



Harnessing Inclusive Leadership for Innovation through Organizational Self-Esteem and Power Distance

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ABSTRACT

This study investigates the impact of inclusive leadership on innovative work behavior (IWB), emphasizing the mediating role of organizational based self-esteem (OBSE) and the moderating effect of power distance. Despite the increasing recognition of inclusive leadership's role in enhancing employee well-being and organizational outcomes, its potential to drive innovation in service industries remains understudy. Drawing on social exchange and self-determination theories, this quantitative, cross-sectional study collected data from 315 professionals in Karachi's IT sector using a structured survey. The data were analyzed using partial least squares structural equation modeling (PLS-SEM). The findings demonstrate that inclusive leadership significantly enhances IWB, with OBSE acting as a vital psychological mechanism in this relationship. Moreover, power distance moderates the relationship between inclusive leadership and OBSE. These results highlight the importance of cultural considerations in leadership practices. The study contributes to leadership and innovation literature by providing empirical evidence on how inclusive leadership can optimize employee innovation through psychological and cultural mechanisms. Practical implications include guiding managers and policymakers in adopting inclusive leadership practices to create innovative and inclusive organizational environments.

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1. Introduction

Research on the link between leadership style and innovation has drawn significant attention. Most studies focus on narcissistic and abusive leadership, while fewer examine how inclusive leadership influences innovative work behavior in service industries (Korkmaz et al., 2022). Inclusive leadership, originally studied in education, is a relatively new concept in management, introduced by Nemhard and Edmondson (2006). Over time, research has shown that inclusive leadership positively impacts organizations and employees. For example, Nishii and Mayer (2009) found that it helps reduce employee turnover.

Inclusive leadership is a positive style that embraces employee differences, respects, and trusts them, and helps them feel valued within the organization, which in turn boosts their organizational self-esteem (Fu et al., 2022; Kuknor & Bhattacharya, 2022). According to social exchange theory (Blau, 1964), when leaders show trust and respect, employees respond with greater commitment and improved performance. Research indicates that job insecurity can lower employee engagement, but inclusive leadership can enhance psychological security, allowing employees to work confidently and feel less insecure about their jobs (Grošelj et al., 2021; Liang et al., 2020).

Studies also show that power distance negatively impacts employee performance and constructive behavior. Gong, Huang and Farh (2009) found that power distance hurts organizational performance. Further analysis from a social exchange theory perspective confirms that power distance negatively affects organizational citizenship behavior—low power distance promotes it, while high power distance hinders it (Hoang et al., 2022; Jehanzeb, 2022).

To explore how inclusive leadership affects innovative behavior in service industries, this study will examine the role of organizational self-esteem as a mediator and power distance as a moderator. It aims to develop a moderated-mediation model to understand the dynamics between inclusive leadership and innovative work behavior in services.

Inclusive leadership is widely recognized for its positive impact on employee well-being and organizational outcomes (Asghar et al., 2023), yet its role in fostering innovative work behavior (IWB) in service industries remains underexplored (Javed et al., 2019). Service organizations, which thrive on innovation, could greatly benefit from understanding how inclusive leadership promotes creativity and problem-solving (Zafar et al., 2024). Current research has focused more on harmful leadership styles, such as narcissistic or abusive leadership, leaving a gap in examining inclusive leadership's effects on



IWB, particularly through mechanisms like organizational based self-esteem (OBSE) and contextual factors such as power distance. This study addresses these gaps by investigating how inclusive leadership influences IWB, examining OBSE as a mediator, and exploring power distance as a moderating factor. Grounded in social exchange theory and self-determination theory, this research seeks to enhance theoretical and practical understanding, offering insights to optimize leadership practices for innovation while ensuring ethical and inclusive organizational environments.

1.1 Objectives of the study

There are three research objectives of this independent study:

- To examine the direct impact of inclusive leadership on employee innovative work behavior.
- To investigate the mediating role of organizational self-esteem in the relationship between inclusive leadership and employee innovative work behavior.
- To identify the moderating effect of power distance between inclusive leadership and organizational self Esteem.

The significance of this research is due to the lack of research on the leadership styles and the emphasis placed on the values the paper presents of inclusive leadership and the work behavior in the service industries. While prior research has concentrated on the outcome of narcissistic and abusive leadership behaviors, this research gap investigates if inclusive leadership leads to innovation in the service industry. This is a significant weakness especially in the light of the new recognition of innovation as one of the major sources of competitive advantage in firms in the service industry. This study will also help in designing an ‘interactive’ model that incorporates the moderating variable of ‘power distance and the mediating variable of ‘organizational self-esteem’ in the measure of ‘inclusive leadership’ and Innovative work behavior. This is well applicable to service sectors when employees are the main source as well as the creators of new ideas in an attempt to satisfy new and emerging market needs. The implications of this research will be of importance to academics and practitioners in particular.

