



Women in Strategic Leadership: How Ethical Climate Mediates the Relationship Between Female Leadership and Firm Performance

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Abstract

The present study examines the influence of women in strategic leadership on firm performance through the mediating role of ethical climate while investigating the moderating effects of gender diversity culture and industry dynamism. Drawing upon Upper Echelons Theory, the study proposes that female strategic leaders contribute positively toward ethical organizational environments and organizational performance outcomes. A quantitative explanatory research design was employed using survey data collected from managerial employees in the banking sector. Data were analyzed using SPSS and SmartPLS 4 through Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings revealed that women in strategic leadership positively influence ethical climate and firm performance, while ethical climate significantly enhances organizational performance. Furthermore, gender diversity culture strengthened the relationship between women in strategic leadership and ethical climate, whereas industry dynamism strengthened the relationship between women leadership and firm performance. The study contributes theoretically by extending Upper Echelons Theory through the integration of ethical and contextual mechanisms within leadership-performance relationships.

Keywords: Strategic Leadership, Ethical Climate, Leadership and Firm Performance, Women.



Introduction

In the global arena, there is growing understanding of the strategic value of women in leadership roles, as diversity in leadership is linked to innovation, ethical governance, sustainability and long-term organizational success. In today's competitive business world, companies are facing pressure to improve performance results and uphold ethical standards. Consequently, there is an increasing focus on leadership mechanisms for ethical behavior and responsible decision making in organizations. Women managers are seen as more collaborative, transparent, participative and ethically sensitive in their management practices, which can positively influence the organizational environment and performance outcomes (Dadanlar & Abebe, 2020; Nekhili et al., 2018). Furthermore, there have been numerous instances of corporate misconduct, governance failures and a loss of trust in corporations, which has increased the ethical concerns in companies. Therefore, ethical climate is an important mechanism in the organization which is used to increase the employees' behaviors and organizational effectiveness (Demirtas & Akdogan, 2015). In this context, it is important to study how women in strategic leadership affect firm performance via ethical mechanisms as a scholarly and managerial issue.

While there has been an increase in the representation of women in leadership positions around the world, women's representation at strategic decision-making levels is still limited in many developing and emerging economies. In a rapidly changing and uncertain environment, it is especially important to have leadership styles that can help organizations uphold the moral and ethical standards while enhancing competitiveness and adaptability. In a rapidly changing industrial world, with a diverse workforce and rising stakeholder expectations, ethical climate is even more important. In addition, building a culture of gender diversity could enhance the positive impact of women leaders, and provide supportive environments for inclusion and participation. Hence, the study of women in strategic leadership, ethical climate and firm performance in today's organizational context is of great interest to both academic and industry.

Women in strategic leadership is the involvement of women in managerial and strategic decision-making roles that shape the organization's trajectory and results. Past research indicates that women leaders have a positive impact on organizational ethics, sustainability, innovation and employee relations (Herlita, 2025; Jeong et al., 2026). Ethical climate is the common perception of the employees about ethical practices, norms and behaviors in the organizations (Demirtas & Akdogan, 2015). Ethical climate is found to have positive impact on organizational commitment, employee behavior and firm performance (Shin et al., 2015; Khanam et al., 2025). Furthermore, industry dynamism and gender diversity culture can impact the effectiveness of leadership practices, as they can affect organizational adaptability and inclusiveness.

While there has been an increase in the number of studies and books on gender diversity and ethical leadership, there are a number of key questions that have not been addressed in the literature. Firstly, previous research has mainly focused on the direct link between women's leadership and firm performance, and the role of ethical climate in the relationship between women's strategic leadership and firm performance has not been sufficiently studied (Nekhili et al., 2018; Jeong et al., 2026). Ethical climate has been found to be related to leadership effectiveness and organizational performance, but it has not been sufficiently explored as an explanatory mechanism between women in strategic leadership and firm performance.

Second, past research has been largely on the western or developed economies, leaving a gap in terms of the context of the findings in emerging and developing organizational contexts



where cultural norms, gender representation and organizational structures are very different. Thirdly, little research has studied boundary conditions to enhance or weaken these relationships. Especially, there is a lack of combining gender diversity culture and industry dynamism in one single framework. Previous research has investigated the relationship between ethical climate and leadership, between leadership and performance, or between organizational culture and female leadership effectiveness; however, none of these studies has taken into account the interaction between organizational culture and environmental uncertainty with female leadership effectiveness (Vu & Dang, 2021; Zehir et al., 2016). These gaps limit the ability to gain a full understanding of when women in strategic leadership can help organizations succeed.

Ethical lapses, lack of trust in organizations, lack of equality in leadership, and inconsistent performance results continue to plague organizations. While there is a growing trend for companies to advance women to strategic leadership roles, there is still some doubt as to whether this has a direct impact on firm performance or whether the impact is through organizational ethical mechanisms. In addition, there are significant variations between organizations in terms of gender diversity culture and exposure to dynamic industrial environment, which may impact women leaders' effectiveness. The literature is inadequate in explaining the link between women in strategic leadership and firm performance and how the ethical climate between these two variables acts as a mediator or how other contextual variables enhance or weaken the relationship. This means that there is no clear empirical evidence for managers to guide them in maximizing the strategic value of female leadership. This is an important issue as it is essential that organizations have inclusive leadership structures and ethical organizational environments in order to sustain their performance and long-term competitive advantage.

