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Relational Sustainability Leadership in Sri Lankan Small and Medium-Sized Enterprises

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Abstract

This study explores how small and medium enterprises leaders in Sri Lankan apparel and textile sector handle sustainability in organizations through informal, relational leadership practices that differ markedly from formal models prevalent in developed economies. Using a qualitative multiple-case study approach, the research investigates how economic, social, and environmental priorities are balanced in resource-constrained contexts. This study holds particular importance as it addresses a significant gap in understanding how relational leadership enables sustainability in small and medium enterprises within the Sri Lankan apparel and textile industry, offering insights that can inform both theory and practice in similar developing country contexts. The findings reveal that sustainability is enacted not through structured governance or incentives, but through trust, emotional closeness, and moral responsibility embedded in daily interactions. These practices, often viewed as unprofessional in Western models, are shown to be strategic, resilient, and contextually adaptive. The study contributes to the growing call for context-sensitive leadership research by highlighting how relational dynamics enable sustainability under institutional voids and limited resources. It calls for rethinking global leadership standards and recognizing embedded practices in developing country small and medium enterprises.

Keywords: Apparel and textile sector, relational practices, Sri Lanka, sustainability leadership

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Introduction

Sustainability in organizations encourages firms to balance profit-making with environmental care and social responsibility (Elkington, 1997). While widely promoted in Western contexts through formal strategies, certifications, and specialized managerial roles, this structured model does not reflect how sustainability is actually practiced in small and medium-sized enterprises (SMEs) in developing countries. In Sri Lanka, SMEs often lack access to institutional support and formal sustainability systems. Here, sustainability is guided by owner-managers who act based on personal ethics, close relationships, and immediate business pressures, rather than strategic planning or reporting frameworks (Haessler, 2020). Although leadership is widely acknowledged as a key enabler of sustainability, the dominant leadership models such as transformational and transactional leadership emerge from Western assumptions of hierarchical, policy-driven organizations (Bass & Bass, 2008; Northouse, 2021; Yukl, 2020). These frameworks overlook how leaders operate in less formal environments where relational, value-based decision-making is common.

In South Asian contexts, including Sri Lanka, Pakistan, and Bangladesh, SMEs operate within institutional voids, weak regulatory frameworks, and resource-constrained environments that shape unique leadership practices (Glover et al., 2014; Mair & Martí, 2009). Recent South Asian studies highlight that sustainability decisions are embedded in relational and cultural contexts such as family values, moral reasoning, and religious norms, rather than in formal governance systems (Jamali & Karam, 2018; Khalid et al., 2021; Durrani et al., 2024). For example, Khalid et al. (2021) demonstrate how trust-based leadership practices in Pakistani SMEs drive sustainable performance, while Priyashantha and Perera (2023) show that Sri Lankan SME leaders prioritize social and environmental responsibilities through informal, culturally embedded leadership. Despite these emerging contributions, the majority of sustainability leadership research still concentrates on Western firms, leaving a gap in understanding how SMEs in South Asia adopt and institutionalize sustainability under resource and institutional constraints.

The Sri Lankan apparel and textile industry presents a valuable opportunity to study this difference. It is the country’s leading export sector and consists largely of SMEs that must meet high social and environmental expectations from global buyers, despite operating with limited resources and institutional support (Export Development Board, 2023). Many of these SMEs implement sustainable practices such as improving worker well-being or reducing environmental impact not due to external regulation, but as a result of the owner’s personal values and relational approach to leadership. This highlights a critical research gap: while Western literature emphasizes formal leadership models and structured sustainability practices, there is limited empirical evidence from South Asia on how relational leadership drives sustainability in SMEs. Addressing this gap is essential to develop theories and practices that reflect the realities of SMEs in developing economies.