For academics it will extend the theoretical debate on inclusive leadership by including the organizational self-esteem and power distance within the framework employed in the analysis of innovation. As this research is grounded in a practical context, the findings of this study are going to



be highly useful for the practitioners, particularly leaders and managers operating in the contexts of services sectors, as it is going to provide them with the empirical guidelines on how improve innovation in the workplace by increasing the levels of inclusiveness in leadership. Such dynamics as found can enhance the creative performance of the employees, work satisfaction and in effect, organizational performance. Besides, by performing a moderated-mediated analysis, the current investigation will also make a distinctive epistemic contribution to the field of leadership research by presenting a model that reflects the complexity of leadership effects on innovation. It can also prepare the ground for the other researches on leaders' behavior and consequences on various organizational outcomes.

1.2 Study's Scope and Rationale:

Digitalization facilitates the adoption of the circular economic business model (Lawrenz et al., 2021). The Circular Economy model has the unique feature because it makes the use of the entrepreneurs, who bring new ideas into the business. It also facilitates the process of digitalization as well because it introduced the elements of sustainability in it. Digital technology plays a significant role in the development of this model. However, the area of consumer electronics and usage of digital technologies is still unexplored. The amalgamation of digital technologies in the circular economy system has yet to receive comprehensive attention in academic research. Consequently, the current study has the objective to examine the part of digitalization in enhancing the circular economy. While current scholars have primarily concentrated on the manufacturing and finance sectors, other industries have been neglected. There is a pressing need of studying these sectors and the role of circular economy model (Bressanelli et al., 2018). More research is required to understand the impact of digitalization on advancing the circular economy. This study seeks to address this gap by investigating how digitalization contributes in enhancing the performance of food sector in Bradford that are making use of circular economy model.



2. Literature Review

Nishii and Mayer (2009) discerned through their empirical inquiry that inclusive leadership serves as a mitigating force against employee turnover rates. Inclusive leadership, characterized as a salubrious leadership style, adeptly accommodates the variances among subordinates, thereby instilling a culture of respect and trust in employees. This, in turn, fosters a heightened perception of individual value within the organizational framework, contributing to an augmented organizational self-esteem (Fu et al., 2022; Kuknor and Bhattacharya, 2022). Focusing on the tenets of social exchange theory (Blau, 1964), leaders, through the mechanism of inclusive leadership, cultivate an environment where employees perceive trust and respect. Consequently, employees reciprocate with heightened work commitment and affirmative efforts directed at ameliorating their work performance (Jha et al., 2024).

In the investigation by Panicker, Agrawal and Khandelwal (2018), inclusive leadership was discerned to exert a constructive influence on employees' organizational citizenship behavior. Inclusive leaders, through the manifestations of respect, trust, and acknowledgment, instill a climate where employees, feeling trusted, develop a sense of belonging and loyalty to the organization. Consequently, employees become more proactive, conscientious, and assume responsibility for their work, adhering diligently to rules and regulations, thereby facilitating innovative work (Li et al, 2024).

Choi et al. (2015) got interested in addressing the relationship between inclusive leadership and IWB, primarily focusing on work engagement and organizational commitment as the mediating variables. The paper established that inclusive leadership is positively related to IWB with employee engagement and organizational commitment been the main mediators of the relationship. Additionally, the research of Qi and Liu (2017) examined the role of inclusive leadership in effectuating IWB through the organizational and psychological support given to the employees.

One thing that the researches of Javed et al. (2017) received to address is the moderating influence of creative self-efficacy and organizational climate on the nexus between inclusive leadership and IWB. The two studies explained that or based on the Pakistan service industry, it was found that inclusive leadership increases positively the employees' confidence of being creative and together with a good organizational climate, enhances IWB. The study underscored that when



employees who are creative and confident of themselves and work in a creative climate are able to engage in innovative behavior.

Randel et al. (2018) proposed a model where inclusive leadership impacts innovation through two pathways: fostering a sense of belonging and valuing the uniqueness of employees. This dual approach ensures that employees not only feel like part of the team but also that their unique contributions are appreciated, which motivates them to be innovative. The study, conducted in the U.S., confirmed that inclusive leadership is positively related to IWB by encouraging employees to contribute new ideas, thereby driving organizational innovation.