The purpose of this study is to analyze the effect of women in strategic leadership on firm performance with the mediator of ethical climate. Further, the study explores the moderating effect of gender diversity culture and industry dynamism on the proposed relationships in the research framework. The study is based on the theories of Ethical Leadership and Upper Echelons. These theories state that the performance of an organization is a product of the values, attributes, and decisions of its leaders. In supportive organizational cultures and dynamic industrial environments, female leaders can shape ethical organizational climates, which can have a positive impact on firm performance. Theoretically, this study is novel in bringing together ethical climate, gender diversity culture and industry dynamism in a single study. In practice, it's a resource for those who want to become inclusive leaders and act ethically. The study adds to the literature on women leadership in the context of firm performance outcomes by investigating the mechanisms and conditions that affect firm performance outcomes.

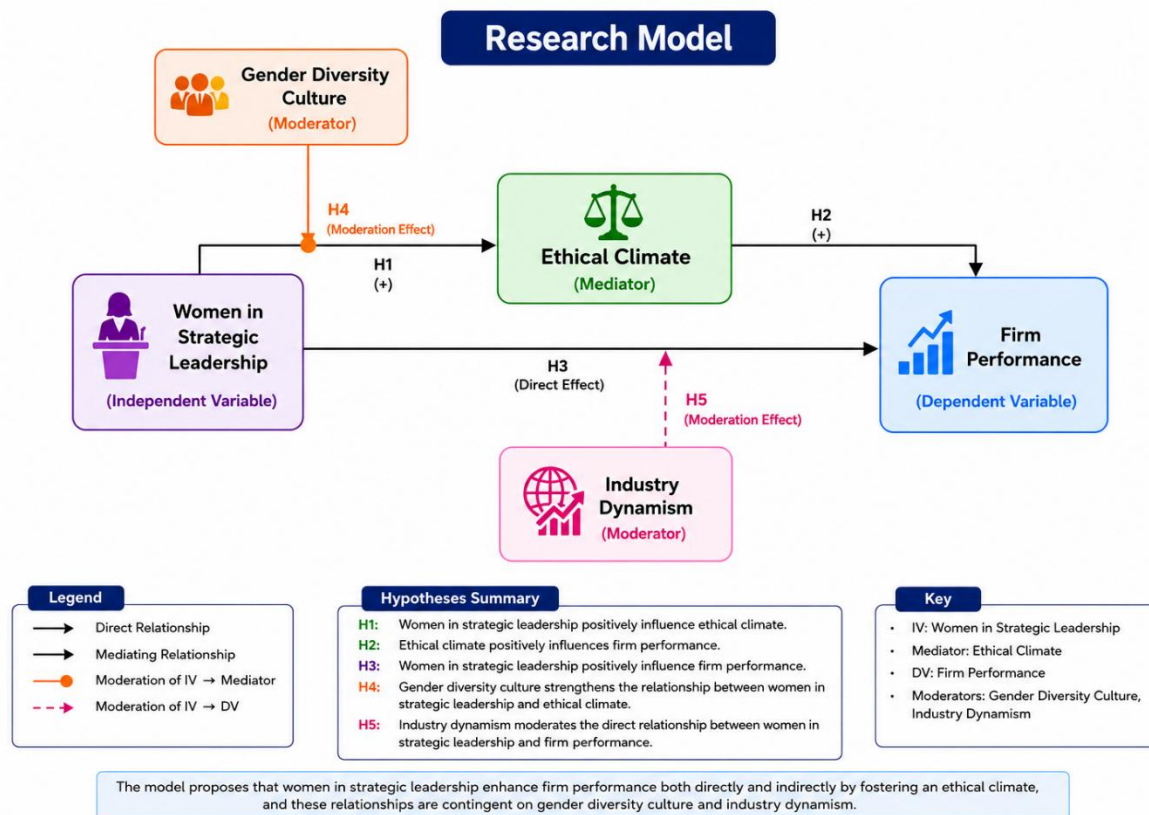
Theoretical Foundation

Hambrick and Mason (1984) developed Upper Echelons Theory to offer a solid theoretical explanation of the role of upper echelons characteristics, values, cognitive orientations and strategic choices in shaping organizational outcomes. The theory is based on the belief that organizational performance is a reflection of the experiences, beliefs and behavioral tendencies of top executives because executives interpret environmental situations based on their personal and professional experiences. In this context, the influence of women in strategic leadership roles could differ from that of men, because of their differing leadership styles, communication and leadership approaches, moral orientations, and sensitivity to the concerns of stakeholders. Female leadership is often linked to participative management, ethical responsibility, collaboration, and long-term



strategic orientation, leading to positive organizational climates and sustainable performance outcomes (Jeong et al., 2026; Herlita, 2025). Ethical climate is thus a significant process by which strategic leaders influence employee behavior, norms and decision-making. The Upper Echelons Theory also implies that organizational culture and external environmental factors can help or hinder leadership influence since managerial decisions are made in the context of the organization and its environment.

In recent years, there has been a growing number of studies that seek to apply Upper Echelons Theory to understanding the relationship between leadership characteristics and organizational outcomes, especially in the context of ethical leadership, gender diversity and sustainability performance. Vu and Dang (2021), for example, employed theoretical assumptions related to leadership to theorize the influence of CEO gender on environmental and financial performance via collaborative organizational mechanisms. Likewise, Huang et al. (2023) found that ethical leadership has a positive impact on organizational performance by using a strategic and institutional approach, emphasizing the role of contextual factors in effective leadership. But the previous theoretical applications show some drawbacks. First, a considerable number of studies have studied the direct link between leadership and performance, without taking into account mechanisms that explain how leadership attributes relate to organizational outcomes. Second, previous studies tend to use theories of leadership in Western settings and it may be difficult to apply them to emerging markets where the institutional, cultural and gender environment is different. Third, although organizational factors like gender diversity culture and industry dynamism can affect the effectiveness of leadership, they have not been integrated into the theories to a significant extent. Previous research also often focuses on one of the three factors: ethical climate, leadership diversity, or organizational performance, but not combines them in a holistic approach. Thus, the theoretical understanding of the role of women in strategic leadership and their impact on firm performance via ethical climate in different organizational and environmental conditions is still limited. These theoretical limitations can be addressed in a way that helps to expand Upper Echelons Theory in the current diversity and ethics research settings.



