



## **The Influence of Green Leadership on Financial Performance: A Systematic Review of the Roles of Sustainability, Green Technology, and Corporate Governance**

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**Abstract.** This study systematically examines the influence of green leadership on financial performance by incorporating sustainability, green technology, and corporate governance as intervening variables. Using a systematic literature review (SLR) approach, the study synthesizes six peer-reviewed articles published between 1993 and 2024 that address green leadership, green innovation, and organizational financial outcomes. A thematic analysis was employed to identify recurring patterns linking green leadership to green innovation, organizational commitment, and energy efficiency—factors that collectively shape corporate financial performance. The review finds consistent evidence that green leadership positively affects financial performance, both directly and indirectly, through the adoption of green technologies, the implementation of sustainability practices, and the reinforcement of effective corporate governance. Green leadership promotes environmentally oriented innovation, enhances resource efficiency, and strengthens corporate reputation, all of which contribute to improved financial results. The study offers theoretical contributions by articulating how sustainability and governance dimensions integrate within green leadership frameworks, and provides practical insights for managers and organizational leaders in developing sustainable financial strategies..

**Keywords:** Green leadership, financial performance, green technology, corporate governance.

### **INTRODUCTION**

The growing prominence of global sustainability issues has reshaped organizational paradigms for achieving competitive advantage. Organizations are no longer solely oriented toward generating financial profit, but are increasingly required to balance economic objectives with social (people) and environmental (planet) considerations. In this context, the concept of green leadership has emerged as a leadership approach that integrates environmental awareness into managerial practices to foster green innovation, resource efficiency, and sustainable organizational performance [8]. Leaders with a green orientation play a critical role in cultivating an organizational culture that supports sustainability, promoting environmentally driven innovation, and influencing strategic decisions that ultimately shape a firm's financial performance.

A substantial body of prior research highlights the strong relationship between green leadership and organizational performance. For example, a bibliometric study titled *Green Leadership in the Spotlight: A Bibliometric Analysis of Research Developments* by Jatmiko Murdiono [4] affirms that green leadership has garnered increasing global attention alongside rising awareness of sustainability issues. Meanwhile, an empirical study titled *Sustainable Hotel Finance: Green Leadership and Governance Integration* by Julia Safitri, Zulkifli Sulthan, and Syarif Gerald Prasetya [5] in the Indonesian hotel industry demonstrates that corporate governance functions as a moderating variable that strengthens the effect of green leadership on sustainable financial management. These findings are further reinforced by *Impact of Sustainable Environment & Green*

Transformational Leadership on Firm Financial Performance: A Mediating Role of Green Technology by Muhammad Noman, Zeerak Usman, and Muhammad Umair [2], as well as Pengaruh Kinerja ESG terhadap Kinerja Keuangan Perusahaan dengan Green CEO sebagai Pemoderasi by Ahmad Fikri Alamin, Dwiyanjana Santyo Nugroho, and Anita [3], which reveal that the adoption of green technology and the presence of environmentally oriented leaders (such as Green CEOs) enhance firm financial performance through improved efficiency and sustained innovation.

Despite these findings, gaps remain in the literature regarding a comprehensive integration of green leadership, financial performance, and intermediary variables such as sustainability, green technology, and corporate governance [8]. Much of the existing research remains partial and context-specific, focusing on particular sectors or geographic regions. Consequently, a systematic review is needed to consolidate diverse empirical findings and develop a holistic understanding of how green leadership contributes to financial performance through sustainability mechanisms and governance structures. This study aims to provide a systematic review of the influence of green leadership on financial performance by incorporating the roles of sustainability, green technology, and corporate governance. Through a Systematic Literature Review (SLR) approach, this study is expected to offer theoretical contributions by mapping the interrelationships among key variables, as well as practical implications for organizations in designing leadership and financial strategies oriented toward long-term sustainability.

## LITERATURE REVIEW

### a. Green Leadership and Its Role within Organizations

Green leadership refers to a leadership approach that embeds environmental orientation into organizational decision-making processes. Green leaders are responsible not only for achieving economic outcomes, but also for addressing the social and ecological impacts of organizational activities, as highlighted in Green Leadership in the Spotlight: A Bibliometric Analysis of Research Developments by Jatmiko Murdiono [4]. This approach is grounded in transformational and ethical leadership theories, positioning leaders as role models who internalize and disseminate sustainability values throughout the organization [9].