Organizational self-esteem, delineated as an individual's self-perception of their competence, worthiness, and the import of their role within the organization, exerts discernible impacts on employees' attitudes, behaviors, and job performance (Filosa et al, 2024). According to self-consistency theory, employees align their behaviors with their prevailing perceptions. Pierce and Gardner (2004) ascertained that employees harboring elevated levels of organizational self-esteem are predisposed to cultivate positive work attitudes, exhibit enhanced work efficiency, and consequently elevate their performance. Conversely, those with diminished organizational self-esteem exhibit a proclivity toward negative psychological states and unfavorable attitudes, potentially leading to attrition and deviation from organizational norms (Kim et al., 2024). McAllister and Bigley (2002) underscored the pivotal role of organizational and leadership care, support, and appreciation in significantly augmenting employees' organizational self-esteem levels. Subsequent research by Liang, Xiyuan, and Fawang (2020) validated that inclusive leadership exerts a positive influence on employees' organizational self-esteem.

Lee and Kim (2020) investigated the relationship between OBSE and innovative work behavior focusing on intrinsic motivation. The studies in South Korean companies have shown that when employees have high OBSE they are more willing to engage in innovative ideas because they feel valued, capable and are motivated to achieve success. OBSE increases the sense of self over employees through building confidence and internal drive which makes the level of creativity and hence, innovation higher in the organization (Xu et al., 2024).



2.1 Relation between inclusive leadership and innovative work behavior

Numerous studies have explored the determinants of innovativeness within organizational contexts. These investigations have delved into various factors, including leadership style, along with workplace elements such as autonomy in decision-making, timely feedback, and innovation. In the dynamic between leaders and followers, inclusive leadership cultivates mutual respect, advancement toward common objectives, and collaborative success. Literature also suggests inclusive leadership as a positive form of leadership, positive for both employees and organizations, especially in enhancing employees' well-being, there are few studies that examine the relationship between inclusive leadership and innovative work behavior in the service industries (Asghar et al., 2023)

Initially, inclusive leadership establishes a respectful and supportive environment that upholds employees' autonomy, encouraging independent work and participation in decision-making. The development of Inclusive Leadership (IL) acts as a potent catalyst for success (Korkmaz et al., 2022)

Employees benefit from Inclusive Leadership by fostering positive working relationships and encouraging subordinates to embrace innovative ideas, promoting creative thinking. Empowered and inspired by managers embodying inclusive leadership traits, workers actively engage in the creative process. Research study suggests that based on self-determination theory (SDT), inclusive leadership leads to autonomous motivation among individuals, which leads to IWB, and this effect is stronger in the presence of horizontal and vertical trust among the individuals and the leader (Zafar et al., 2024).

According to numerous empirical studies, employees with heightened passion and dedication to their work are more likely to be inventive and creative. This, in turn, propels individuals to maximize their capabilities, resources, and skills to meet or exceed the existing expectations of the organization. Therefore, this study hypothesizes that:

H1: Inclusive leadership impacts innovative work behavior.

2.2 Moderating role of power distance

Hofstede's seminal work in 1980 posited that cultural values attain significance exclusively at the societal level. However, subsequent scholarly investigations have elucidated variances in cultural values among individuals within the same societal framework. An exemplary manifestation of this phenomenon is discernible in the construct of power distance orientation, which pertains to an individual's acquiescence to the unequal distribution of power within institutions and organizations. This current inquiry specifically focuses on elucidating the moderating impact of power distance



orientation, accentuating its more immediate association with leadership and innovative work behavior when juxtaposed with other cultural values (Khatri, 2009).

In the context delineated, individuals characterized by a heightened power distance orientation may experience perplexity if formal mentors fail to furnish explicit directives. Consequently, the perceived psychological safety advantages of formal mentoring for employees are deemed less efficacious. In succinct terms, the correlation between inclusive leadership and innovative work behavior diminishes when employees manifest elevated levels of power distance orientation. In contrast, individuals exhibiting diminished levels of power distance orientation may gravitate toward a more participative approach. Inclusive leadership, with its augmented avenues for employees to proactively engage in challenges, consequently exerts more conspicuous effects on innovative work behavior. Therefore, the current investigation posits the following hypothesis:

H2: Power distance moderated the relationship between inclusive leadership and organizational based self-esteem.

2.3 Mediating role of organizational self-esteem

In this research framework, Organizational based self-esteem (OBSE) serves as a mediator in the correlation between inclusive leadership and innovative work behavior. Essentially, individuals with elevated self-esteem may experience less impact from inadequate support due to the presence of other socio-emotional resources linked to their positive self-esteem. Conversely, they might actively strive to protect and preserve these resources. Despite the validity of this perspective, we argue that OBSE is more appropriately characterized as a mediator. A mediation approach perceives self-esteem as encompassing an individual's complete socio-emotional resources to be utilized (or defended) when facing insufficient support. Hence, organizational self-esteem provides a more precise measure of an individual's overall available resources. Supporting this standpoint, research indicates that when accounting for organizational self-esteem, mediating influence of OBSE persists (Song & Gou, 2022). Furthermore, a mediation approach views self-esteem as an outcome influenced by organizational factors. In accordance with this perspective, this study hypothesizes that:

H3: Organizational self-esteem mediates the relationship between inclusive leadership and innovative work behavior.



