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Resolving Sustainability Paradoxes: How Leadership Commitment and Paradox Management Capability Enable Sustainable Performance in Pakistani Organizations

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	Abstract
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Keywords:	Sustainability paradox, Paradox management capability, Stakeholder pressure, Leadership commitment, Sustainable organizational performance.

Introduction

These days, financial competitiveness and the rising expectations for environmental and social responsibility are becoming crucial for organizations (Itan et al., 2025). Sustainability is an integral part of strategic decision-making and affects innovation, operational efficiency, stakeholder relations, and long-term competitiveness (Haliloglu et al., 2025). Despite these positive developments, embedding sustainability in organizational decisions remains challenging because sustainability investments typically require significant resources, a long-term perspective, and organizational transformation, while financial investments are often judged by short-term results (profitability, cost savings, market performance). This results in a sustainability paradox where organizations are faced with competing but interdependent pressures to be financially viable in the short term, while working towards long-term sustainability goals.

The sustainability paradox represents more than a simple trade-off between profitability and responsibility (Mirza et al., 2026). Instead, it states an operational problem: How might organizations incorporate conflicting priorities without giving up on either of the two goals? Previous sustainability-related studies have extensively analyzed the impact of sustainability practices on organizational performance, showing positive relationships with innovation, reputation, efficiency, and competitive advantage (Vuong & Bui, 2026; Van et al., 2025). However, this view tends to look at sustainability and financial goals as complementary goals that will be achieved over time, and offers little insight into the organizational mechanisms that can enable firms to deal with the tension between sustainability and financial goals. Thus, this study finds the answer to the key question: how do organisations build the internal capacity to convert sustainability commitments into sustainable strategic actions and keep the bottom line intact?

To overcome this, Paradox Theory offers a useful theoretical framework for understanding the way that organizations balance conflicting but related goals. Paradox Theory argues that competing demands can be simultaneously managed through balancing, integrating, and continuous adaptation, rather than choosing between them, as in the traditional trade-off perspectives, which assume that organizations have to prioritize one objective over the other (Smith & Lewis, 2011). In the realm of sustainability management, this view emphasizes that only when organizations recognize sustainability challenges can they also build capacity to do something about the financial and sustainability pressures. Thus, the capability of managing paradox is an important mechanism that accounts for the process of how sustainability-oriented intentions are realized in organizational outcomes.

While Paradox Theory has shed light on how organizations respond to competing demands, it has offered little understanding of the reason why organizations have sustainability agendas in the first place. Stakeholder Theory can also be used to complement this view, with regard to the role that external and internal stakeholders play in the decision-making process for organizational sustainability. Organizations are increasingly expected to show responsible business conduct, and firms are starting to integrate sustainability into their business strategies, in order to meet customer, regulatory, investor, employee, and community expectations (Kandpal et al., 2024). But stakeholder pressure does not necessarily lead to successful sustainability outcomes, as they must have internal capacity to understand the pressure, allocate resources well, and marry the sustainability goal with financial priorities (Johri et al., 2024; Sarfraz et al., 2023). Thus, the Stakeholder Theory and the Paradox Theory put together offer a more holistic understanding of sustainability decision-making, encompassing the external factors influencing the orientation towards sustainability and the internal factors facilitating the implementation of sustainability.

This is particularly relevant in emerging economies, where resource limitations and related uncertainties, as well as competition, can be more intense. The Pakistani business environment provides an interesting backdrop to the study of sustainability paradoxes, as companies are grappling with the increasing expectations of sustainability from international buyers, regulators, and other stakeholders, while also dealing with the volatility of economies, higher operating costs, limited resources, and financial pressures. Export-oriented, energy, textile, manufacturing, and many other sectors have increasing demands to practice sustainability while maintaining competitiveness. Sustainability management research, however, has mainly been conducted in developed economies where organisations are likely to have more institutional support and resources. Less is known, however, about how capacities to manage sustainability and finance-related tensions in emerging economies are developed in organizations.

The studies conducted in Pakistan earlier have been limited to sustainability disclosure, Corporate social responsibility practices, Environmental initiatives, and the relationship between sustainability activities and organizational outcomes (Muhammad Mahmood et al., 2024; Muhammad Sarfraz et al., 2023; Muhammad Khan et al., 2023). While these studies have helped to understand sustainability adoption, there is limited research that has explored how organizational capabilities impact how firms balance competing demands in the sustainability process. Previous research did not provide any insights into how sustainable orientation is translated into sustainable performance through internal managerial mechanisms. This is a crucial theoretical and empirical void because the implications of sustainability are hollow without the ability to control conflicting goals in an organisation.