Hypotheses

This association between women in strategic leadership and ethical climate has received considerable academic interest, as the characteristics of a leader have a strong influence on the ethical norms, decision making processes and employee perceptions within an organization. According to Upper Echelons Theory, the mindsets of a leader (cognitive values, ethical orientation, and strategic behavior) shape the outcome of an organization. Women leaders are often linked to transformational, participative and ethically responsive leadership which fosters fairness, transparency, accountability and sensitivity to stakeholders in organizations (Dadanlar & Abebe, 2020). The characteristics of these leaders are especially significant in creating ethical climates as the ethical climate is the employees' collective perceptions about acceptable organizational behaviors and ethical standards (Demirtas & Akdogan, 2015). Modern organizations need ethical organizational climate to minimize misconduct, increase trust and enhance the internal governance system. Thus, women in strategic leadership roles can play a positive role in the creation of ethical climates, by fostering inclusive decision-making, ethical responsibility and socially responsible organizational behavior.

The empirical findings are mostly consistent with the positive link between women's leadership and ethical outcomes in organizations. Jan et al. (2026) revealed that ethical climate has a significant positive impact on female entrepreneurial and citizenship behaviors as it fosters a sense of responsibility in organizational behavior and collective ethical awareness. In a similar vein, Khanam et al. (2025) highlighted the significance of ethical climates in the workplace, which can be fostered by ethical leadership and in turn, bolster sustainable employee performance. Al Doghan et al. (2025) also concluded that ethical business practices lead to positive employee relations climates and competitive strategic behavior, which in turn, positively affect organizational outcomes. But



there are mixed empirical results across contexts. Some studies indicated that the impact of female leadership on the ethical climate might be much more dependent on the organizational culture, institutional support, and industry conditions than the gender of leadership. In a highly patriarchy/hierarchy culture, women leaders may be structurally constrained in their capacity to effectively shape ethical organizational norms. Practically, previous research has also mostly used cross-sectional data and perceptual measures, which make it difficult to draw causal conclusions and to understand the longitudinal perspective. Moreover, a lot of studies have been conducted on ethical leadership in general, not necessarily on women in strategic leadership positions. The inconsistencies highlight an important empirical and contextual gap in the understanding of the relationship between women strategic leadership and ethical climate in the current organizational context. Based on these arguments, the study proposes the following hypothesis:

H₁: Women in strategic leadership positively influence ethical climate.

Ethical climate has become an important organizational variable that impacts employee behavior, strategic decisions, and ultimate organizational effectiveness. Ethical climate is the collective perceptions of the organization about the ethical procedures, norms and standards of the expected behaviors that affect employee behaviors and managerial decisions (Demirtas & Akdogan, 2015). Theoretically, high ethical climates in organizations are likely to lead to greater employee trust, cooperation, openness and psychological safety, which improves organizational performance and efficiency. Ethical climates also diminish unethical behavior, conflict in the workplace, and opportunistic behavior that can impact the reputation and productivity of an organization. Therefore, ethical climate is now recognized as a strategic organizational resource which can improve financial and non-financial performance outcomes. In a competitive and uncertain business world, companies with more positive ethical climates will be more likely to attract and keep the trust of their stakeholders, the commitment of their employees, and sustainable competitive advantage.

The overall evidence is that there is a positive relationship between ethical climate and organizational performance outcomes. Shin et al. (2015) revealed that ethical leadership had a positive impact on firm performance with ethical and procedural justice climates as mediators, indicating that ethical organizational climates play a key role in enhancing organizational outcomes. Likewise, Alsetoohy et al. (2026) found that ethical climate plays a significant role in performance excellence and quality management in the hospitality industry. Madanchian et al. (2025) also showed that ethical leadership positively affects the performance of SMEs by the mechanisms of leadership effectiveness related to ethical organizational practices. But conflicting results suggest that the ethical climate does not necessarily lead to consistent performance results in all sectors and institutional settings. Ethical climates that focus on strict adherence and procedural control can be seen to limit organizational flexibility, creativity and adaptability in highly dynamic settings, some studies indicate. Further, methodological variations, like choice of industries, measurement scales, and performance indicators, lead to inconsistent empirical results. Previous research also tends to target employee outcomes, such as commitment and job satisfaction, and there is limited evidence of the impact on firm level outcomes. In addition, research on ethical climate is still very much focused on developed economies, and it is therefore difficult to understand the nature of ethical climates in other organizational and cultural contexts. The present study reveals the inconsistencies that necessitate further studies on ethical climate as a strategic



mechanism affecting the firm's performance under different organizational conditions. Therefore, the following hypothesis is proposed:

H₂: Ethical climate positively influences firm performance.