Following are the underpinning theories of the study:

- **Social Exchange Theory**

Social exchange theory is considered for this study to investigate the mechanisms and boundary conditions of the role of inclusive leadership on innovative work behavior, the mediating role of organizational self-esteem and the moderating role of power distance were tested. Focusing on the tenets of social exchange theory (Blau, 1964), leaders, through the mechanism of inclusive leadership, cultivate an environment where employees perceive trust and respect. Consequently, employees reciprocate with heightened work commitment and affirmative efforts directed at ameliorating their work performance. Social exchange theory perspective confirmed that power distance negatively influences organizational citizenship behavior, that is, low power distance is conducive to organizing citizenship behavior, while high power distance is detrimental to organizing citizenship behavior (Hoang et al., 2022; Jehanzeb, 2022).

- **Self-Determination Theory (SDT):**

Self-Determination theory (SDT) proposes that individuals are motivated by intrinsic needs for autonomy, competence, and relatedness (Ryan & Deci, 2000). Inclusive leadership can satisfy these needs, leading to increased motivation and engagement. Moreover, supportive workplace that encourages autonomy, provides opportunities for skill development, and fosters positive relationships can significantly enhance employees' self-esteem (Kim & Beehr, 2018).

Additional Theory to support the Moderating Role of Power Distance:

- **Hofstede's Cultural Dimensions Theory:**

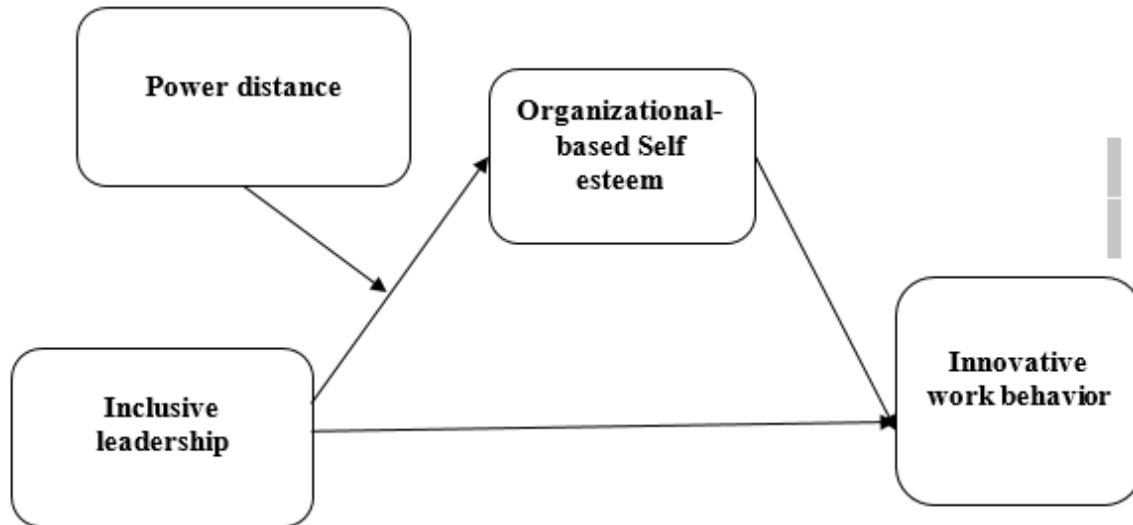
Hofstede's cultural dimension theory (Hofstede, 2001) can help explain how cultural differences, particularly power distance (moderating variable), can influence the relationship between inclusive leadership and innovative work behavior. In high power distance cultures, employees may be less likely to challenge the status quo or engage in innovative behavior.

In the economic landscape of information technology enterprises, financial viability assumes a central role and creative employees are instrumental agents in discovering novel revenue streams. As IT industry contributed nearly 3 billion to the GDP of Pakistan in 2022. This may involve orchestrating special events, establishing collaborations with local enterprises, or leveraging state-of-

the-art technologies (Viglia and Dolnicar 2020). As of the year 2022, the information technology (IT) sector in Pakistan demonstrates a trajectory conducive to growth, underpinned by multifaceted factors. Paramount among these is sustained governmental backing, wherein ongoing initiatives, notably encompassing tax incentives and skill development programs, collectively contribute to an environment fostering the flourishing of IT enterprises. A salient global phenomenon, the accelerated pace of digitalization propelled by the exigencies of the COVID-19 pandemic, serves as a catalyst, instigating heightened demand for technological solutions.