To address this gap, the current study formulates and empirically tests a model that explains how stakeholder pressure contributes to the sustainability orientation of organizational practices, which in turn influences the capability to manage sustainability paradoxes, which in turn has a direct impact on leadership commitment towards organizational practices in dealing with sustainability paradoxes. The sustainability orientation mediates the relationship between stakeholder pressure and the study's development of the capability of paradox management, which is based on the Stakeholder Theory and Paradox Theory. Such a power enables firms to transform their sustainability promises into sustainable results in their business operations by managing conflicts between financial and sustainability objectives. Moreover, the study includes, as a boundary condition, the concept of leadership commitment as one of the factors that influences the understanding of the translation of sustainability orientation into the capability of paradox management, as leadership plays a role in terms of allocation of resources, strategy alignment, and organizational change.

This study was based on the quantitative research paradigm, and data were gathered from the organisations in Pakistan through surveys. A total of 470 questionnaires were sent, and 405 valid questionnaires were received. The data were analyzed using PLS-SEM. This study has three significant contributions. Firstly, it builds on Paradox Theory by introducing the concept of paradox management capability as a critical organizational mechanism that supports firms in reconciling sustainability and financial goals. Secondly, it combines both Stakeholder Theory and Paradox Theory, which allow for a fuller picture of sustainability decision-making, by connecting external stakeholder pressures with internal capability development. Thirdly, it provides contextual knowledge through the study of sustainability paradox management in Pakistani organizations, which extends sustainability management research from developed-economy contexts.

2. Theoretical Framework

Earlier studies related to sustainability based on Resource-Based View, Institutional Theory, and Legitimacy Theory; however, these have not provided sufficient insights into how organizations cope with tensions created by the simultaneous economic and sustainability demands (Mahmood et al., 2024; Sarfraz et al., 2023; Khan et al., 2023). Thus, a more complete understanding of the drivers for and enablers of sustainability adoption is achieved by applying both the Stakeholder Theory and Paradox Theory to the issue at hand.

This study is mainly based on Paradox Theory, which details the response of organizations to seemingly conflicting but related demands. However, Smith and Lewis (2011) assert that it is not always possible to resolve organizational paradoxes by selecting one choice over another; rather, they must be managed continually through balancing, integration, and adaptation. Sustainability requires firms to work on the financial side of the business, but also on the environmental and social side, where they can commit resources over the long term (Frag, 2026). This is a fundamental change in perspective from a trade-off approach to a capabilities approach to sustainability, which implies that the firm must have certain capabilities to balance priorities. Thus, the aim of this study is to place paradox management capability as one of the means by which organizations transform their sustainability orientation into sustainable organizational performance.

This study also uses Stakeholder Theory to explain the impact of external and internal stakeholders on organizational sustainability orientation. Freeman (1984) states that organisations should be concerned with the interests and expectations of several stakeholders, as these will affect their legitimacy and decisions for their future. Sustainability contexts include stakeholder pressure that pushes organisations to include environmental and social aspects in their strategies (Gold et al., 2022). However, stakeholder pressure does not guarantee better sustainability results, as organisations need the internal resources, leadership support, as well as strategic processes to be able to manage competing demands effectively. This study takes a step further by combining these two theoretical perspectives and suggesting that stakeholder pressure influences sustainability orientation, and that paradox management capability helps organizations to successfully implement the sustainability strategies. This theoretical integration not only provides insight into why organizations pursue sustainability, but also how they build the capability to work on sustainability while keeping things financially viable.

3. Hypothesis Development

3.1 Stakeholder Pressure and Sustainability Orientation

The earlier studies related to sustainability have mainly focused on the influence of stakeholder pressure on sustainability practices and have paid less attention to the influence of external expectations on the internal strategic orientation of organizations (Sun et al., 2025; White et al., 2026). The pressure from stakeholders does not necessarily lead to sustainable deeds, as a company could have conflicting demands between the expectations of the stakeholders and immediate financial needs. This is particularly relevant in developing nations where businesses are often resource-strained, unstable in financial markets, and competitive. Therefore, it might be concluded that the pressure from stakeholders can be a useful lever to speed up companies' decision-making process on sustainability.