Recent literature demonstrates that green leadership is closely linked to an organization's capacity for sustainable innovation and operational efficiency, as noted in Sustainable Hotel Finance: Green Leadership and Governance Integration by Julia Safitri, Zulkifli Sulthan, and Syarief Gerald Prasetya [5], and in Impact of Sustainable Environment & Green Transformational Leadership on Firm Financial Performance: A Mediating Role of Green Technology by Muhamma Noman, Zeerak Usman, and Muhammad Umair [2]. Environmentally oriented leadership has also been shown to strengthen organizational commitment to eco-friendly practices and enhance employee motivation to engage in green initiatives. Consequently, green leadership can be viewed as a pivotal driver in shaping a sustainable organizational culture.

### b. Sustainability as a Strategic Orientation

Sustainability encompasses three core dimensions—economic, social, and environmental—commonly referred to as the triple bottom line. In organizational management, sustainability is understood as a long-term strategy aimed at balancing financial profitability with social responsibility and environmental stewardship. Numerous studies assert that consistent sustainability practices can enhance corporate reputation, strengthen customer loyalty, and improve operational efficiency, thereby contributing to stronger financial performance. This is demonstrated, for example, in Sustainable Hotel Finance: Green Leadership and Governance Integration by Julia Safitri, Zulkifli Sulthan, and Syarief Gerald Prasetya [5], as well as in Pengaruh Kinerja ESG terhadap Kinerja Keuangan Perusahaan dengan Green CEO sebagai Pemoderasi by Ahmad Fikri Alamin, Dwiyanjana Santyo Nugroho, and Anita [3].

Furthermore, sustainability functions as a value-driven framework that guides strategic decision-making among leaders. Green-oriented leaders promote the integration of ethical conduct, transparency, and social responsibility into organizational policies. As a result, sustainability is not merely a moral imperative, but also a source of competitive advantage that yields tangible economic benefits.

### c. Green Technology as a Mediating Mechanism

Green technology plays a pivotal role in linking green leadership to improvements in organizational performance. The implementation of environmentally friendly technologies—such as energy efficiency initiatives, waste reduction systems, and the digitalization of production processes—has been shown to enhance financial performance by increasing cost efficiency and productivity [10].

In this context, green leadership functions as a catalyst for organizational change, guiding firms to adopt green innovations and generate both economic and environmental value [11]. This also indicates that organizations that integrate green technologies tend to possess higher competitive advantage, as they are better equipped to comply with environmental regulations and meet the growing market demand for sustainability-oriented practices. Accordingly, green technology can be positioned as a key mediating variable that bridges the relationship between green leadership and corporate financial performance.

### d. Corporate Governance as a Moderating Factor

Effective corporate governance serves as a critical prerequisite for ensuring that sustainability practices and green leadership can be implemented consistently. Governance principles such as accountability, transparency, fairness, and responsibility play a central role in maintaining organizational sustainability, as discussed in Sustainable Hotel Finance: Green Leadership and Governance Integration [5] and Pengaruh Kinerja ESG terhadap Kinerja Keuangan Perusahaan dengan Green CEO sebagai Pemoderasi [3]. The presence of environmentally oriented leaders in strategic positions—such as Green CEOs—has been shown to strengthen the relationship between ESG (Environmental, Social, and Governance) performance and financial outcomes [3].

Robust governance structures help establish control and oversight mechanisms for the execution of green policies, ensuring that sustainability initiatives translate into tangible performance impacts. Accordingly, corporate governance may function as a moderating factor that amplifies the influence of green leadership on financial performance [10].

### e. Financial Performance in a Sustainability Perspective

Financial performance reflects an organization's ability to generate economic value in a sustainable manner. Within the context of green leadership, financial performance is evaluated not only through short-term profitability, but also through cost efficiency, productivity gains, and long-term sustainability—an emphasis highlighted in Impact of Sustainable Environment & Green Transformational Leadership on Firm Financial Performance: A Mediating Role of Green Technology [2] and The Impact of Servant Leadership on Financial Performance and Green Performance: The Mediating Role of Organizational Commitment [7].

Recent research indicates that firms guided by green-oriented leadership tend to exhibit more stable financial performance due to their enhanced capability to manage environmental and social risks. In addition, the reputational value derived from environmental commitment contributes to increases in shareholder value and investor confidence. Thus, green leadership serves not only as an ethical orientation toward environmental stewardship, but also as a strategic business approach that generates sustainable economic value.

## RESEARCH METHODS

This study employs a Systematic Literature Review (SLR) approach to comprehensively examine the relationship between green leadership and financial performance, taking into account the mediating roles of sustainability, green technology, and corporate governance. This approach was selected because it enables a thorough assessment of theoretical developments and practical applications in the field, while also identifying research gaps that remain underexplored. Guided by the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework, the review process was conducted systematically through the stages of identification, screening, eligibility assessment, and inclusion of relevant literature.