Research Framework

Following is the theoretical framework of the study



References: (Guo et al, 2022; Suruco, et al., 2023; Zafar et al., 2024)



3 Research Methodology

This is a quantitative study which involved the process of collecting numerical data from respondents thereby making predictions, finding relationships, and generalize results to the wider population (Sekaran & Bougie, 2016; Saunders et al., 2003). It has collected the data at a single point of time which makes it a cross-sectional study (Saunders, et al., 2003). The study collects the data from professionals in IT sector. Particularly it has collected data from executives, working in the software houses, located in Pakistan, and have a minimum experience of two (2) years in the same organization.

Following are the brief highlights of the variables and its measurements scale extracted from the literature.

- **Inclusive Leadership:** The Inclusive Leadership Scale (ILS), developed by Carmeli et al. (2013), will gauge inclusive leadership. This scale assesses leader behaviors promoting inclusion, fairness, and support for diverse perspectives.
- **Innovative Work Behavior:** Janssen's (2000) Innovative Work Behavior Scale (IWBS) will measure employees' innovative work behavior. It encompasses dimensions such as idea generation, promotion, and implementation.
- **Organizational Self-Esteem (OBSE):** Pierce et al.'s (1989) validated scale will measure OBSE. This scale evaluates employees' perceptions of their organization's appreciation for their contributions.
- **Power Distance:** The Power Distance Scale by Kirkman et al. (2009) will assess employees' power distance orientation. This scale measures acceptance of hierarchical power distribution within organizations.

4. Results and Discussion

Prior conducting data analysis, a structured survey was distributed electronically through Google Forms for data collection. The surveys integrated validated scales to measure inclusive leadership, power distance, organizational based self-esteem and innovative work behavior. The questionnaire was comprising five sections. First section was related to demographics of the respondents. In particular, it was comprising age, gender, and experience in years, Second, third,

fourth, and fifth section were comprising items related to respective variables on five-point Likert scale, ranging between strongly disagree to strongly agree.

The data were collected ($n = 315$) after taking consent from the respective IT firms in Karachi. The participation was on volunteer basis and the anonymity and confidentiality were taken care of. Initially the data were screened for anomaly later descriptive and correlations were considered. Finally, the data is analyzed using PLS-SEM.

| Gender | | Age | |
|--------|-----|-------|-----|
| Male | 210 | 20-30 | 89 |
| Female | 105 | 31-40 | 102 |
| | | 41-50 | 58 |
| | | 50+ | 66 |
| Total | 315 | | 315 |

In our sample, the majority of the respondents are male of age greater 50. However, among females, the prominent age bracket is between 31 years of age to 40 years of age. In addition, the younger age group (20-30) are male dominant in software industry.

4.1 Measurement Model: Reliability and validity

Table 1 indicates the internal consistency, composite reliability, and average variance extracted. The analysis shows that the Cronbach's alpha value and composite reliability of each variable is greater than 0.7. The general principle of Cronbach's alpha to be accepted is at least 0.6 (Nunnally, & Bernstein, 1978). A higher Cronbach's alpha indicates better internal consistency. Therefore, the internal consistency is above the level of the threshold. The values for composite reliability are also greater than the threshold of 0.70 (Hakken, 1998). Average Variance Extracted (AVE) is a statistical measure used to measure the convergent validity of a latent construct. It actually quantifies the proportion of variance in a latent variable that is explained by its main indicators. It indicates that respective constructs are more clearly defined and distinct from other constructs in the model. The analysis shows that the average variance extracted value is greater than 0.5 (Hakken, 1998).



Table no 01: Reliability and Validity Analysis

| Constructs | Cronbach's alpha | Composite reliability (rho_c) | Average variance extracted (AVE) |
|----------------------------------|------------------|-------------------------------|----------------------------------|
| Inclusive leadership | 0.894 | 0.920 | 0.657 |
| Innovative work behavior | 0.841 | 0.887 | 0.619 |
| Organizational based self esteem | 0.836 | 0.884 | 0.605 |
| Power Distance | 0.841 | 0.887 | 0.611 |

4.2 Discriminant validity

While the Fornell-Larcker criterion highlights certain ambiguities in establishing discriminant validity. Further analysis demonstrate that each indicator loads more strongly on its associated construct than on any other construct, supporting discriminant validity. Additionally, the VIF values fall well within acceptable thresholds, indicating an absence of multicollinearity among the predictor variables. Taken together, these findings mitigate concerns raised by the Fornell-Larcker criterion, strengthening the confidence in the validity and reliability of the measurement model.