To explore this further, this study introduces the concept of relational sustainability leadership, which describes how SME leaders in developing countries lead sustainability efforts through direct involvement, trust-building, and moral decision-making. The study applies three theoretical perspectives ambidextrous leadership to understand how leaders manage the dual demands of efficiency and innovation (Raisch & Birkinshaw, 2008), resilience leadership to explain how leaders adapt and institutionalize learning after crises (Duchek, 2020; Lengnick-Hall & Beck, 2021), and paradox theory to reveal how leaders in SMEs continuously balance competing priorities such as economic survival and social responsibility (Smith & Lewis, 2011). These theories, although well established in the Western literature, are rarely applied in informal SME contexts in the Global South. Against this backdrop, this article explores how relational forms of leadership drive sustainability in Sri Lankan SMEs and how these practices diverge from dominant Western models. It addresses a key research question: How do relational leadership practices in Sri Lankan SMEs shape sustainability responses amid formal leadership expectations from developed contexts? By examining four case studies from the Sri Lankan apparel and textile sector, the study offers new insight into the practice of sustainability leadership in resource-constrained, relational, and culturally specific settings.

Literature Review

Sustainable Practices and Leadership in SMEs

Sustainability means balancing economic, environmental, and social goals (Elkington, 1997). In developed countries, large firms usually adopt sustainability through formal systems such as policies, certifications, and structured reporting (Lozano, 2015). These approaches depend on stable institutions and professional expertise. However, such models do not always fit small and medium-sized enterprises (SMEs) in developing countries. SMEs often operate informally, and leadership is usually centered in the owner-manager. In these contexts, sustainability is guided more by survival, ethics, and community expectations than by formal frameworks (Marpu Foundation, 2024).

Research shows that SMEs in South Asia also follow this pattern. For example, Pakistani SMEs practice sustainability mainly through trust and ethical leadership rather than compliance (Khalid et al., 2021). Indian SMEs often focus on community support and reputation (Kumar & Das, 2021). In Sri Lanka, owners act based on personal values and worker care rather than technical systems (Priyashantha & Perera, 2023). These studies highlight that many SMEs treat sustainability as a moral responsibility and a relational practice. Still, most global literature continues to focus on Western firms. This creates a gap between existing theory and the lived realities of SMEs in the Global South.

Formal vs. Relational Leadership

Most existing research on sustainability leadership focuses on formal theories such as transformational and transactional leadership. Transformational leaders inspire with vision and motivation, while transactional leaders rely on systems of rewards and control (Bass & Bass, 2008; Avolio et al., 2009; Northouse, 2021; Yukl, 2020). These models help explain leadership in large and structured organizations. However, they assume formal hierarchies and defined roles (Metcalf & Benn, 2013).

In South Asian SMEs, leadership is often relational instead. Relational leadership is people-focused and grounded in ethics, community values, and daily interactions (Uhl-Bien, 2006; Maak & Pless, 2006). For example, Sri Lankan SME owners may show care through acts of generosity and personal involvement rather than formal HR policies (Perera & Wijesinghe, 2020). Bangladeshi garment SMEs often use loyalty and reciprocity between owners and workers as the basis of trust (Mair & Martí, 2009).

Despite this, relational leadership remains less visible in mainstream sustainability research. Few studies directly link relational leadership to sustainability outcomes in SMEs, especially in South Asia. This study therefore responds to the gap by examining how relational leadership shapes sustainability in Sri Lankan apparel and textile SMEs.

Sustainability in South Asian SME Contexts

SMEs dominate the economies of South Asian countries such as Sri Lanka, India, Bangladesh, and Pakistan. Most operate informally and face institutional gaps such as weak regulation, poor infrastructure, and limited policy support (Glover et al., 2014). In such contexts, sustainability often depends on the personal judgment of owners, guided by moral or cultural values (Smith et al., 2022).

Sri Lankan apparel SMEs, for example, are known to invest in worker care and energy-saving practices not because of regulation, but due to ethical and cultural values linked to Buddhism and collectivist traditions (Fernando & Almeida, 2012). In Bangladesh, SMEs rely on community trust networks to sustain operations under scarcity (Mair & Martí, 2009). Indian SMEs often embed sustainability in family-based traditions, aiming to build long-term reputation (Kumar & Das, 2021). These examples show that in South Asia, sustainability is deeply shaped by culture, religion, and relational practices (Jamali & Karam, 2018; Durrani et al., 2024).