The link between women in strategic leadership and firm performance has gained interest in the recent organizational and strategic management literature. Upper Echelons Theory suggests that the composition of the top team in terms of demographics, values, and strategic orientations will influence organizational outcomes. Women leaders are often linked to participative leadership, collaborative decision-making, ethical leadership and strategic thinking that can have a positive impact on organizational performance outcomes (Nekhili et al., 2018). Today, companies are increasingly aware that diversity in leadership is a driver of innovation, creativity, stakeholder engagement and strategic agility. Women leaders can also help to enhance the quality of governance and minimize organizational misconduct as they tend to show better ethical sensitivity and accountability in decision-making processes (Dadanlar & Abebe, 2020). Thus, organizations that have more women in strategic leadership roles can be more financially successful, more efficient, and more competitively advantageous.

Empirical research in recent years has given strong support to positive relationship between women's strategic leadership and firm performance. Jeong et al. (2026) proposed that the positive relationship between female strategic leadership and firm performance is indirect, mediated by employee-related factors such as employee motivation, employee inclusion, and organizational commitment. Likewise, Iqbal and Piwovar-Sulej (2025) showed that gender-inclusive leadership positively influences sustainable organizational performance by enhancing organizational capabilities in the ethical and relational dimensions. Herlithah (2025) also found that empowerment based managerial practices play a significant role in achieving sustainable competitive advantage of women in SMEs with their strategic leadership. But empirical results are mixed and context dependent. However, some research suggests that the positive impact of women in leadership may be diminished in organizations with strong hierarchical structures, gender bias, and/or few decision-making opportunities for women leaders. Other studies indicate that women in leadership roles may not have significant impact on the organization unless there is a more diversity-focused organizational culture. There are also methodological limitations as many studies are based on secondary financial data or general board diversity measures and do not directly address the impact of women on strategic leadership. Furthermore, there are some inconsistencies in the results on the strength and direction of leadership-performance relationships across contexts, such as industries and countries. Thus, there is a lack of understanding in the literature about how women in strategic leadership affect firm performance in different organizational contexts and ethical climates. Based on these arguments, the following hypothesis is proposed:

H₃: Women in strategic leadership positively influence firm performance.

Gender diversity culture is a collection of values, norms and practices that foster inclusion, equality and acceptance of diverse gender participation in organizational processes and leadership. Whether or not women are effective in strategic leadership positions could be largely related to the presence of supportive diversity-oriented cultures that promote equal inclusion, participation and treatment. Upper Echelons Theory suggests that leadership effectiveness is not just a function of the characteristics of the leader, but also of the organizational contexts that facilitate or inhibit the exercise of leadership. In gender-diverse cultures, women leaders might have more legitimacy, decision-making power, and institutional support, which could enhance their capacity to create



positive ethical climates. On the other hand, organizations that do not have a strong culture of diversity may not have the right structure to support women leaders, may have discriminatory practices, or may not be willing to take inclusive leadership approaches.

In recent years, the significance of diversity-focused organizational cultures for leadership effectiveness and organizational ethics has been emphasized. Vu and Dang (2021) suggested that organizational mechanisms such as collaborative and inclusive organizational contexts play a significant role in influencing organizational outcomes related to leadership. Likewise, Zehir et al. (2016) reported that the ethical climate is a moderator in the significant relationships between employees and the organization, so that the ethical climate strengthens employee satisfaction and organizational citizenship behaviors. Alsetoohy et al. (2026) also highlighted the importance of organizational culture in influencing ethical and relational organizational outcomes in service industries. Although the concept of diversity management has received growing attention, there is still a lack of empirical research that specifically focuses on gender diversity culture as a moderator between women's strategic leadership and ethical climate. Previous research may be general and not specifically address the extent to which supportive gender cultures can enhance ethical outcomes in the context of leadership. In addition, results are inconsistent between cultural and institutional contexts as diversity initiatives are very different from country to country and from organization to organization. Diversity policies might be present in some organization's but have little impact on leadership or employee perceptions. In methodological terms, many studies also do not differentiate between formal diversity structures and diversity-oriented cultures in organizations that are actually experienced by employees. The inconsistencies suggest an important contextual and conceptual gap regarding the conditions under which women leaders are likely to be able to influence ethical organizational climates. Therefore, the following hypothesis is proposed:

H4: Gender diversity culture positively moderates the relationship between women in strategic leadership and ethical climate.

Industry dynamism is the extent of uncertainty, technological change, market volatility and competitive instability in an industry. Dynamic industries demand quick response from organizations to meet the changing customer needs, technological developments, and competitive pressures. In such scenarios, the role of effective leadership becomes even more critical as organizations need to be strategically agile, innovative, and make ethical decisions to maintain performance levels. Women in strategic leadership roles might exhibit more relational management, collaborative problem-solving and adaptive strategic behavior, improving organizational performance especially in uncertain and rapidly evolving contexts. According to Upper Echelons Theory, the impact of leadership characteristics on organizational outcomes will vary based on the environmental conditions as leaders interpret and react to environmental uncertainty differently depending on their managerial orientations and decision-making styles.

Empirical studies have shown the importance of environment and industry in leadership-performances relationship recently. Huang et al. (2023) showed that institutional pressures play a moderating role between ethical leadership and organizational performance, highlighting the need for contextual environmental factors in the effectiveness of ethical leadership. Madanchian et al. (2025) found that in the context of strategic uncertainty and technological change, leadership effectiveness is more likely to have a stronger influence on organizational performance. Jeong et al. (2026) also proposed that the impact of leadership on organizational outcomes is more pronounced in situations where organizations are subjected to greater competitive and



environmental pressures, which necessitate employee engagement and strategic adjustments. However, the evidence is mixed as to whether leadership-performance linkages are always enhanced in dynamic industries. Other research indicates that in highly dynamic industries, leadership may be less effective since the environment's uncertainty makes it more difficult for managers to control the organization's results. Other research shows that industry dynamism can cause organizations to become more stressful, resource-constrained, and more complex to lead, which can reduce the impact of collaborative leadership. There are also methodological variations, as industry dynamism is defined in various ways in different studies, which makes the findings of different studies less comparable. Moreover, there is limited study of industry dynamism in particular with the context of relationship between women strategic leadership and firm performance. Such constraints suggest that there is a need to investigate more closely the context in which women leaders can help organizations to perform in uncertain environments. Therefore, the following hypothesis is proposed:

H₅: Industry dynamism positively moderates the relationship between women in strategic leadership and firm performance.