Table no 02: Fornell-Larcker criterion

| | Inclusive leadership | Innovative work behaviour | Organizational based self esteem | Power Distance |
|----------------------------------|----------------------|---------------------------|----------------------------------|----------------|
| Inclusive leadership | 0.811 | | | |
| Innovative work behavior | 0.888 | 0.787 | | |
| Organizational based self esteem | 0.873 | 0.839 | 0.778 | |
| Power Distance | -0.921 | -0.839 | -0.808 | 0.782 |

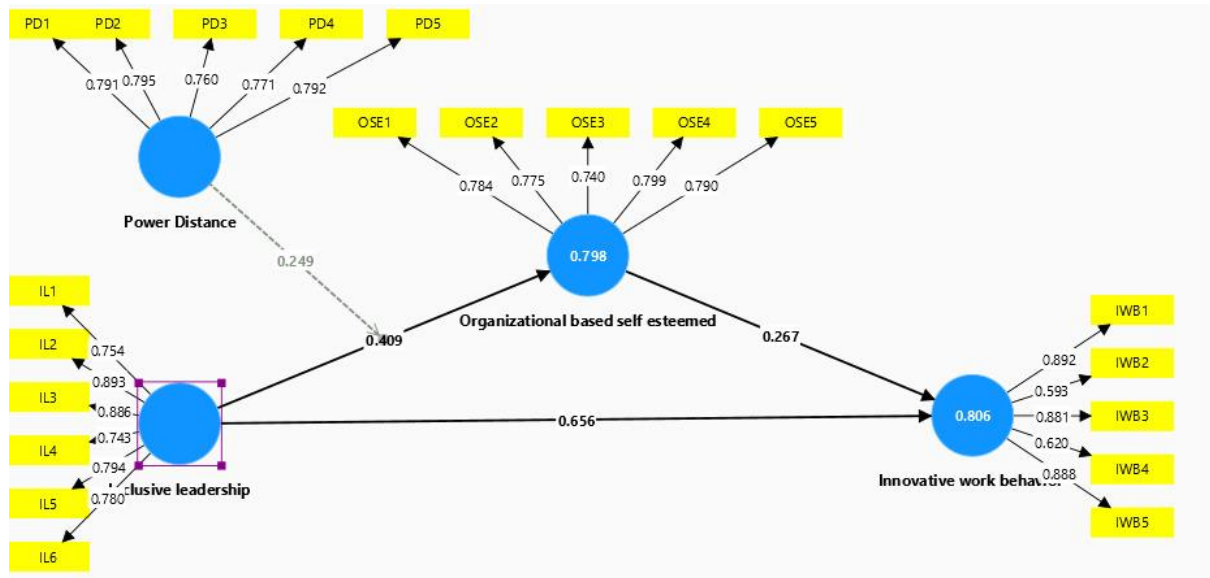


Figure no 2: Smart-PLS path model of the study

4.3 Structural Model Results

The results of a Confirmatory Factor Analysis (CFA) based on Standardized Root Mean Square Residual (SRMR) and Normed Fit Index (NFI) suggest a good fit. The SRMR value (as 0.070) is a measure of the average magnitude of the residuals between observed and predicted correlations. An SRMR value of less than 0.08 is generally considered indicative of an acceptable model fit. Therefore, an SRMR of 0.070 indicates that the model fits the data well, as it is below the commonly accepted threshold. In addition, the NFI compares the fit of the specified model to a null model (a model with no relationships among the variables). NFI values range from 0 to 1, with values above 0.90 typically indicating good fit. Therefore, a value of 0.91 suggest that that the model provides a good fit relative to the null model.

Table no 03: Mediating and moderating effects

| | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistics (O/STDEV) | P values |
|--|---------------------|-----------------|----------------------------|--------------------------|----------|
| Inclusive leadership -> Innovative work behavior | 0.656 | 0.654 | 0.043 | 15.305 | 0.000 |
| Inclusive leadership -> Organizational based self-esteem | 0.409 | 0.407 | 0.098 | 4.161 | 0.000 |
| Organizational based self-esteem - | 0.267 | 0.269 | 0.045 | 5.974 | 0.000 |

| | | | | | |
|---|-------|-------|-------|-------|-------|
| > Innovative work behavior | | | | | |
| Power Distance x Inclusive leadership -> Organizational based self-esteem | 0.249 | 0.248 | 0.035 | 7.144 | 0.000 |

Above table combine the effects of mediation and moderation in the model. According to the results, all the p values are less than 0.05 which suggested that under studied hypotheses are significant and referred that that is a positive relation between inclusive leadership on innovative work behavior, in addition to that organizational based self-esteem and power distance has mediating and moderating impact respectively.