Still, research comparing South Asian SMEs is limited, and most studies focus on large firms or Western contexts. This study fills that gap by situating its analysis in the Sri Lankan apparel and textile SME sector while drawing connections to the wider South Asian region.

Theories Focused in the Study

This study uses three leadership theories to explore relational sustainability leadership in developing country SMEs. Initially, ambidextrous leadership explains how leaders balance different priorities, such as short-term efficiency and long-term innovation (Raisch & Birkinshaw, 2008). Ambidextrous leadership explains how leaders balance efficiency with innovation (Raisch & Birkinshaw, 2008). In SMEs, this can mean reusing resources for cost savings while also exploring new sustainability practices. In SMEs, owner-leaders often switch between maintaining operations and experimenting with new sustainable practices, showing flexibility not captured in formal leadership models. Then, paradox theory helps explain how leaders manage tensions such as profitability versus responsibility, or compliance versus innovation (Smith & Lewis, 2011). In Sri Lankan SMEs, leaders are constantly navigating such tensions in unpredictable environments. These tensions are not solved, but managed through moral reasoning and adaptive thinking. Moreover, resilience leadership focuses on how leaders respond to crises, learn from them, and build more sustainable practices over time (Duchek, 2020; Lengnick-Hall & Beck, 2021). Resilience leadership focuses on how leaders respond to crises, learn from them, and make changes to ensure survival. Duchek (2020) defines resilience as a capability that allows leaders and organizations to anticipate, cope with, and adapt to disruptions while continuing to function effectively. Lengnick-Hall and Beck

(2021) extend this view by describing resilience as the ability to not only recover from crises but also to transform experiences of disruption into long-term strengths that improve future sustainability. For SMEs in unstable economies, resilience is therefore essential for survival and growth. In developing country SMEs, crises are frequent from economic shocks to political instability. Resilient leaders learn from these disruptions and institutionalize lessons into daily routines, making sustainability a form of long-term survival. Although these three theories offer strong explanatory value, they are rarely applied together in the context of relational, SME-based leadership in the Global South. This study fills that gap by showing how ambidexterity, paradox navigation, and resilience are practiced through informal, relational leadership.

Theoretical Gaps and Need for Contextual Reframing

Despite growing interest in sustainable leadership, most theories still reflect Western assumptions such as formal roles, reporting systems, and clear accountability (Gond et al., 2017; Metcalf & Benn, 2013). This makes them less useful for explaining leadership in SMEs across Asia, Africa, or Latin America. In informal SME contexts, leadership is based more on personal values, lived experiences, and trust than on structure (Smith et al., 2022; Marpu Foundation, 2024).

In South Asia, sustainability leadership often draws on cultural and ethical traditions, such as Buddhist or Islamic values, and family or community obligations (Fernando & Almeida, 2012; Jamali & Karam, 2018). These dynamics are rarely captured by dominant theories. To address this, the present study adopts Uhl-Bien’s (2006) definition of relational leadership as a social influence process based on trust, respect, and obligation, and combines it with the triple bottom line framework (Elkington, 1997) and resilience leadership (Duchek, 2020). This reframing shows that sustainability can be achieved through trust, shared values, and adaptive action in everyday SME life, rather than only through formal roles or compliance systems.

Methodology

This study used a qualitative multiple-case study approach to investigate how relational sustainability leadership is practiced in small and medium-sized enterprises (SMEs) in Sri Lanka’s apparel and textile sector. A case study strategy was considered appropriate because sustainability leadership is shaped by complex, context-bound factors that cannot be fully understood through numerical data alone (Yin, 2018). Qualitative methods are especially useful for exploring topics that remain under-researched, as they allow the researcher to study real-world settings and gain deeper insight into everyday leadership experiences (Creswell & Poth, 2018).

