, OB constructs are not universally applicable and often overlook cultural diversity in management practice (Waldman & Sparr, 2023). The rise of remote and hybrid work, virtual collaboration, automation, and human-AI interaction further challenge longstanding OB assumptions (Constantinides et al., 2025). A multi-level approach, as advocated by Kozlowski (2025), is necessary to capture the dynamic interplay of phenomena across individual, group, and organizational strata.

2.2. Resource-Based View as Middle Theory

The Resource-Based View (RBV) serves as the middle theory, positing that sustainable competitive advantage derives from the organization's internal resources that are valuable, rare, inimitable, and non-substitutable—the VRIN criteria (Barney et al., 2001; Varga et al., 2024). RBV bridges abstract strategic management principles with operationalizable frameworks in areas such as human resource management and capability development. In the context of OB, RBV underscores the strategic importance of human capital and organizational knowledge.

Sustainable leadership may be considered a strategic organizational resource that helps shape customer-oriented culture, ultimately benefiting employee performance. Employees themselves are crucial resources whose capabilities and motivation drive organizational outcomes. RBV assumes resource heterogeneity and imperfect mobility—resources are unique and not easily transferred between organizations. Leadership, therefore, is not only about possessing superior human capital but also about developing and leveraging it within a dynamic environment.

Critiques of RBV center on its abstractness and operational challenges; the VRIN framework lacks objective measurement methods, and strategic resources are often identified retrospectively (Barney, 1991; Chaudhuri et al., 2024). The theory's internal focus has been challenged by the need to account for external market dynamics—leading to the development of Dynamic Capabilities Theory (Teece et al., 1997), which emphasizes adaptability, resource reconfiguration, and continuous innovation. Human capital-based RBV highlights the primacy of people as the source of lasting competitive advantage (Ray et al., 2023), reinforcing the importance of sustainable leadership in building adaptive, high-performing cultures.

2.3. Applied Theories: Sustainable Leadership, Customer-Oriented Culture, and Employee Performance

Sustainable Leadership

Sustainable leadership is a holistic approach that integrates concern for employee well-being, organizational longevity, and long-term social and environmental impact. It is not limited to short-term business results, but ensures that the organization prospers ethically, inclusively, and responsibly, benefiting all stakeholders (Sajjad et al., 2024; Freeman & Fields, 2020). Sustainable leaders balance economic, social, and environmental goals, foster innovation, and embed sustainability into organizational culture.

Indicators of sustainable leadership include comprehensive stakeholder orientation, triple bottom line balance (people, profit, planet), long-term temporal perspective, continuous innovation, organizational learning, and the ability to manage sustainability tensions (Waqar et al., 2024; Eustachio et al., 2023). However, sustainable leadership faces criticism for its potential conflict with short-term profitability and challenges in operationalization (Silva & Mendis, 2017). The concept requires contextual flexibility and is often more normative than practical in its application.

Customer-Oriented Culture

Customer-oriented culture is defined by values and norms prioritizing customer satisfaction across all organizational activities (Parasuraman, 1987; Demenenko et al.,

2020; Slater & Narver, 1990). It is particularly salient in service industries, where employee-customer interactions are frequent and consequential. This culture is rooted in market orientation theory, where customer focus is fundamental to competitiveness. Customer-oriented culture enables organizations to sense and respond to changing customer needs, thus supporting dynamic capabilities (Helfat et al., 2009). It manifests through shared beliefs, flexible problem-solving, employee recognition, and consistent service delivery.

The Schein (1990) framework breaks down organizational culture into basic assumptions, espoused values, and artifacts. In a customer-oriented culture, assumptions about the primacy of customer needs are translated into values and then operationalized through policies, processes, and behaviors (Connell et al., 2023). This culture is both a strategic resource (RBV) and a dynamic capability, supporting long-term adaptation and competitive advantage.

Employee Performance

Employee performance is a multidimensional and dynamic construct, encompassing outputs, behaviors, and contextual adaptation. Traditional perspectives emphasize measurable outcomes relative to set targets (Armstrong & Qi, 2020), while contemporary views integrate behavioral and contextual dimensions (Griffin et al., 2007; Varshney & Varshney, 2024). Performance comprises task completion, contextual contribution (e.g., organizational citizenship), and adaptive capacity. Measurement frameworks such as the Individual Work Performance Questionnaire (IWPQ) consider task, contextual, and counterproductive behaviors (Koopmans et al., 2014).