Sustainability expectations are growing among international buyers, regulatory institutions, investors, and socially conscious consumers for Pakistani organisations (Mahar et al., 2025). Meanwhile, a number of companies are dealing with issues of efficiency that could restrict their ability to focus on sustainability programs. Stakeholder pressure can thus drive the development of a sustainability orientation in organizations by raising awareness about environmental and social responsibilities and including these in the strategic planning process. The research in this study is based on the Stakeholder Theory whereby the expectation of external stakeholders affects the level of sustainability-oriented approaches that organizations embrace. Therefore, it is proposed that the following hypothesis be tested.

H1: Stakeholder pressure positively influences sustainability orientation.

3.2 Sustainability Orientation and Paradox Management Capability

Sustainability orientation is a strategic approach that involves integrating environmental and social sustainability into decision-making processes within an organisation (Hijazin et al., 2025). Although the literature has demonstrated the positive link between sustainability orientation and organizational outcomes, fewer studies have focused on the organizational capabilities that can help to deal with the tensions that arise during implementation of sustainability. Sustainability principles can be promoted within an organization, and yet, there are pressures to cut costs, stay profitable, and meet short-term business goals (Cabral Ribeiro et al., 2026). Thus, sustainability orientation could not be considered an adequate solution to resolve the paradox between financial and sustainability objectives.

Paradox Theory (Smith & Lewis, 2011) proposes that people are better off not trying to remove competing demands, but to train people up to be able to manage conflicting demands simultaneously. In this regard, organizations with a focus on sustainability will be more inclined to understand that economic and sustainability objectives are linked and will establish managerial processes that enable flexibility in resource allocation, strategic adaptation, and decision-making (Albuja Mariño, 2026). The institutions have the opportunity to better recognize projects that can lead to efficiency and innovation, lower risk, and support long-term competitiveness through sustainability investments.

The empirical evidence is lacking in the study of the contribution of the sustainability orientation to building the capability of paradox management, especially in an emerging economy context. In Pakistan, with the push and pull of expectations around sustainability versus budgets, the strategic challenge of balancing priorities is an important skill. Therefore, this study proposes the following hypothesis to test this relationship.

H2: Sustainability orientation positively influences paradox management capability.

3.3 Paradox Management Capability and Sustainable Organizational Performance

The various aspects of sustainability practice have been correlated with improved organizational performance, but there is limited research that provides an explanation of how sustainability can improve organizational performance. Sustainability programs are costly, will take some time to get businesses to change their ways, and will have a long-term impact on financial benefits (Chen et al., 2026; Uddin et al., 2026a,b). This means organisations must possess their own capabilities to deal with uncertainty and to balance their sustainability and financial requirements.

The challenge can be addressed by organizations that possess the ability to identify, combine, and respond to competing demands, not seeing sustainability and profitability as conflicting goals but as complementary ones, and this can be done with the use of paradox management capability. An organisation that is able to effectively manage tensions can find complementarities among competing goals and innovate, operate more efficiently, be more resourceful, and enhance stakeholder relations, achieving value creation.

This is particularly the case in developing economies where companies may be faced with situations of limited resources, lack of institutional security, and intense competition. Organizations that can balance sustainability and financial pressures are more likely to take action on sustainability without it having a negative impact on their operations. In this

way, the capacity of an organisation to manage paradox is an important organizational mechanism through which sustainability efforts can help to support sustainable organisational performance.

H3: Paradox management capability positively influences sustainable organizational performance.

3.4 Mediating Role of Paradox Management Capability

Organizations can develop sustainable strategies and policies, but if they do not have the proper capabilities, they may just be empty gestures or not produce the desired level of performance improvement. This highlights the importance of grasping how sustainability orientation is related to organizational outcomes within the organization. This study is based on Paradox Theory to propose that a PMC is a significant mediator between sustainable orientation and sustainable organizational performance. These orientations and abilities to handle paradox become strategic intentions to pursue sustainability and organizational capacity to effectively execute it (Khan & Patala, 2026). By addressing the tension between competing demands, allocating resources appropriately, and incorporating sustainability goals into financial considerations, organizations can strive for better sustainability-focused outcomes.