Data for the review were gathered from reputable scientific databases such as Scopus, ScienceDirect, Emerald Insight, and Taylor & Francis Online. The selected articles span the period

from 2010 to 2024 to capture recent advancements in green leadership and sustainable finance research. Keywords used in the search process included green leadership, sustainable finance, corporate governance, green technology, and financial performance. All analyzed articles were academic publications relevant to the fields of management, finance, and environmental sustainability, and included works published in both English and Indonesian.

## 1.1 Research Table

Authors	Title	Methods	Result
Muhammad Noman, Zeerak Usman, & Muhammad Umair	Impact Of Sustainable Environment & Green Transformational Leadership On Firm Financial Performance: A Mediating Role Of Green Technology [2]	Correlation Analysis & Deductive Approach With A Mediation Model (Green Technology)	Servant Leadership Overlaps With Green Leadership In Terms Of Ethics, Responsibility, And Environmental Efficiency. Green Leadership Exerts A Direct Effect On Financial Performance, Mediated Through Improvements In Operational Efficiency And Organizational Commitment.
Ahmad Fikri Alamin, Dwiyanjana Santyo Nugroho, Anita	Pengaruh Kinerja Esg Terhadap Kinerja Keuangan Perusahaan Dengan Green Ceo Sebagai Pemoderasi [3]	Purposive Sampling Of 75 Firms (150 Observations). Analysis Conducted Using Moderated Regression Analysis (Mra). Examined Direct Effects And The Moderating Role Of The Green Ceo.	Esg Does Not Have A Direct Effect On Financial Performance; However, The Presence Of A Green Ceo Strengthens This Relationship. This Indicates That Green Leadership(Green Ceo) Exerts A Significant Moderating Effect On Financial Performance.

Jatmiko Murdiono, Hamidah, Tuty Sariwulan	Green Leadership In The Spotlight: A Bibliometric Analysis Of Research Developments [4]	Using The Prisma Framework For Article Selection. Vosviewer Employed For Mapping Keywords, Collaborations, And Publication Trends. Producing Topic, Country, Affiliation, And Dominant Keyword Visualizations Through A Non-Empirical Quantitative Approach.	Green Leadership (GI) Is Frequently Associated With Sustainability, Csr, And Green Innovation; However, Financial Performance Is Not Empirically Examined. This Indicates That The Direct Effect Of GI On Financial Performance Is Not Demonstrated.
Julia Safitri, Zulkifli Sulthan, Dan Syarief Gerald Prasetya	Sustainable Hotel Finance: Green Leadership And Governance Integration [5]	Purposive Sampling Was Employed By Targeting Respondents Who Hold Decision-Making Authority In Sustainability Initiatives. The Data Were Analyzed Using Partial Least Squares-Structural Equation Modeling (Pls-Sem) With Smartpls Software, Following A Quantitative, Deductive Research Approach.	There Is A Direct Positive Effect Of Green Leadership (GI) On Financial Performance Through The Implementation Of Sustainable Financial Practices.



Moh Bahzar	Effects Of Green Transformational And Ethical Leadership On Green Creativity, Eco-Innovation And Energy Efficiency In Higher Education Sector Of Indonesia [6]	Partial Least Squares–Structural Equation Modeling (PLS-Sem) Analysis Was Conducted To Examine The Effects Of Green Leadership (GI) On Green Creativity, Eco-Innovation, And Energy Efficiency, Using An Explanatory Quantitative Research Approach.	Green Leadership (GI) Influences Energy Efficiency And Green Innovation, But Financial Performance Is Not Directly Measured. While The Study Does Not Demonstrate A Direct Effect Of GI On Financial Performance, The Results Can Be Interpreted As Indicating An Indirect Effect Through Cost Savings Derived From Improved Energy Efficiency.
Hendri Kwistianus, Like Gracia, Gabriela Clarence	The Impact Of Servant Leadership On Financial Performance And Green Performance: The Mediating Role Of Organizational Commitment [7]	An Online Survey Was Conducted Using The Populix Platform, And The Data Were Analyzed Through PLS-Sem Using Warppls Software. Organizational Commitment Was Modeled As A Mediating Variable, Employing An Explanatory Quantitative Deductive Research Approach.	Servant Leadership Intersects With Green Leadership In Terms Of Ethics, Responsibility, And Environmental Efficiency. This Implies That Green Leadership (GI) Has A Direct Effect On Financial Performance, Mediated Through Improvements In Operational Efficiency And Organizational Commitment.