Moderating Effect

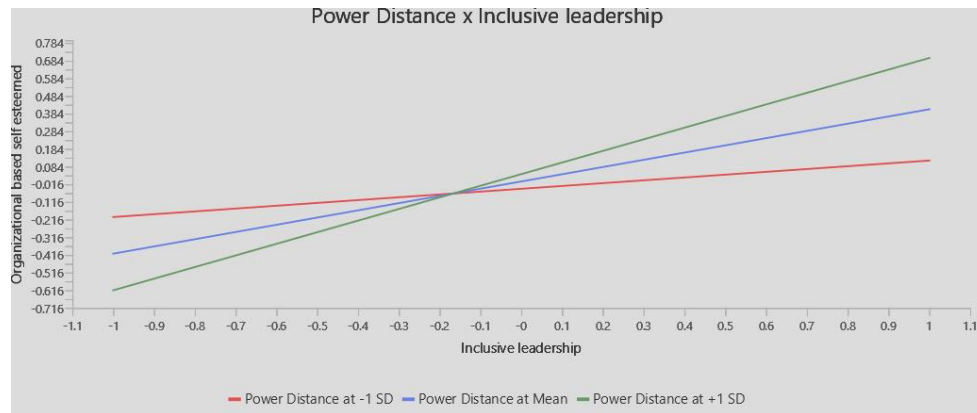


Figure no 3: Moderating effect

The graph presents a moderation analysis examining the interaction effect of Power Distance on the relationship between Inclusive Leadership and Organizational based self-esteem (OBSE). The interaction term evaluates how Power Distance changes the effect of Inclusive Leadership on OBSE. The graph, on x-axis, represents levels of inclusive leadership, ranging from low (-1 SD) to high (+1 SD). Similarly, on y-axis, it represents the levels of OBSE, with higher values indicating greater self-esteem derived from being part of an organization.

The interaction effect suggests that power distance moderates the relationship between inclusive leadership and OBSE. The graph shows a direct relation that is individuals with high power distance exhibit the high OBSE, and with low power distance have relatively low OBSE. This indicates that inclusive leadership has the strongest positive impact on their OBSE.



Predictive power using R square and Adjusted R square

In below table R square indicates how much variance in the dependent variable is explained by the predictors. Innovative work behavior explains 80.60 % of the variance in innovative work behavior. Similarly, organizational based self-esteem explains 79.80% of variance in innovative work behavior. Adjusted R^2 values for both IWB and OBSE are only slightly lower, showing a strong model fit.

Table 04: R^2 and Adjusted R^2

| | R-square | R-square adjusted |
|---|-----------------|--------------------------|
| Innovative work behavior | 0.806 | 0.805 |
| Organizational based self-esteemed | 0.798 | 0.797 |

5. Discussions

The results of this research confirm the existence of the positive relationship between the variables in our study, which is the effect of inclusive leadership on the innovative work behavior (IWB) of employees in the IT industry in Pakistan.” This goes along with earlier studies that emphasize the importance of leadership style on the promotion of creativity and innovation among employees (Carmeli et al., 2010; Randel et al., 2018). The leaders cultivate an inclusive environment by being approachable, open to suggestions, and receptive to all opinions. In doing this, the employees feel secure and are actively encouraged to think outside the norm and develop new ideas (Choi et al., 2017). Contrary to these findings, Chang (2018) argues that inclusive leadership does not universally generate trust or high levels of employee commitment. This divergence may stem from contextual factors, such as organizational culture or power distance, as high-power-distance leaders might prioritize authority over collaborative exchanges.

Similarly, Li, Ling, and Zhu (2024) demonstrated that inclusive leadership positively influences employee outcomes by fostering psychological safety and self-esteem, which in turn drive innovation and commitment. Therefore, in the context of Pakistan’s IT sector, where innovation is an essential element for firm’s growth and sustainability, this type of leadership approach is extremely vital. For, the cultural dimension of Pakistan being that of a collectivistic and with a hierarchical structure has formed the basis for enhancing the significance of inclusive leadership in enhancing IWB through reducing the ambiguity and increasing the employees’ belief in their ability to present new



ideas (Hofstede, 2001). It follows from these results that it might be advantageous for firms operating in Pakistan's IT sector to adopt and implement policies that enhance the inclusiveness of the leadership in order to stimulate innovation.