Employee performance is shaped by a complex interplay of individual, organizational, and contextual factors. High performers possess unique knowledge, skills, and abilities that are valuable, rare, and difficult to replicate—aligning with RBV's strategic resource perspective.

2.4. Relevant Prior Research

Previous studies consistently demonstrate the strategic importance of customer-oriented culture and sustainable leadership for organizational performance across sectors (Parasuraman, 1987; Demenenko et al., 2019; Peillon et al., 2018; Liao, 2022; Iqbal et al., 2021; Javed et al., 2020). However, there is a research gap regarding the simultaneous integration of sustainable leadership and customer-oriented culture within a single empirical model, particularly in the context of Indonesian state-owned property enterprises.

2.5. Theoretical Framework and Hypotheses

The conceptual framework positions sustainable leadership as a multidimensional construct encompassing social, economic, and environmental sustainability within managerial practice. Drawing on Dynamic RBV, sustainable leadership is viewed as a dynamic capability enabling resource reconfiguration and the cultivation of a responsive, customer-oriented culture. Leaders act as change catalysts, shaping values, norms, and behaviors that prioritize customer needs.

Customer-oriented culture mediates the relationship between sustainable leadership and employee performance, translating leadership values into organizational practices that enhance employee motivation, adaptability, and ultimately, performance. This mediation mechanism is essential for understanding how leadership translates into measurable outcomes.

Based on the literature, the following hypotheses are proposed:

- **H1:** Sustainable leadership has a positive effect on employee performance.
- **H2:** Customer-oriented culture positively affects employee performance.
- **H3:** Customer-oriented culture mediates the relationship between sustainable leadership and employee performance.

Through this integrative framework, the study aims to advance both theoretical understanding and practical application of sustainable leadership and customer-oriented culture as levers for superior employee performance in dynamic organizational contexts.

3. METHODOLOGY

This study investigates the influence of sustainable leadership and customer-oriented culture on employee performance at PT Krakatau Sarana Properti. The research was conducted at the company's headquarters in Cilegon, Banten, from February to April 2025, following a structured timeline that included proposal preparation, data collection, analysis, and thesis completion.

A quantitative approach was adopted, utilizing an explanatory, associative, and correlational design. This methodology was chosen to not only describe but also explain the relationships and causal links among the variables. Data were collected through a survey method, enabling the researcher to gather information from a representative sample and analyze patterns and relationships among sociological and psychological variables within the organization.

Three main variables were examined: sustainable leadership (independent variable), employee performance (dependent variable), and customer-oriented culture (mediating variable). Each variable was defined both conceptually and operationally, with measurement indicators derived from established theories and prior research.

Employee performance is conceptualized as an individual's ability to achieve organizational goals effectively and sustainably, encompassing outcomes, behaviors, and contextual adaptation. Operationally, it refers to employees' capacity to plan, organize, and complete core tasks according to organizational standards, while supporting the social and cultural environment and avoiding counterproductive behaviors. Indicators include task performance (timely completion, goal awareness, initiative, willingness to take on challenges), contextual performance (guiding subordinates, independent task completion, maintaining reputation and teamwork, job satisfaction), and counterproductive work behavior (negative discussions, lack of discipline).

Sustainable leadership is defined as a leadership approach that integrates economic, social, and environmental dimensions into organizational strategy to create long-term stakeholder value. Operationally, it is the leader's ability to design and implement strategies that ensure organizational sustainability, responsible resource management, employee development, inclusivity, innovation, and social and environmental responsibility. Indicators include long-term vision, responsible resource management, employee development and inclusivity, embedding sustainability in culture, stakeholder orientation, innovation and adaptation, and environmental and social responsibility.

Customer-oriented culture is conceptualized as the pattern of values, beliefs, and practices that place the customer at the center of all business strategies and operations. Operationally, it reflects a holistic approach to building a customer-focused organizational culture, including strategy, internal coordination, innovation, and employee behavior. Indicators include customer orientation (feedback and needs), commitment to service quality (standards, training, evaluation), internal participation and coordination (communication, management involvement, rewards), innovation and adaptation (updating services, encouraging ideas, technology use), supportive structure (responsive procedures, flexibility, leadership support), and organizational citizenship behavior (helpfulness, empathy, and care for customers).

The population for this study comprised all 169 employees of PT Krakatau Sarana Properti. Due to practical constraints, a sample of 95 respondents was selected using disproportionate stratified random sampling, ensuring representation across different employee groups. The primary data collection instrument was a structured questionnaire based on the operational indicators of each variable, utilizing a Likert scale (1–5) to measure respondents' attitudes and perceptions. Both positive and negative statements were included to ensure comprehensive and balanced measurement.