This mediation approach takes the sustainability research one step further by looking beyond the assumption of a direct link between sustainability orientation and performance benefits. Rather, it argues that the usefulness of sustainability orientation depends on the capability of the organizations to effectively deal with the conflicting demands. Thus, paradox management capability is seen as the missing link that accounts for the transition from the intention of sustainability to organizational performance.

H4: Paradox management capability mediates the relationship between sustainability orientation and sustainable organizational performance.

3.5 Moderating Role of Leadership Commitment

Leadership is critical in influencing the successful implementation of sustainability-oriented strategies within organizations (Javed et al., 2026). According to the Paradox Theory, leaders shape the organization's attitude and reaction to the conflicting demands. Leaders who are proactively involved with sustainability are more likely to foster integrative decision-making, experimentation, and flexibility for organizations to meet short-term financial targets and long-term sustainability goals (Babu et al., 2026). Thus, one can enhance the process in which sustainability orientation becomes a paradox management capability through leadership commitment.

Previous studies have identified leadership as a key boundary condition to sustainability implementation, but little focus has been placed on it as a boundary condition that affects capability development. Leadership is especially important in emerging economies, where sustainability investments may be more competitive with the financial pressures of the moment, and in convincing firms to turn sustainability orientations into organizational capabilities (Azinga et al., 2026). Therefore, this study formulated the following hypothesis.

H5: Leadership commitment moderates the relationship between sustainability orientation and paradox management capability.

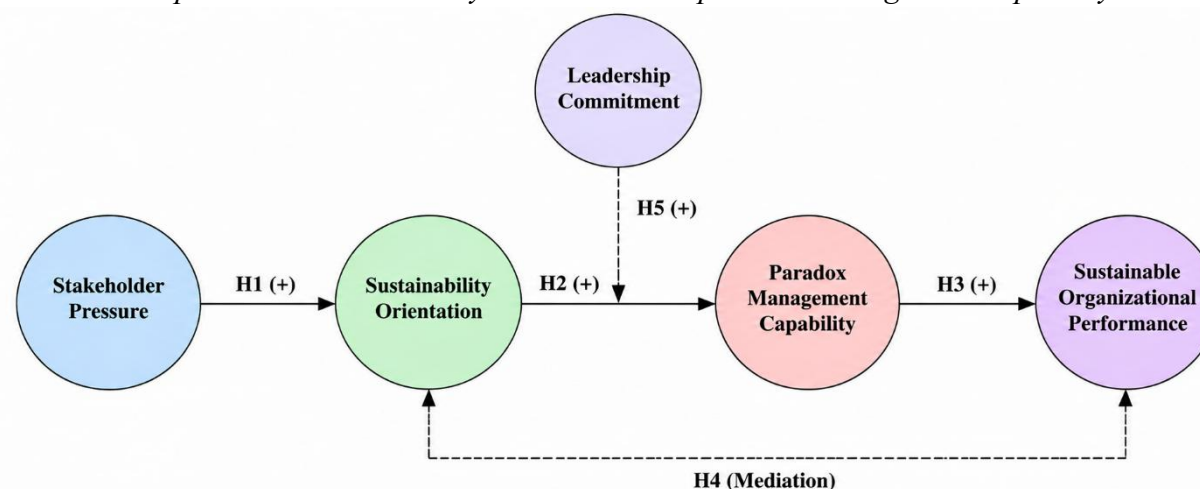


Figure I. Conceptual Framework

3. Methodology

3.1 Research Design and Approach

The quantitative research design approach is used to investigate the organization's approach to balancing short-term financial goals and long-term sustainability in Pakistan. A deductive approach is adopted because hypotheses are developed from earlier studies and then tested empirically by employing Partial Least Squares Structural Equation Modeling (PLS-SEM). PLS-SEM was chosen, as it suits well for the study of complex models involving latent constructs, mediation and moderation effects, especially in an emerging economy context (Hair et al., 2022).

3.2 Research Context and Data Collection

This study was carried out in Pakistan, where sustainability expectations are growing for organizations, and economic uncertainties, resource limitations, and competitive pressures are posing challenges. This context is useful for the discussion of balancing the various objectives of sustainability and the immediate needs of a firm.