The study goes on to further state that organizational based self-esteem (OBSE) acts as a mediator when it comes to the relationship between inclusive leadership and IWB. Such mediation serves to explain the psychological mechanism through which an inclusive leader impacts the innovative behavior of the employees in the organization. As a result, by supporting their employees, inclusive leaders build up OBSE, which in turn makes such employees to work on non-routine tasks which are highly creative and innovative (Gardner & Pierce, 2016). Such conclusions support the relationships that have been established between OBSE and proactive workplace behaviors in earlier studies (Bowling et al., 2010; Zhang & Bartol, 2010). This confirms the importance of psychological empowerment in translating leadership behaviors to desired organizational outcomes. For information technology managers in Pakistan these findings emphasize the need to develop employees' self-esteem through providing an adequate and inclusive atmosphere.

In addition, the moderation analysis indicates that power distance enhances the effect of inclusive leadership on OBSE. This result raises an interesting issue how cultural dimensions may affect the success of the leaders. In Pakistan's cultural context, for example, a high-power distance fosters employees' sensitivity towards the hierarchy of authority (Hofstede, 2001). In such contexts, inclusive leadership perceived as transformational and nearly impossible, which largely increases their OBSE (Farh et al., 2007), because employees are included in the decision-making process and their contributions are appreciated. This moderation leads to similar conclusions to previous research on the influence of culture on the effect of various leadership styles on subordinates (Dickson et al., 2012). For managers, this suggests the importance of being sensitive to the culture in which leadership is executed. Under such conditions, it may be that inclusive leadership can provide greater psychological and behavioral effect and boosts the need for motivation and creativity in the workplace.

In high power distance cultures, employees understand their roles within the hierarchy that may foster their confidence and sense of belongingness towards organization. They value recognition from leaders, which boosts their self-esteem. Workers often rely on superiors for guidance and for this reason inclusive leadership is crucial for creating trust and empowerment of employees. Formal



feedback systems are common at workplace, and constructive input of the leader enhances employees' self-awareness and organizational perceived value. In such an environment especially in IT sector, employees might experience less tension with authority figures and they may not question the organizational procedures, thus giving them a stronger sense of peace and job satisfaction.

6. Conclusion

The current study presents evidence regarding the positive impact of inclusive leadership on innovative work behaviors (IWB) in Pakistan's IT sector. When leaders prioritize inclusivity, employees feel inspired to (and want to) contribute creatively and innovatively to organizational goals. Finally, OBSE as a mediator reinforces the psychological processes underpinning the relationship between inclusive leadership and IWB, as inclusive leaders instill a sense of self-respect in employees. Moreover, the moderating role of power distance highlights the cultural specifics that affect these links. In organizations characterized by high power distance ratio, inclusive leadership has great positive effects on OBSE, which, in turn, greatly enhances the innovative behaviors. Rooted in social exchange theory, the results shed light on the reciprocal processes that guide these relationships. Employees react to the inclusion of a leadership style with greater engagement and innovation, which is sustained by love and respect. Such findings are therefore a further expansion of the corpus of communication on leadership and innovation adding new strategies for managers and policymakers to be able to reach positive organizational endpoints via inclusive practices.

6.1 Recommendations

1. It is recommended to introduce inclusive leadership development programs as the central theme, for example, interactive exercises on active listening, unconscious bias training, and the decision-making that embraces the opinions of all, leaders who can successfully lead the innovation process.
2. It is recommended to introduce employee psychological well-being related policies. The focus of policies should be on the aspects that give employees their organizational based self-esteem, such as recognition programs and participative decision-making.
3. Organizations are recommended to customize the leadership strategies in agreement with the cultural aspects, especially high-power-distance cultures, to achieve optimal leadership effectiveness. For example, leaders might choose the method of getting people's opinions that includes led



situations for employees to introduce their ideas as well as sustain obvious authority so that they feel inclusive in decision making process. Additionally, in a hierarchy system, the recognition, and celebration of individual efforts can empower employees' feeling of worth and trust in the leadership.

4. Organizations are suggested Establish organizational cultures that value and reward innovative efforts, supported by inclusive leadership.

5. It is highly recommended that the organizational policies in the HR should mirror inclusive leadership to ensure the company pursues the innovation-employees empowerment link. Systems that offer guidance based on feedback or the recognition of employees' work, and thus boosting OBSE, should be introduced.

6.2 Areas for Future Research

Further research can investigate the presence of inclusive leaders in different sectors along with IT, namely the healthcare, educational and manufacturing sectors; this can determine how generalizable the results are. Longitudinal or experimental studies would offer more information about the long-term effects of inclusive leadership on innovative work behavior and organizational based self-esteem (OBSE). Furthermore, research into the effects of these moderators (e.g. organizational climate, employee demographics) can provide deeper insights into the boundary conditions of these relationships. Finally, cross-cultural studies comparing high-and low-power-distance societies will help in further investigating cultural dimensions in order to better explain the effectiveness of inclusive leadership strategies.



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