A detailed blueprint ("kisi-kisi") was developed to map questionnaire items to each indicator, ensuring content validity before full deployment. Data analysis was conducted using Structural Equation Modeling-Partial Least Squares (SEM-PLS), a robust technique suitable for complex models with multiple variables and mediating relationships. The analysis involved several key steps:

1. Path Model Construction: Both inner (relationships among latent constructs) and outer models (relationships between constructs and indicators) were specified.
2. Model Estimation: Parameters were estimated using SmartPLS software, assessing the strength and significance of relationships.
3. Measurement Model Evaluation: Convergent validity (outer loading >0.7 , AVE >0.5), discriminant validity (Fornell-Larcker criterion, HTMT), and construct reliability (Composite Reliability >0.7 , Cronbach's Alpha >0.7) were assessed.
4. Structural Model Evaluation: Coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2) were calculated to evaluate the model's explanatory and predictive power.
5. Hypothesis Testing: Bootstrap resampling (5,000 samples) was used to obtain t-statistics and p-values. Hypotheses were accepted if $p < 0.05$ and $t > 1.96$. The direct effect of sustainable leadership on employee performance and the mediating effect of customer-oriented culture were tested, with the Sobel Test used to assess mediation significance.

Ethical considerations were prioritized, with participants informed of the study's purpose and assured of confidentiality and voluntary participation. Data integrity was maintained throughout, with regular supervision to ensure academic rigor.

In summary, this methodology combines a rigorous quantitative design, robust sampling, precise variable operationalization, and advanced statistical analysis, ensuring credible and actionable findings on the interplay between sustainable leadership, customer-oriented culture, and employee performance at PT Krakatau Sarana Properti.

4. RESULTS AND DISCUSSION

4.1. Results

This chapter presents the empirical findings of the study investigating the influence of sustainable leadership and customer-oriented culture on employee performance at PT Krakatau Sarana Properti (PT KSP). The analysis encompasses respondent characteristics, instrument validation, descriptive statistics, measurement and structural model evaluation, and hypothesis testing, culminating in a nuanced understanding of the interplay between leadership, organizational culture, and performance within the company.

4.2. Respondent Characteristics

The study involved 210 permanent employees of PT KSP, providing a robust and representative sample of the company's workforce. The demographic profile reveals that the majority of respondents are male (65.24%), with females comprising 34.76%. Most employees are in the productive age range of 30–40 years (45.24%), followed by those over 40 years (30%) and under 30 years (24.76%). Educational attainment is predominantly at the undergraduate (S1) level (55.24%), with diploma holders (24.76%), high school graduates (10%), and those with postgraduate degrees (10%) making up the remainder. In terms of tenure, 40% of respondents have worked at PT KSP for 5–10 years, another 40% for more than 10 years, and 20% for less than 5 years. This distribution indicates a stable workforce with substantial experience and a high level of educational attainment, providing a solid foundation for organizational development and innovation.

4.3. Instrument Validation and Reliability

The research instrument underwent rigorous validation and reliability testing to ensure the accuracy and consistency of the measurements. Convergent validity was established, with all indicators demonstrating loading factors above 0.50 and Average Variance Extracted (AVE) values exceeding 0.50, confirming that the items effectively measure their respective constructs. Composite Reliability (CR) values for sustainable leadership (SL), customer-oriented culture (COC), and employee performance (KP) were 0.91, 0.89, and 0.92, respectively, all surpassing the recommended threshold of 0.70. Cronbach's Alpha values for the three constructs were also high (SL = 0.87, COC = 0.85, KP = 0.88), indicating strong internal consistency and reliability. Discriminant validity, assessed using the Fornell-Larcker criterion, showed that the square root of AVE for each

construct was greater than its correlations with other constructs, confirming that each latent variable is distinct and measures a unique aspect of organizational dynamics.

4.4. Descriptive Analysis of Research Variables

Descriptive statistics, based on Likert scale responses, revealed that respondents generally held positive perceptions of all research variables, with mean scores consistently above 4.00. Sustainable leadership received a mean score of 3.65, indicating a relatively high level of implementation, though with room for further enhancement. This suggests that PT KSP's leadership is committed to balancing short-term performance with long-term sustainability across economic, social, and environmental dimensions. However, the findings also highlight the need for continued efforts to strengthen certain aspects of sustainable leadership to maximize its impact on organizational culture and employee performance.