Primary data were collected using a structured questionnaire with the managers and employees involved in the strategic, operational, and administrative decision-making processes. The respondents were selected because of their knowledge of organizational strategies, sustainability practices, and managerial decisions. 470 questionnaires were sent, and 405 questionnaires were returned valid, with an 86.17% response rate. The researcher conducted a PLS-SEM analysis and concluded that the sample size was suitable for the analysis.

3.3 Measurement Development



The tools to be used were adapted from scales used in the areas of sustainability, strategic management, and organizational behavior. The constructs were rated on a 5-point Likert Scale (ranging from 1 – strongly disagree to 5 – strongly agree). The questionnaire consisted of two sections. The first part of the questionnaire collected data related to the socio-demographic characteristics, while the second part of the questionnaire measured the study's constructs.

3.4 Measurement of Constructs

Stakeholder Pressure refers to customer, regulatory, investor, employee, and community sustainability expectations and questions. This construct reflects the external factors impacting organizational sustainability (Sun et al., 2025). Sustainability Orientation indicated how environmental and social issues were integrated into strategic planning, decision-making, and business (Hristov et al., 2022).

Paradox Management Capability was about how an organization could detect, manage, and reconcile the conflicting demands for the financial and sustainability criteria (Zeng et al., 2017). Leadership Commitment was measured in three aspects: organizational encouragement, resource allocation, and strategic direction (Haldorai et al., 2025). Sustainable Organizational Performance was evaluated based on economic, environmental, and social performance indicators such as operational efficiency, resource management, competitiveness, and stakeholder relations (Nst et al., 2025).

3.5 Data Analysis

The data analysis was done using SmartPLS 4 following a two-step procedure in PLS-SEM. The first step was to test the measurement model, and the second step was the hypothesis testing.

3.6 Common Method Bias Assessment

Since a single data collection tool was used, common method bias was considered. Measures for the protection of the respondents' confidentiality and anonymity were implemented using procedural means. Further, statistical evaluation was carried out to check for the significance of common method variance (CMV) on the findings.

4. Results

4.1 Respondents' Demographic Profile

The demographic statistics indicated a wide spectrum of organizational backgrounds of respondents and gave a cross-section of the sustainability-related decision-making processes in Pakistani organizations. The majority of respondents (72.1%) were males and 27.9% were females. 45% of respondents were between 30 and 40 years. 31.35% were above 40 years, and 23.7% were below 30 years. 43.5% have 5-10 years of experience, and 34.5% have over 10 years of experience. 35.1% are manufacturing/textile, 30.5% are FMCG/services, 18.8% are banking and financial services, and 15.6% are energy.

Table 1: Demographic Characteristics

Characteristics	Category	Frequency	Percentage (%)
Gender	Male	292	72.1
	Female	113	27.9
Age	Below 30 years	96	23.7
	30–40 years	182	45
	Above 40 years	127	31.3
Experience	Less than 5 years	89	22
	5–10 years	176	43.5
	Above 10 years	140	34.5
Position	Middle management	238	58.8
	Senior management	167	41.2
Sector	Manufacturing/Textile	142	35.1
	Banking/Financial services	76	18.8
	Energy	63	15.6
	FMCG/Services	124	30.5

4.2 Measurement Model Assessment

Indicator reliability, internal consistency, and convergent validity were used to evaluate the measurement model. Results confirm good measurement properties for all constructs. Indicator reliability was good, with factor loadings ranging from 0.718 to 0.895. The internal consistency of each construct was assessed by Cronbach's alpha coefficient ranging from 0.884 to 0.921, and by composite reliability values larger than 0.90 for all constructs. In addition, all AVE values were greater than 0.50, which is the recommended value to support convergent validity. The results of this study support the validity of the measurement items in representing their respective constructs.

Table 2: Construct Reliability and Convergent Validity



Construct	Items	Factor Loading Range	Cronbach’s Alpha	Composite Reliability (CR)	AVE
Stakeholder Pressure	SP1	0.741	0.887	0.917	0.688
	SP2	0.782			
	SP3	0.815			
	SP4	0.861			
	SP5	0.894			
Sustainability Orientation	SO1	0.754	0.902	0.928	0.721
	SO2	0.801			
	SO3	0.842			
	SO4	0.882			
	SO5	0.793			
Paradox Management Capability	PMC1	0.718	0.915	0.934	0.701
	PMC2	0.752			
	PMC3	0.811			
	PMC4	0.864			
	PMC5	0.799			
	PMC6	0.766			
Leadership Commitment	LC1	0.762	0.884	0.921	0.746
	LC2	0.818			
	LC3	0.871			
	LC4	0.895			
Sustainable Organizational Performance	SOP1	0.733	0.921	0.938	0.717
	SOP2	0.768			
	SOP3	0.811			
	SOP4	0.879			
	SOP5	0.792			
	SOP6	0.845			