Methodology

The positivist philosophy is used in this study because the proposed framework is based on objective measurable relationships between the variables of women in strategic leadership, ethical climate, and firm performance, and is tested through hypotheses and empirical observation. The positivism approach is suitable for quantitatively analyzing causal relationships and generating generalizable results using statistical methods (Ghanad, 2023). The study also uses a deductive research approach as the hypotheses are derived from Upper Echelons Theory and previous empirical studies. Deduction is a method of systematically testing the relationships that are theoretically derived and is used to verify the proposed conceptual framework empirically. This is suitable as the study is based on structured quantitative evidence and attempts to validate causal relationship between predefined variables.

The research design is quantitative and explanatory in nature as the study is designed to explore causal relationships between various constructs under a theoretically grounded framework. For testing mediation and moderation relationship, quantitative explanatory designs are appropriate for statistical procedures and large-scale data analysis (Ghanad, 2023). Moreover, the study uses survey research approach as surveys provide a standardized approach to gather data from large number of respondents and help to make the data more comparable across organizational settings. The survey approach is suitable to investigate perceptions on leadership, ethical climate and organizational performance and to measure latent constructs efficiently. The study uses a cross-sectional time horizon where data is collected at one time. For organizational studies with managerial perceptions, a cross-sectional design is appropriate as it enables the investigation of relationships between constructs in an efficient manner given the time and resource constraints (Maier et al., 2023).

The target population is managerial employees of banking sector as the financial institutions have been increasingly focusing on ethical governance, diversity in leadership and organizational performance. Middle and senior level managers were chosen as the respondents because they have adequate organizational knowledge about leadership practices and ethical organizational environment. The study uses a non-probability sampling technique of purposive sampling to ensure that those who are sampled have relevant managerial experience and



organizational exposure. A structured, self-administered questionnaire was used to gather data from both traditional and electronic sources spanning roughly eight weeks. Ethical issues were addressed by informed consent, voluntary participation, confidentiality and anonymous handling of responses. All constructs were translated into measurement scales which were previously validated and adapted from earlier studies with minor refinements of wording to make them contextually appropriate. The measurement of women in strategic leadership, ethical climate, gender diversity culture, industry dynamism and firm performance was done by multi-item Likert scales with a range from 1 (strongly disagree) to 5 (strongly agree). The questionnaire was expert reviewed and pilot tested for clarity, reliability and content validity. Partial Least Squares Structural Equation Modeling (PLS-SEM) was used for data analysis via SmartPLS 4. PLS-SEM was chosen because it is an approach that can effectively handle complex mediation and moderation models, latent constructs, and predictive-oriented research frameworks and is robust against non-normal data distributions and relatively complex structural relationships (Fauzi, 2022; Henseler & Schuberth, 2022). SmartPLS 4 also offers advanced reliability, validity and predictive assessment procedures appropriate for today's management research (Cheah et al., 2024; Sarstedt et al., 2024; Schuberth et al., 2023).

Data Screening and Cleaning

Prior to hypothesis testing, the dataset was screened and cleaned using SPSS to ensure statistical accuracy and methodological rigor. Missing values were examined through frequency analysis, and responses with excessive missing data were excluded, while minor missing values were treated using mean substitution. Outliers were assessed using Mahalanobis distance and standardized residual values. Normality was evaluated through skewness and kurtosis statistics, which remained within acceptable thresholds. Multicollinearity was assessed using variance inflation factor (VIF) values below 5.0. Harman's single-factor test confirmed the absence of significant common method bias, while all variables were coded systematically before analysis (Ghanad, 2023).

Table 1
Demographic Profile of Respondents

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	248	54.3
	Female	209	45.7
Age	25-35 Years	146	31.9
	36-45 Years	198	43.3
	Above 45 Years	113	24.8
Education	Bachelor's Degree	127	27.8
	Master's Degree	241	52.7
	PhD/Professional Qualification	89	19.5
Experience	1-5 Years	102	22.3
	6-10 Years	187	40.9
	Above 10 Years	168	36.8
Sector	Banking Sector	457	100
Position	Middle-Level Management	279	61.1
	Senior-Level Management	178	38.9



The demographic profile shows that the respondents had enough managerial and professional experience to be able to make informed judgments on strategic leadership, ethical climate, and firm performance. Both females and males managerial employees were sampled, thereby ensuring representativeness in the evaluation of the gender related organizational dynamics. The majority of the respondents were postgraduates and had a significant amount of managerial experience, which strengthened the validity of the organizational perceptions and strategic insights. The preponderance of middle and senior-level managers is consistent with the study goals since the middle and senior level managers are directly involved with leadership practices and organizational ethical environments. The banking industry was chosen for analysis due to the growing focus on ethical governance, diversity management, and sustainable organizational performance in the industry. Thus the demographic distribution offers sufficient contextual and professional diversity to look at the proposed conceptual relationships in the organizational context.