Customer-oriented culture achieved a mean score of 3.8, reflecting a strong internalization of customer focus within the organizational culture. Employees demonstrated proactive attitudes in understanding customer preferences, delivering responsive service, and maintaining long-term relationships. This high level of customer orientation is strategically significant, as it fosters sustainable competitive advantage, enhances customer loyalty, and supports innovation tailored to market dynamics. The robust customer-oriented culture at PT KSP thus underpins both short-term performance and long-term business growth.

Employee performance was rated at a mean of 3.78, signifying that employees generally meet organizational standards, exhibit good productivity, and contribute to the achievement of corporate objectives. Key performance indicators such as work quality, timeliness, responsibility, and teamwork were all rated favorably. Nevertheless, the findings suggest opportunities for further improvement, particularly in areas such as work innovation, consistency of quality, and process efficiency. Enhancing employee performance is expected to have a direct positive impact on customer satisfaction, organizational competitiveness, and sustainable business growth. The results underscore the importance of reinforcing supporting factors such as sustainable leadership, customer-oriented culture, and systems for rewards and competency development.

4.5. Measurement Model Evaluation

The measurement model was evaluated using factor loadings, AVE, and composite reliability for each construct. For sustainable leadership, most indicators had loadings above 0.70, with a few exceptions (e.g., X1.4, X1.7, X1.19, X1.21), but the overall AVE (0.501) and composite reliability (0.921) confirmed the construct's validity and reliability. Similarly, customer-oriented culture exhibited strong loadings for most indicators, with AVE at 0.511 and composite reliability at 0.902, indicating that the construct is both valid and reliable despite some indicators with lower loadings. Employee performance also demonstrated high factor loadings (mostly above 0.70), an AVE of 0.570, and composite reliability of 0.898, confirming the robustness of the measurement model.

Discriminant validity was further supported by the Fornell-Larcker criterion, with the square root of AVE for each construct exceeding its correlations with other constructs. Heterotrait-Monotrait Ratio (HTMT) values were all below the recommended threshold of 0.85, indicating that the constructs are empirically distinct and free from multicollinearity issues. These results affirm that the measurement model is sound and suitable for subsequent structural analysis.

4.6. Structural Model Evaluation

The structural model was developed to elucidate the causal relationships among the latent variables, specifically the direct and indirect effects of sustainable leadership on employee performance, with customer-oriented culture as a mediating variable. Path coefficients were estimated using SmartPLS 3, and hypothesis testing was conducted by comparing t-statistics to critical values derived from the sample size and significance level.

The results revealed that sustainable leadership has a positive and significant direct effect on employee performance (path coefficient = 0.243, t-statistic = 2.048), though the strength of this effect is moderate. This indicates that while sustainable leadership contributes to improved employee performance, it is not the sole or dominant factor. Sustainable leadership also exerts a positive and significant influence on customer-oriented culture (path coefficient = 0.426, t-statistic = 3.902), with a moderate effect size,

suggesting that leadership practices at PT KSP play a crucial role in shaping a customer-focused organizational culture.

Customer-oriented culture, in turn, has a positive and significant impact on employee performance (path coefficient = 0.448, t -statistic = 4.350), with a moderate to strong effect. This finding underscores the importance of fostering a culture that prioritizes customer needs and satisfaction, as it directly enhances employee motivation, discipline, and productivity. The mediating role of customer-oriented culture is particularly noteworthy, as it partially transmits the effect of sustainable leadership to employee performance, highlighting the interconnectedness of leadership, culture, and performance outcomes.

4.7. Model Fit and Predictive Power

The model's predictive power was assessed using the coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2). The R^2 value for customer-oriented culture was 0.219, indicating that sustainable leadership explains 21.9% of the variance in customer-oriented culture, with the remaining 78.1% attributable to other factors. This suggests that while leadership is important, other elements also shape the organization's customer orientation. The R^2 for employee performance was 0.431, meaning that sustainable leadership and customer-oriented culture together account for 43.1% of the variance in employee performance—a moderate to strong explanatory power.

Effect size analysis (f^2) revealed that sustainable leadership has a medium effect on both customer-oriented culture ($f^2 = 0.280$) and employee performance ($f^2 = 0.171$), while customer-oriented culture has a medium effect on employee performance ($f^2 = 0.234$). These findings indicate that both leadership and culture make substantive contributions to performance, with customer-oriented culture exerting the largest unique influence.