4.3 Discriminant Validity Assessment

The Heterotrait-Monotrait (HTMT) ratio was used to test discriminant validity. Hair et al. (2022) suggested that if the value of HTMT is lower than 0.85, it means that there is an acceptable degree of discriminant validity. As can be seen from the results in Table 3, all the values of the HTMT are below the recommended values, which means that the constructs are empirically separated from each other.

Table 3: HTMT Ratio Assessment

Constructs	SP	SO	PMC	LC	SOP
Stakeholder Pressure					
Sustainability Orientation	0.742				
Paradox Management Capability	0.681	0.793			
Leadership Commitment	0.615	0.721	0.768		
Sustainable Organizational Performance	0.634	0.756	0.812	0.704	

4.4 Structural Model Assessment



The structural model was checked for possible collinearity problems before testing the hypotheses. The variance inflation factor (VIF) was checked, and all the VIFs ranged from 1.84 to 2.46, which is lower than the suggested limit of 5. This suggests that there was no concern about multicollinearity, nor was there any reason why the predictor constructs could not be used for the purpose of hypothesis testing.

Table 4: Collinearity Assessment

Relationship	VIF
SP → SO	1.84
SO → PMC	2.13
PMC → SOP	2.46
LC × SO → PMC	1.91

4.5 Coefficient of Determination and Predictive Relevance

The model was tested for its explanatory power by the coefficient of determination (R^2) and predictive relevance (Q^2). The results show that stakeholder pressure accounted for 38.4% of the variance in sustainability orientation ($R^2 = 0.384$). The orientation toward and leadership commitment to sustainability accounted for 51.7% of the variance in paradox management capability ($R^2 = 0.517$). In addition, 59.6% of the variance in sustainable organizational performance ($R^2 = 0.596$) was accounted for by the capability of managing paradox. The Q^2 values were all positive, which means that the model was relevant for prediction. In particular, sustainability orientation ($Q^2 = 0.261$), paradox management capability ($Q^2 = 0.342$), and sustainable organizational performance ($Q^2 = 0.401$) displayed acceptable predictive capability.

Table 5: Variance and Predictive Relevance

Endogenous Construct	R^2	Adjusted R^2	Q^2
Sustainability Orientation	0.384	0.382	0.261
Paradox Management Capability	0.517	0.513	0.342
Sustainable Organizational Performance	0.596	0.593	0.401

4.6 Hypothesis Testing

Table 6: Direct Effects and Hypothesis Testing

Hypothesis	Relationship	β	t-value	p-value	Decision
H1	SP → SO	0.619	14.832	<0.001	Supported
H2	SO → PMC	0.584	12.416	<0.001	Supported
H3	PMC → SOP	0.673	15.927	<0.001	Supported
H5	SO × LC → PMC	0.214	4.362	<0.001	Supported

The results confirm that stakeholder pressures positively and significantly impact sustainability orientation (H1). This means that higher stakeholder expectations are linked to more sustainability integration into the organisation's strategies. Sustainability orientation also had a significant positive impact on the paradox management capability, supporting H2. This discovery indicates that companies with more sustainable orientations have a greater capacity to build sustainability and financial management skills.

In addition, the capability of managing paradox had a positive effect on sustainable organizational performance. So H3 is accepted. These suggest that those organizations that are better able to deal with tensions around sustainability perform better on sustainable outcomes. Leadership commitment had a significant moderating effect as well. The interaction of sustainability orientation and leadership commitment was found to support the hypothesis of H5; thus, it positively affected paradox management capability. This validates the fact that when leaders commit to sustainability orientation, it helps the development of paradox management capability.