Table 2
Reliability Analysis and Correlation Matrix

Variables	Cronbach's Alpha	Item-Total Statistics	1	2	3	4	5
Women in Strategic Leadership	0.891	0.701-0.842	1				
Ethical Climate	0.903	0.714-0.856	0.612**	1			
Firm Performance	0.887	0.698-0.831	0.547**	0.659**	1		
Gender Diversity Culture	0.872	0.682-0.804	0.491**	0.573**	0.524**	1	
Industry Dynamism	0.864	0.671-0.798	0.436**	0.482**	0.591**	0.449**	1

Note: $p < .01$

The reliability analysis demonstrated strong internal consistency across all study constructs because Cronbach's Alpha values exceeded the recommended threshold of 0.70, confirming acceptable measurement reliability (Hair et al., 2025). Similarly, item-total statistics remained above acceptable levels, indicating that measurement items contributed meaningfully toward construct consistency and conceptual stability. The correlation matrix further revealed significant positive associations among all variables, providing preliminary empirical support for the proposed hypotheses. Women in strategic leadership showed strong positive correlations with ethical climate and firm performance, suggesting that leadership diversity may positively shape organizational ethical environments and performance outcomes. Ethical climate also exhibited a substantial positive association with firm performance, reinforcing the theoretical argument that ethical organizational environments contribute to organizational effectiveness. However, the correlations remained below critical multicollinearity thresholds, indicating sufficient discriminant distinction among constructs and supporting subsequent structural model assessment procedures (Henseler & Schuberth, 2022).

Table 3
Measurement Model Assessment

Construct	Outer	Cronbach's	rho_A	Composite	AVE
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	Loadings	Alpha		Reliability (CR)	
Women in Strategic Leadership	0.734–0.882	0.891	0.896	0.919	0.653
Ethical Climate	0.751–0.894	0.903	0.907	0.926	0.676
Firm Performance	0.728–0.871	0.887	0.891	0.914	0.640
Gender Diversity Culture	0.711–0.856	0.872	0.876	0.907	0.621
Industry Dynamism	0.719–0.848	0.864	0.869	0.901	0.603

The measurement model assessment confirmed satisfactory reliability and convergent validity for all latent constructs. Outer loading values exceeded the recommended threshold of 0.70, demonstrating acceptable indicator reliability and confirming that measurement items adequately represented their respective constructs (Fauzi, 2022). Cronbach's Alpha, Composite Reliability, and rho_A values also surpassed the minimum threshold of 0.70, indicating strong internal consistency and construct reliability. Furthermore, AVE values exceeded 0.50 for all constructs, confirming convergent validity because the indicators explained a substantial proportion of construct variance. These findings support the adequacy of the measurement model and justify proceeding toward discriminant validity and structural model evaluation. The results align with contemporary SmartPLS methodological recommendations emphasizing reliability and validity assessment prior to hypothesis testing (Ayu et al., 2024; Rosli et al., 2024).

Table 4
Discriminant Validity Assessment

Constructs	WSL	EC	FP	GDC	ID
Women in Strategic Leadership (WSL)	0.808				
Ethical Climate (EC)	0.612	0.822			
Firm Performance (FP)	0.547	0.659	0.800		
Gender Diversity Culture (GDC)	0.491	0.573	0.524	0.788	
Industry Dynamism (ID)	0.436	0.482	0.591	0.449	0.776

HTMT Ratio

Constructs	HTMT Values
WSL → EC	0.741
WSL → FP	0.683
EC → FP	0.801
GDC → EC	0.692
ID → FP	0.711

The results of the discriminant validity assessment showed that all of the constructs were empirically different from each other. The Fornell-Larcker criterion was used to assess the extent of inter-construct correlations and the square root of AVE values were found to be greater than the inter-construct correlations, indicating satisfactory discriminant validity among the constructs of the measurement model (Hair et al., 2025). Likewise, the HTMT values were below the conservative value of 0.90, which further supports the construct distinctiveness and alleviates concerns about conceptual overlap among the latent variables (Rosli et al., 2024). These results suggest that the



respondents were able to distinguish between the constructs of leadership, ethical climate, organizational culture, and industry dynamism and performance constructs in a meaningful way. Discriminant validity is of special significance in mediation and moderation models as the conceptual overlap can lead to misleading structural relationships and less precise explanations. Thus, the findings indicate that the measurement framework proposed is robust and conceptually clear with good empirical evidence.

Table 5
Structural Model Evaluation and Hypothesis Testing

Hypotheses	Relationships	Beta (β)	T-value	P-value	95% Confidence Interval	Decision
H ₁	WSL \rightarrow EC	0.487	9.842	0.000	[0.391, 0.581]	Supported
H ₂	EC \rightarrow FP	0.431	8.916	0.000	[0.336, 0.522]	Supported
H ₃	WSL \rightarrow FP	0.289	5.731	0.000	[0.192, 0.384]	Supported
H ₄	GDC \times WSL \rightarrow EC	0.211	4.428	0.000	[0.118, 0.301]	Supported
H ₅	ID \times WSL \rightarrow FP	0.194	3.996	0.000	[0.101, 0.286]	Supported

The structural model results showed that all the hypothesized relationships were supported as all the relationships were significant and positive. The results showed that women in strategic leadership had a significant impact on ethical climate, thus supporting the positive role of women strategic leadership in the creation of ethical organizational climate. Ethical climate also had a strong positive impact on firm performance, which is in line with the theoretical expectations about the strategic impact of ethical organizational systems. In addition, women in strategic leadership directly improved firm performance, suggesting that leadership diversity can have a beneficial impact on organizational performance. Moderation analysis also found that gender diversity culture amplified the link between women's leadership and ethical climate and industry dynamism amplified the women's leadership and firm performance. All the critical t-values, low p values and confidence intervals that do not include zero validated the significance of the structural relationships. These results are in line with the current PLS-SEM literature which focuses on predictive accuracy and structural consistency in complex organizational models (Sani et al., 2023; Chidambaram et al., 2021).