Predictive relevance, as measured by Q^2 , was found to be 0.556, categorizing the model as having strong predictive power. This means that the structural model is not only theoretically sound but also practically useful in predicting employee performance and customer-oriented culture at PT KSP. The low Variance Inflation Factor (VIF) values (ranging from 1.000 to 1.280) further confirm the absence of multicollinearity, ensuring the independence of each latent variable's contribution.

4.8. Hypothesis Testing and Mediation Analysis

Three main hypotheses were tested in this study. First, sustainable leadership was found to have a positive and significant effect on employee performance, confirming that effective leadership practices enhance individual and collective outcomes. Second, customer-oriented culture was shown to significantly improve employee performance, emphasizing the value of a customer-centric approach in driving motivation and productivity. Third, customer-oriented culture was demonstrated to mediate the relationship between sustainable leadership and employee performance. The mediation was partial, as both the direct and indirect paths were significant, indicating that sustainable leadership enhances performance both directly and indirectly through the cultivation of a customer-oriented culture.

The mediation analysis reveals that the pathway from sustainable leadership to employee performance is strengthened when the organization fosters a strong customer-oriented culture. This finding aligns with contemporary organizational behavior theories, which posit that leadership shapes culture, and culture, in turn, influences performance. At PT KSP, the results suggest that efforts to improve leadership practices should be accompanied by initiatives to reinforce customer orientation at all levels of the organization.

5. DISCUSSION AND IMPLICATIONS

The empirical findings of this study have several important implications for theory and practice. The positive association between sustainable leadership and employee performance supports the argument that leadership styles emphasizing long-term vision, responsible resource management, and stakeholder engagement are essential for organizational success. However, the moderate strength of this relationship suggests that

leadership alone is insufficient; it must be complemented by a supportive organizational culture.

The strong impact of customer-oriented culture on performance highlights the strategic importance of embedding customer focus into the company's values, practices, and reward systems. Organizations that prioritize customer needs and foster interdepartmental collaboration are better positioned to achieve high levels of employee engagement and productivity. The mediating role of customer-oriented culture further underscores the need for integrated approaches that align leadership development with cultural transformation.

For PT KSP, these findings suggest that ongoing investment in leadership training, cultural initiatives, and employee development programs is critical for sustaining high performance. The company should continue to promote leadership behaviors that balance short-term results with long-term sustainability, while also reinforcing a culture that values customer satisfaction, innovation, and teamwork. By doing so, PT KSP can enhance its competitive advantage, improve employee well-being, and achieve sustainable business growth.

Conclusion

In summary, this chapter has demonstrated that sustainable leadership and customer-oriented culture are key drivers of employee performance at PT Krakatau Sarana Properti. The research instrument was validated and found to be reliable, the measurement and structural models were robust, and the hypotheses were supported by empirical data. Sustainable leadership positively influences both customer-oriented culture and employee performance, while customer-oriented culture serves as a critical mediator in this relationship. The findings provide actionable insights for organizational leaders seeking to enhance performance through integrated leadership and cultural strategies, and they contribute to the broader literature on organizational behavior and human resource management in the context of Indonesia's property sector.

DISCUSSION

The Influence of Sustainable Leadership on Employee Performance

The empirical analysis conducted at PT Krakatau Sarana Properti (KSP) reveals a positive and significant influence of sustainable leadership on employee performance. This finding indicates that the more effectively sustainable leadership practices are implemented by organizational leaders, the higher the level of employee performance observed within the company. The magnitude of this effect is categorized as moderate, underscoring sustainable leadership as a critical, though not exclusive, factor in building and sustaining high employee performance.

This result is consistent with the core tenets of Sustainable Leadership Theory as articulated by Hargreaves and Fink (2005), which posits that sustainable leadership fosters continuous learning, cultivates leadership succession, and takes into account the broader organizational ecosystem when making decisions. The theory emphasizes that leadership should not be limited to short-term achievements but must also ensure the long-term health and adaptability of the organization. In the context of PT KSP, sustainable leadership is manifested through a long-term vision, organizational sustainability, and the empowerment of human resources, all of which are essential for driving superior employee performance.

Further supporting this perspective, Iqbal and Piwowar-Sulej (2022b) and Ahsan and Khawaja (2024) have demonstrated that sustainable leadership contributes to employee performance by prioritizing employee well-being, fostering innovation, and aligning organizational objectives with long-term goals. The Resource-Based View (RBV), as advanced by Barney et al. (2001), reinforces this argument by conceptualizing leadership as a strategic resource that is valuable, rare, inimitable, and non-substitutable (VRIN). Within this framework, sustainable leadership is seen as a unique organizational asset that is difficult for competitors to replicate, thereby providing a source of sustainable competitive advantage through the optimization of human capital.