4.7 Mediation Analysis

Table 7: Mediating Effect

Relationship	Direct Effect	Indirect Effect	t-value	p-value	Mediation Type
SO → PMC → SOP	0.421	0.393	9.614	<0.001	Partial Mediation

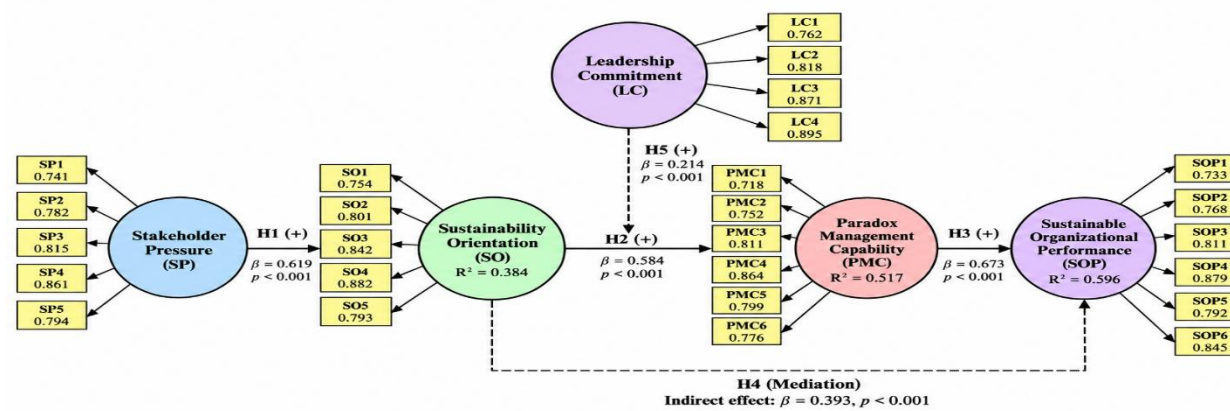


Figure II. Output diagram

Bootstrapping analysis was used to explore whether the mediating role of paradox management capability exists between sustainable organizational performance and sustainability orientation. The results show that the indirect effect was significant, supporting the mediation of paradox management capability. The results show a partial mediation. The findings indicate the positive association between sustainability orientation and organizational performance directly and indirectly via the development of paradox management capability.

5. Discussion

The findings indicate that stakeholder pressure had a positive effect on sustainability orientation. The discovery sheds light on the significance of external factors, such as customers, regulators, investors, and communities, in driving organizational sustainability priorities. In line with the Stakeholder Theory, the increasing demands of stakeholders are being met through the integration of environmental and social issues into organizations' strategies. However, the results indicate that stakeholder pressure has a significant effect on the orientation of the organization, but this does not directly ensure sustainability performance. This is crucial as external expectations can spur recognition of sustainability issues in an organization, but the capabilities required to make enabling changes happen reside within the organization.

The results show that the sustainability orientation has a positive relationship with the capability to handle paradoxes. This finding supports the idea that organizations with a greater sustainability commitment are more likely to have the capacity to handle competing demands between financial performance and sustainability goals. The results indicate that there is no need for sustainability-oriented organizations to sacrifice profitability for sustainability; rather, they can find ways to combine the two. This builds on previous sustainability research by showing that strategic commitment – sustainability orientation – is a significant antecedent of paradox management capability, and thus how strategic commitment can help to build management capability.

Moreover, the findings indicate that there is a significant positive relationship between paradox efficiency and sustainable organizational performance. This is a key result of the study, as it pinpoints how organizations are able to convert sustainability goals into results. The results indicate that organizations are better off when they are able to juggle priorities, deploy resources, and incorporate sustainability into their operations and strategies.

The mediation analysis results further support this, as they validate the mediating role of paradox management capability between sustainability orientation and sustainable organizational performance. The results suggest that orientation toward sustainability may not be enough to yield enhanced organizational outcomes. Rather, an organization must possess the ability to deal with tension in a sustainable manner. Such results contribute to sustainability management literature by going beyond the perspective of a direct relationship and highlighting the role of internal organizational mechanisms. The study shows not only that the organization's goal is important in sustaining performance but also that they need to manage the contradictions that arise during the process.

Leadership commitment also had a moderating effect that was supported. The findings reveal that leadership commitment enhances the link between the sustainability orientation and paradox management capability. This discovery is a reminder that senior management is crucial in the translation from sustainability strategy to the operational capabilities of the organisation. Strategic direction, resource allocation, organizational culture, and decision-making processes all affect sustainability and are influenced by leaders. Leadership commitment is especially significant in situations where organizations are under financial pressure and have competing priorities; it can help ensure that the immediate business needs are met while also helping to ensure that the organization has the support it needs to achieve long-term goals.