Table 6
Predictive Relevance and Effect Size Assessment

Constructs	R ²	Q ²	f ²
Ethical Climate	0.482	0.336	0.312
Firm Performance	0.537	0.381	0.356

The predictive assessment results demonstrated satisfactory explanatory and predictive capability of the proposed structural model. The R² values indicated that women in strategic leadership, gender diversity culture, and ethical climate explained substantial variance in ethical climate and firm performance respectively. According to established SEM guidelines, the reported R² values indicate moderate-to-substantial explanatory power within organizational research contexts (Hair et al., 2025). The Q² values exceeded zero, confirming the predictive relevance of the structural



model and demonstrating that the model possessed acceptable out-of-sample predictive capability. Additionally, the f^2 effect sizes indicated moderate practical influence of the exogenous constructs on endogenous variables, highlighting the substantive contribution of leadership and contextual mechanisms toward organizational performance outcomes. Collectively, these findings confirm the predictive robustness and theoretical relevance of the proposed conceptual framework within the banking sector context.

Discussion

The results suggest that women in strategic leadership positively affect the ethical climate and that female leaders are a factor in creating an environment of fairness, transparency, accountability, and ethical decision-making within an organization. This can be understood in the light of the Upper Echelons Theory which posits that the outcomes of an organization are a reflection of the values, experiences, and behavioral orientations of the organization's upper echelons. Women leaders are also known to have participative leadership styles, communication in collaborative manner, and higher ethical sensitivity, which can lead to trust-based and ethically responsible workplaces (Dadanlar & Abebe, 2020). Ethical climate is the result of the leadership behavior which influences the norms and employees' perceptions about acceptable behavior and ethical standards in an organization. The results indicated that women leaders have an impact on the ethics of organizational behavior not only as a formal leader but as a relational leader and as a manager who demonstrates values.

The findings are consistent with previous studies that have highlighted the moral and relational aspects of women's leadership. Similarly, prior research found that ethical leadership and responsible managerial behaviors have a positive impact on ethical organizational climates and employee behaviors (Demirtas & Akdogan, 2015; Khanam et al., 2025). Moreover, Jan et al. (2026) emphasized the importance of ethical climate in encouraging socially responsible and citizenship-oriented behaviors. The current results, however, go beyond previous studies in that they specifically focus on the role of women in strategic leadership as an important antecedent of ethical climate and not on ethical leadership in general. Some previous studies have yielded contradictory results, which may be due to the different contexts in which the impact of women's leadership is investigated, as it is contingent on the acceptance of women leaders, institutional support, and leadership authority. In very strict or very male-dominated organizational cultures, female leaders might face structural obstacles in their efforts to influence organizational ethical norms. Therefore, the current results indicate the need for organizational support that is sensitive to the context in which they work in order to maximize the ethical contribution of women leaders.

The results also showed that the ethical climate has a positive effect on the performance of the firm, meaning that firms with an ethical climate and clear norms are more likely to be effective in the organization. Ethical climate is likely to improve the performance of the organization by increasing the trust of employees, by decreasing conflict in the workplace, by increasing cooperation and by increasing responsible strategic behavior. The ethical organizational environment also helps to minimize the cost of misconduct and increase stakeholder trust, which all lead to better organizational results. The results thus corroborate the notion that ethical climate is a moral mechanism as well as a strategic resource for the organization that can help to increase the efficiency of operations and sustainability of performance.

The findings are similar to previous research on the importance of a moral organizational context. Shin et al. (2015) also reported that ethical and procedural justice climates lead to better firm



performance by fostering organizational commitment and employee engagement. Similarly, Alsetoohy et al. (2026) found that ethical climate plays a vital role in the context of quality management and performance excellence in service organizations. But previous studies have produced conflicting results, indicating that in very dynamic environments, there can be a negative effect on flexibility and innovation from overly rigid ethical systems. This is also because of sectoral differences, as organizations in innovation intensive sectors might need more strategic flexibility than those in more regulated sectors. The present study concerned the banking sector where ethical governance and institutional trust are important, and hence, ethical climate might have a greater positive impact on organizational performance than in less regulated sectors.

The results also showed that women in strategic leadership have a positive direct effect on firm performance, indicating that the role of female strategic leaders is to make a positive contribution to organizational effectiveness not only by means of the ethical climate but also by other managerial and strategic means. Women leaders can potentially contribute to improving the performance of the organization by managing stakeholders more effectively, involving more people in decision-making, adopting a longer-term perspective, and implementing better employee engagement practices. These leadership attributes can enhance the adaptability of the organization, its innovation capacity and the quality of governance, which in turn can increase its competitiveness and sustainability. The results also suggest that leadership diversity is strategically important for organizational effectiveness as a diverse set of leadership perspectives leads to better problem-solving quality and strategic responsiveness.

These results align with the previous studies that have found a positive relationship between women leadership and organizational performance outcomes (Jeong et al., 2026; Iqbal & Piwowar-Sulej, 2025). Likewise, Herlitha (2025) pointed out that the empowerment-oriented managerial practice plays a crucial role in achieving sustainable competitive advantage as a result of women strategic leadership. However, previous research has also yielded mixed results on the direct impact women leaders have on organizational performance. This can be due to variations in organizational culture, institutional norms and level of leadership authority for female executives. Women leaders who are merely tokens, but not accompanied by effective inclusion mechanisms, can diminish the strategic impact of women leaders on the organization's outcomes. Thus, the current results indicate that organizational systems that facilitate inclusion and leadership involvement are critical to the realization of performance benefits from leadership diversity.