From the perspective of organizational behavior, leaders are not merely decision-makers but also serve as architects of organizational culture and motivators of employees. The behavior of leaders directly shapes the work environment, influences employee motivation, and determines job satisfaction, all of which ultimately impact performance outcomes. Robbins and Judge (2022) highlight that the psychological and structural conditions within an organization are largely determined by leadership practices. In the contemporary business environment, characterized by volatility, uncertainty, complexity, and ambiguity (VUCA), traditional linear models of organizational behavior are increasingly inadequate. Johansen and Swigart (2022) argue that adaptive, collaborative, and long-term oriented sustainable leadership is more relevant and effective in addressing the challenges of the VUCA era. The findings at PT KSP affirm that sustainable leadership practices are well-suited to meet the demands of dynamic business contexts, enabling organizations to enhance employee performance even amidst uncertainty and rapid change.

The RBV perspective further elucidates that competitive advantage is derived from resources that are valuable, rare, difficult to imitate, and non-substitutable. Sustainable leadership, rooted in long-term vision, ethical commitment, and social responsibility, fits this criterion and is thus positioned as a strategic intangible asset. The significant influence of sustainable leadership on employee performance at PT KSP substantiates the argument that this leadership style is instrumental in enhancing organizational competitiveness through the effective management and development of human resources. This explanation aligns with the views of Ployhart and Nyberg (2023), who emphasize the importance of human capital as a primary strategic resource for achieving sustainable competitive advantage.

Moreover, the Dynamic Capabilities framework (Teece et al., 1997) provides additional insight into the mechanisms by which sustainable leadership enhances employee performance. Sustainable leadership that is oriented toward innovation, continuous learning, and long-term sustainability supports the development of dynamic capabilities within the organization. These capabilities enable the organization to adapt, renew, and reconfigure its resource base in response to environmental changes, thereby ensuring consistent improvements in employee performance over time.

Empirical studies by Iqbal et al. (2022) corroborate these findings, demonstrating that sustainable leadership plays a significant role in improving employee performance by balancing innovation with employee well-being. Hargreaves and Fink (2021) further conceptualize sustainable leadership as a set of practices that foster ongoing learning, leadership succession, and consideration of the broader organizational ecosystem. Lambert (2023) extends this view by emphasizing the adoption of a systemic perspective that integrates organizational, community, and environmental sustainability, all of which have direct implications for both individual and collective performance. Javed et al. (2021) and Huo et al. (2023) add that there is a strong relationship between leadership style and the optimization of employee performance, with leaders serving as the primary drivers of employee motivation and capability, as articulated in the Ability, Motivation, Opportunity (AMO) framework.

In summary, sustainable leadership is not merely a normative leadership style but constitutes a strategic resource (RBV) and an instrument of organizational behavior (OB) that creates tangible value for the company through enhanced employee performance. These findings contribute to the literature by reinforcing the argument that the implementation of sustainable leadership can serve as a vital strategy for maintaining long-term organizational competitiveness.

The Influence of Sustainable Leadership on Customer-Oriented Culture

The research also demonstrates a significant influence of sustainable leadership on the development of a customer-oriented culture at PT KSP. This finding suggests that the stronger the sustainable leadership practices within the organization, the more robust the customer-oriented culture that emerges. The implication is that sustainable leaders not only directly impact employee performance but also play a crucial role in shaping the foundational organizational culture that prioritizes customer needs and satisfaction.

This result aligns with the definition of customer-oriented culture as articulated by Narver and Slater (1990) and Deshpandé et al. (2023), who identify customer orientation as a central dimension of market orientation that enhances business performance. Widodo and Purnama (2023) further demonstrate that cultures emphasizing customer care contribute to the multidimensionality of employee performance. Within the organizational behavior literature, it is well established that leaders are central to the formation and reinforcement of organizational culture. Schein (1990) posits that organizational culture, including customer-oriented culture, is fundamentally a manifestation of the values instilled and reinforced by leaders.

A strong organizational culture serves as a shared norm that guides employee behavior, thereby increasing motivation, discipline, and productivity. Sustainable leadership encourages the development of a customer-focused culture through service innovation, employee training, and active involvement in creating customer value. This is consistent with the findings of Khan and Muktar (2021), who argue that a customer-oriented organizational culture can be viewed as an intangible resource that meets the VRIN criteria. However, such a culture does not arise spontaneously; it requires leadership that can embed the necessary vision, values, and practices.