6. Theoretical Contributions

Three important contributions are made to the literature about sustainability management in this study. First, it extends Paradox Theory by defining paradox management capability as an important organizational mechanism to solve sustainability-financial paradoxes. The aim of this study is to contribute to this notion by offering evidence of the capabilities necessary for organisations to shift these tensions into positive directions for improved sustainable performance. The results indicate that the capabilities regarding paradox management are key factors in the performance outcomes, showing the significance of internal organizational processes in sustainability implementation.

Second, this study adds to the Stakeholder Theory by demonstrating that the pressure from stakeholders affects sustainability orientation, but also shows that sustainability performance outcomes do not explain the influence of stakeholders. It shows that the ability of the organization to respond effectively to these pressures depends on internal organizational capacities. This study combines Stakeholder Theory and Paradox Theory to provide a more holistic understanding of sustainability decision-making, as external needs spur motivation to act sustainably while internal capabilities govern the effectiveness of response.

Third, this research advances the existing knowledge on sustainability management with empirical evidence from an emerging economy context. This study illustrates how companies under economic uncertainty and under-resourced face these challenges and balance sustainability expectations with sound financial principles, using examples from Pakistani organizations. This contextual contribution takes a more holistic view of sustainability management than the conventional developed-market approach.

7. Managerial Implications

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8. Limitations and Future Research Directions

The theoretical and practical implications of this study are significant; however, there are some limitations that offer avenues for further research. The first limitation of this study is the use of a cross-sectional research design that makes it difficult to make causal inferences between variables. As the sustainability transformation is a dynamic process that evolves, future studies may consider longitudinal research designs to explore the gradual progression of organizations' paradox management capabilities and the effect of these capabilities on sustainability implementation outcomes at different phases. Secondly, the study was based on survey data provided by organizational respondents. While some common method bias was addressed through procedural and statistical methods, future studies would benefit from having multiple data sources to enhance validity. In future research, the managerial survey responses might be analyzed with quantitative data like sustainability reports, environmental performance data, financial results, or stakeholder ratings. This would help to give a holistic picture of how sustainability capabilities and organizational performance are connected.

Third, this research was conducted in Pakistan and in the context of an emerging economy, giving the research some relevance to a context outside the scope of the study. The results, however, cannot be directly transferred to other institutional and/or economic settings. Comparative analysis of emerging and developed economy countries could be carried out in future research to examine the impact of the institutional conditions, the regulatory environment and the availability of resources on the management of sustainability paradox. Last but not least, the study was limited to considering leadership commitment as a moderating variable in building the capability of managing paradox. There is a need to study and investigate other organizational factors that might impact this relationship, including organizational culture, digital transformation capability, innovation capability, green human resource management, and organizational learning. A detailed analysis of these aspects could help in gaining more insight into the development and maintenance of sustainability-oriented capabilities of firms.

9. Conclusion

This study focused on the management of the sustainability paradox in organizations' short-term financial goals and long-term sustainability goals. The study is based on two theories: Stakeholder Theory and Paradox Theory. The present study proposes and validates a model reflecting the influence of stakeholder pressure on sustainable orientation, the influence of sustainable orientation on paradox management capability, and the improvement of sustainable organizational performance by paradox management capability. The findings indicate that sustainability results are not only influenced by external pressure or the commitment of the organization, but also by the internal capabilities that allow the firm to cope with conflicting demands.

The findings show that stakeholder pressure has a positive effect on the inclusion of sustainability in the strategic agenda of organizations. But an orientation towards sustainability does not automatically ensure better results. Rather, the capability to handle paradoxes is an important mechanism to enable organizations to align their financial and sustainability goals, translate their sustainability aspirations into strategic measures, and make sustainable performance improvements. Moreover, leadership commitment can enhance this process by offering leadership direction, resources, and organisational support to build sustainability capability. The study adds to the sustainability management literature in two ways: (1) it moves the focus of the sustainability debate away from whether or not sustainability is a source of value creation, and (2) it examines how organizations build capabilities to create that value. This research explores the concept of the sustainability paradox in the context of emerging economies, which impose a set of requirements on firms with respect to Sustainability, but at the same time have constrained resources and finances.

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