Moderating effect of gender diversity culture also showed that positive effect of women in strategic leadership on ethical climate is stronger in supportive organizational culture. This finding indicates that organizations that have inclusive values and diversity-oriented norms offer more legitimacy, participation opportunities and influence to female leaders in management to create an ethical organizational climate. Even when women leaders have the ability to lead, they might not be as effective in organizations with weak diversity cultures due to structural resistance and implicit bias. Thus, gender diversity culture is an enabling organizational mechanism which magnifies the ethical impact of female leadership.

The results corroborate with previous studies that have highlighted the significance of inclusive organizational cultures in determining organizational outcomes and leadership effectiveness (Vu & Dang, 2021; Zehir et al., 2016). But, few previous research studies have included gender diversity culture as a moderator variable between women leadership and ethical climate. The present study, therefore, makes a contribution by showing that the diversity culture of an



organization is not symbolic but is strategically important to strengthen ethical organizational outcomes. The differences in previous research could be due to the different ways in which organizations implement diversity or because formal diversity policies do not necessarily result in an inclusive organizational culture.

Results also indicated that industry dynamism enhances the link between women in strategic leadership and firm performance. This means that in uncertain and fast-changing situations, where adaptability, collaboration and stakeholder-centric decision making are crucial to the survival and competitiveness of the organization, female leaders are even more effective. Women leaders might be able to bring relational and adaptive managerial skills to an organization, which can help them to adapt better to environmental uncertainty, technological change and competitive pressures. Leadership diversity seems particularly important, therefore, in dynamic industrial settings where there is strategic uncertainty and complexity.

The findings are consistent with earlier research that found that environmental factors influence the effectiveness of leadership (Huang et al., 2023; Madanchian et al., 2025). However, the previous literature suggests conflicting evidence that sometimes overabundant environmental uncertainty can have a negative impact on the managerial influence as the environment makes the organization less predictable and less controllable by the manager. The current results indicate that collaborative and ethically oriented leadership styles of female strategic leaders might be especially beneficial in dynamic situations where trust among stakeholders and adaptive coordination are paramount. Hence, the study emphasizes the strategic importance of women leadership in more and more uncertain and competitive business environment.

Theoretical Implications

The present study is a meaningful addition to Upper Echelons Theory because it illustrates that women in strategic leadership can impact organizational outcomes in an ethical and contextual way, not just by making managerial decisions. The results theoretically validate that leadership attributes influence on organization's behaviors and performance outcomes by means of the underlying organizational climates and the contextual organizational conditions. In particular, the study builds on existing theoretical applications by introducing ethical climate as a mediator between the relationship of women leadership and firm performance. This contribution builds on existing leadership-performance models to focus on the role of ethical organizational contexts as intervening mechanisms that link leadership diversity to organizational effectiveness.

The study also makes a theoretical contribution by incorporating gender diversity culture and industry dynamism as boundary conditions to leadership effectiveness. Past use of Upper Echelons Theory tended to emphasize the characteristics of leaders, and neglect the contingencies of organizations and environments. The study highlights the contextually embeddedness and supportive organizational environments on leadership effectiveness through the moderating role of organizational diversity culture and industrial uncertainty. The results thus help to refine the concept by placing ethical climate, diversity culture and environmental dynamism in a single theoretical framework that explains women leadership–organizational performance relationship.

Practical Implications

The results have important implications for organizational managers, policy makers and corporate stakeholders who are interested in enhancing organizational performance and ethical governance. Women should be encouraged to be in strategic leadership roles within organizations as they make a positive impact in ethical organizational cultures and sustainable performance outcomes. The



results also show that while leadership diversity is important, it is not enough if it is not backed up by inclusive organizational cultures. Thus, it is important to create policies, leadership development programs and anti-discrimination mechanisms that will increase women leaders' involvement and strategic impact on organizations.

The findings also indicate that ethical climate is a strategic resource in organizations and not just a compliance tool. To enhance organizational trust and performance, managers should focus on ethical training, open communication systems and accountability-based governance structures. Policymakers and regulators, especially in the financial sector, should foster governance structures that are diverse, promote equal leadership opportunities and ethical organizational practices. In addition, it is important for organizations in dynamic industrial contexts to understand the strategic benefits of collaborative and adaptive leadership styles that are linked to women in strategic leadership roles. These findings thus indicate that leadership diversity and ethical governance need to be linked with other organizational sustainability and competitive strategy programs.

Limitations and Future Research Directions

The study has a number of limitations. First, the cross-sectional design does not allow causal interpretations to be made as the relationships were explored at one point in time. Future research needs to have a longitudinal design to assess the change in ethical climate and leadership effectiveness over time. Secondly, it was confined to the banking sector, and this might not be representative of other sectors that have different institutional and competitive settings. The proposed framework should be studied in multiple sectors and countries in the future. Third, the study used perceptual measures that were self-reported, although proper procedures were followed, which could increase the likelihood of common method bias. Future studies can be expanded to include multi-source or objective organizational performance data for additional empirical robustness. Lastly, future studies may focus on other potential mediating and moderating factors, including organizational justice, innovation climate, transformational leadership and institutional pressure, to better understand leadership diversity-organizational performance relationships.

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