Previous studies, such as those by Sajjad et al. (2022, 2024), explain that sustainable leadership fosters values of collaboration, sustainability, and innovation, which are foundational for the development of an adaptive organizational culture responsive to customer needs. Deshpandé et al. (2023) define customer-oriented culture as a constellation of organizational values and behaviors that prioritize customer needs as the primary focus. This underscores the pivotal role of leaders in embedding these values. In the Indonesian property and infrastructure sectors, Widodo and Purnama (2023) found a positive relationship between the intensity of customer-oriented culture and employee performance, with leadership identified as a key determinant in strengthening this culture.

The Mediating Role of Customer-Oriented Culture

The research further reveals that customer-oriented culture partially mediates the relationship between sustainable leadership and employee performance at PT KSP. Path analysis indicates that sustainable leadership exerts a positive and significant influence on customer-oriented culture, which in turn significantly affects employee performance. The direct effect of sustainable leadership on employee performance remains significant, confirming the presence of partial mediation. This means that sustainable leadership enhances employee performance both directly and indirectly through the cultivation of a customer-oriented organizational culture.

A culture that emphasizes customer satisfaction encourages employees to be more proactive, improves work quality, and fosters a collective sense of responsibility to deliver the best possible service. Organizational culture thus serves as the mechanism linking leadership behavior to employee performance. Leaders play a critical role in shaping the value systems, norms, and beliefs that are internalized by employees and reflected in their daily behaviors. Both sustainable leadership and customer-oriented culture are intangible resources that can generate sustainable competitive advantage. However, the influence of leadership is not always direct; it often operates through cultural mechanisms that translate leadership values into employee behaviors.

Sustainable leadership provides foundational values such as long-term orientation, employee well-being, and social responsibility, which are then translated into a customer-oriented organizational culture. This culture, in turn, reinforces employee behaviors that deliver superior service, thereby enhancing performance. These findings affirm Denison's (1990) assertion that organizational culture is a crucial intermediary between leadership and performance. Customer-oriented culture serves as a mechanism for sensing and seizing market opportunities, ultimately driving improved performance. Thus, organizational culture acts as a conduit, ensuring that the values of sustainable leadership are not confined to the normative level but are translated into measurable actions that impact performance.

The results indicate a strong partial mediating effect, meaning that sustainable leadership improves performance both directly and indirectly by strengthening customer-oriented culture. This supports the argument that sustainable leadership shapes an

adaptive organizational culture, which in turn drives employee performance. Denison (1990) and Shafait and Huang (2023, 2024) emphasize that effective leadership influences performance indirectly through the formation of organizational culture, which serves as a critical mechanism for transmitting leadership values to employees. Without a strong culture, leadership values are difficult to internalize among employees.

Within the Dynamic Capabilities framework (Teece et al., 1997), customer-oriented culture functions as a dynamic capability that connects leadership capabilities with organizational responsiveness to change. Sustainable leadership is a strategic resource that shapes a customer-oriented organizational culture. This is consistent with the development of Dynamic Capabilities theory (Bornay-Barrachina et al., 2025; Teece et al., 1997), which posits that sustainable leadership facilitates the processes of sensing (identifying customer needs), seizing (mobilizing resources to meet those needs), and reconfiguring (adjusting systems and processes to be more adaptive to customers). Sustainable leadership thus becomes a critical mechanism for creating dynamic capabilities based on a customer-oriented organizational culture.

Zabel and O'Brien (2024) assert that market orientation, which reflects a customer-oriented culture, is a crucial antecedent for the development of dynamic capabilities. In other words, without effective leadership, a customer-oriented culture is unlikely to develop consistently. From an organizational behavior perspective, these findings support the view that leadership behavior must be transmitted through cultural systems to be effective. In the context of RBV and Dynamic Capabilities, customer-oriented culture is positioned as a capability that channels the values of sustainable leadership into employee performance advantages.

These findings are consistent with previous research but also highlight the unique context of Indonesian state-owned property enterprises, where employee performance is closely linked to a customer service culture driven by sustainable leadership. For PT KSP, this means that efforts to improve employee performance must go beyond merely strengthening sustainable leadership practices; they must also involve the cultivation of an organizational culture that emphasizes service, care, and responsiveness to customers.