Source: Previous Research

## RESULTS AND DISCUSSION

The selection of articles was conducted carefully, emphasizing thematic relevance and data completeness. Only studies that explicitly examined the relationship between green leadership and financial performance, while incorporating dimensions of sustainability, green technology, or corporate governance, were included in the analysis. From this rigorous selection process, six primary articles were retained as the basis for analysis. These articles were chosen because they represent diverse methodological approaches, sectoral contexts, and complementary conceptual models.

Data analysis was carried out using a combination of bibliometric and thematic approaches. Bibliometric analysis was employed to map research trends, interrelationships among keywords, and dominant academic fields in the study of green leadership. This process involved identifying patterns of topic interconnections using VOSviewer, which helped illustrate the links among

concepts such as green leadership, green innovation, corporate social responsibility, and organizational governance. Meanwhile, thematic analysis was conducted to explore the meaning and conceptual relationships among the variables identified in the six selected articles. Through this approach, each empirical finding was interpreted and compared, generating a deeper understanding of both direct and indirect mechanisms linking green leadership to financial performance.

Theoretically, the findings contribute to the development of management knowledge by clarifying the conceptual mechanisms connecting green leadership with financial performance. This study enriches the literature by demonstrating that sustainability, green technology, and corporate governance are not standalone variables but are part of an interconnected strategic leadership system. These findings also open avenues for future research to develop more integrative conceptual models, for example, by incorporating the role of organizational culture, social innovation, or employee commitment as reinforcing elements in these relationships.

From a practical standpoint, the study's implications are significant for organizational leaders, financial managers, and policymakers. Strengthening green leadership requires developing environmentally oriented leadership competencies, implementing career systems that promote ethical and sustainable behavior, and integrating sustainability values into financial decision-making. Companies are also advised to optimize the implementation of green technologies as sources of cost efficiency and product innovation, while ensuring governance mechanisms that guarantee transparency and accountability. At the macro level, government policies and financial institutions should support the creation of a business ecosystem that fosters the adoption of green leadership and sustainable finance practices.

Thus, the implications of this research not only reaffirm the relevance of green leadership in an academic context but also provide strategic guidance for managerial practice. The success of future organizations will largely depend on their ability to integrate ecological vision with financial objectives, making green leadership the foundation for ethical, adaptive, and sustainable growth.

To ensure the validity and reliability of the findings, all stages were conducted transparently and are replicable. The article selection and thematic categorization were reviewed by two independent researchers to ensure consistency of interpretation. In addition, triangulation was applied by reviewing studies from various sectors, including banking, energy, manufacturing, and higher education, to enhance relevance and minimize contextual bias. Through this combination of systematic and in-depth thematic analysis, the study provides a comprehensive overview of how green leadership can act as a strategic driver for enhancing organizational financial performance sustainably.

The findings indicate a significant relationship between Green Leadership and financial performance. Overall, green leadership acts as a catalyst for organizational transformation toward efficiency, innovation, and sustainable governance, which synergistically improves financial performance. This impact arises not only from cost savings but also from the increased strategic value of the organization in the eyes of stakeholders.

## CONCLUSION AND RECOMMENDATION

The results of this systematic review confirm that green leadership plays a crucial role in guiding organizations toward sustainable financial performance. Environmentally oriented leadership not only drives operational efficiency and innovation but also strengthens organizational reputation and enhances long-term value for stakeholders. Numerous studies indicate that green leadership practices can improve financial performance directly, as well as indirectly through mediating factors such as organizational sustainability, the adoption of green technologies, and ethical and transparent corporate governance.

The synthesis of six journals highlights a strong linkage between leaders' ecological awareness and corporate financial outcomes. In many contexts, green leadership has been shown to reinforce the relationship between environmental performance and financial outcomes through sustainable innovation and energy efficiency. Meanwhile, corporate governance and organizational commitment serve as supporting mechanisms that ensure the consistent application of sustainability values in managerial practices. Therefore, it can be concluded that green leadership is not merely an alternative leadership style but a strategic approach for balancing environmental

responsibility with financial success.

Nonetheless, this review also identifies limitations in the existing literature. Most studies remain sector-specific and geographically limited, with relatively few examining the long-term relationship between green leadership and financial performance. Future research should therefore explore cross-sectoral approaches, expand the scope of analysis, and consider longitudinal and mixed-methods designs to capture the more complex dynamics between leadership dimensions, green innovation, and organizational financial outcomes.

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