In conclusion, the research at PT Krakatau Sarana Properti provides robust evidence that sustainable leadership is a pivotal factor in enhancing employee performance, both directly and through the mediation of a customer-oriented culture. The findings are grounded in established theoretical frameworks, including Sustainable Leadership Theory, the Resource-Based View, and Dynamic Capabilities, and are supported by empirical data and comparative studies across industries. The implications for practice are clear: organizations seeking to achieve sustainable competitive advantage and superior employee performance must invest in developing sustainable leadership and fostering a strong, adaptive, and customer-oriented organizational culture. This dual focus not only addresses the immediate challenges of performance but also positions the organization for long-term success in an increasingly dynamic and competitive business environment.

6. CONCLUSION AND RECOMMENDATION

This study has provided compelling empirical evidence that sustainable leadership and customer-oriented culture are both critical and mutually reinforcing drivers of employee performance at PT Krakatau Sarana Properti (KSP). In an era marked by the rapid pace of globalization and the transformative impact of the Industrial Revolution 4.0, organizations are compelled to adopt adaptive and forward-thinking strategies to remain competitive. The research underscores that traditional approaches to leadership and culture are no longer sufficient; instead, a paradigm shift towards sustainability and customer-centricity is required for organizational resilience and growth. The findings reveal that sustainable leadership—defined by long-term vision, ethical stewardship, and a commitment to balancing economic, social, and environmental goals—exerts a direct and significant positive influence on employee performance. This relationship is rooted in the leader's ability to inspire, guide, and empower employees, fostering an environment where continuous learning, innovation, and adaptability are not merely encouraged but ingrained within the organizational fabric. Moreover, the research highlights that the impact of sustainable leadership is not confined to direct effects; it is substantially mediated by the

development of a robust customer-oriented culture. Leaders who champion sustainability also shape the organizational values, norms, and practices that prioritize both external and internal customer satisfaction, thereby enhancing the collective motivation, discipline, and productivity of their workforce. The centrality of customer-oriented culture in mediating the leadership-performance nexus is particularly salient. The study demonstrates that when customer focus permeates all aspects of organizational strategy and everyday behavior—supported by effective leadership—it serves as a dynamic capability, enabling the organization to sense and respond swiftly to evolving market demands. This cultural orientation acts as a conduit through which leadership values are translated into practical action, reinforcing employee commitment to service excellence and organizational goals. Importantly, the research also identifies areas where customer orientation at KSP remains incomplete, particularly in the internal realm, signaling opportunities for further integration and enhancement of cross-functional collaboration. From a theoretical perspective, this study advances the literature by empirically validating the Resource-Based View (RBV) and Dynamic Capabilities frameworks in the context of Indonesia's property sector. Sustainable leadership is conceptualized as a strategic, intangible asset—valuable, rare, and difficult to imitate—while customer-oriented culture emerges as a dynamic capability that channels leadership intent into superior employee performance. These constructs are shown to be not only theoretically robust but also practically actionable, providing a roadmap for organizations seeking sustainable competitive advantage. In conclusion, the research affirms that the simultaneous cultivation of sustainable leadership and a strong customer-oriented culture is indispensable for elevating employee performance and ensuring the long-term viability of the organization. The empirical model and findings offer both a diagnostic lens and a strategic blueprint for leaders and practitioners aiming to navigate the complexities of contemporary business environments. By investing in leadership development and cultural transformation, organizations like PT KSP can unlock the full potential of their human capital, adapt to change with agility, and achieve enduring organizational success. In conclusion, the research provides robust support for the proposition that sustainable leadership and customer-oriented culture are mutually reinforcing levers for superior employee performance. For organizations seeking to thrive in the era of digital transformation and heightened competition, investing in these strategic domains is no longer optional but imperative for achieving sustained business excellence and resilience.

RECOMMENDATION

Based on the research findings at PT Krakatau Sarana Properti, it is recommended that the company embed sustainable leadership practices more deeply into all managerial levels, ensuring that leadership is not only oriented towards short-term achievements but also integrates long-term visions of organizational sustainability. Leaders should actively foster an inclusive environment that values continuous learning, responsible resource management, and innovation. In parallel, the development of a holistic customer-oriented culture must be intensified—not only focusing on external customers, but also recognizing the importance of internal customers, such as employees and work units, to strengthen interdepartmental collaboration and operational effectiveness. This can be achieved through regular cross-functional training, open communication channels, and a reward system that acknowledges both service excellence and teamwork. By simultaneously advancing sustainable leadership and a customer-centric culture, PT KSP can enhance employee motivation, adaptability, and overall performance, thus ensuring organizational resilience and sustainable competitive advantage in an increasingly dynamic business landscape.

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