The inquiry was guided by an interpretivist paradigm, which views reality as socially constructed and best understood through the perspectives of those directly involved. In this sense, leadership is not seen as a fixed set of traits or behaviours but as something that emerges from ongoing interactions, shared values, and the broader social and cultural conditions in which SMEs operate. Examining relational leadership in these informal contexts required detailed narratives and observations, making qualitative case study design the most fitting choice.

Case Selection and Context

Four case studies were selected using purposive sampling based on criteria including ownership (Sri Lankan-owned), size (small/medium), export orientation, and demonstrated engagement with social or environmental sustainability. Purposive sampling was considered appropriate because it allows researchers to select information-rich cases that provide deep insight into the research question (Creswell & Poth, 2018; Yin, 2018). The selection criteria ensured that cases were not only representative of SMEs in the apparel and textile industry but also relevant to the study's focus on sustainability and leadership. Specifically, firms were chosen because they: (1) were Sri Lankan-owned and family-managed, reflecting the central role of owner-leaders in SMEs; (2) fell into the official small or medium-sized category, enabling comparison across scale; (3) represented both apparel and textile sectors, the two dominant export industries in Sri Lanka; (4) were engaged in export-oriented supply chains where sustainability demands are high; and (5) showed active involvement in at least one sustainability practice, such as employee welfare, energy savings, or waste reduction.

This ensured variation across firm size (small vs. medium) and sector (apparel vs. textile), while maintaining relevance to the study focus. All firms were Sri Lankan-owned, family-managed SMEs operating within export-oriented value chains. They had varying levels of sustainability engagement but were all recognized as actively managing workplace, community, or environmental responsibilities.

The firms included:

- **Case 1:** A medium-scale apparel exporter with formal certifications and innovative practices.
- **Case 2:** A small apparel firm with local buyer ties and a moral focus on employee care.
- **Case 3:** A medium-scale textile SME with post-crisis recovery strategies.
- **Case 4:** A small textile firm operating with minimal resources but strong ethical intent.

In total, 22 in-depth interviews were conducted across the four cases. The participant group included owners, senior managers, and key employees, giving multiple perspectives on leadership and sustainability. This sample size was considered adequate because it allowed for both cross-case comparison and in-depth understanding within each case. Data saturation was achieved when no new themes emerged from additional interviews, confirming that the number of participants was sufficient to address the research aim.

This variation enabled cross-case comparison and identification of both shared and unique leadership behaviors in sustainability.

Data Collection Methods

Data were collected using semi-structured interviews, field observations, and company documents. A profile of the SMEs and respondents is presented in Table X to enhance contextual understanding. A total of 22 in-depth interviews were conducted with owners, senior managers, and key employees across the four SMEs. Interviews lasted between 60 to 90 minutes and were conducted in Sinhala or English, based on participant preference. Questions focused on leadership practices, sustainability motivations, decision-making styles, and crisis responses.

Profile of SMEs and Interview Respondents

Case	Firm Size	Sector	Ownership	Export Orientation	Respondents (Role, Number, Gender)
Case 1	Medium	Apparel	Sri Lankan-owned, family-managed	Export-oriented, certified supplier	Owner (1F), HR Manager (1F), Compliance Officer (1M), General Manager (1M), Marketing Head (1F), Supervisor (1M)
Case 2	Small	Apparel	Sri Lankan-owned, family-managed	Local buyers, limited export links	Owner (1F), HR Executive (1F), Merchandiser/Planner (1F), Production Manager (1M), Stores & Inventory Officer (1M), Machinists (2F)
Case 3	Medium	Textile	Sri Lankan-owned, co-managed by family partners	Export-oriented, recovery-focused	Co-Owner/Founder (1M), Deputy Management Rep. (1M), Health & Safety Officer (1M), Customer Care Executive (1F), Technician (1M), Production Supervisor (1M)
Case 4	Small	Textile	Sri Lankan-owned, family-managed	Primarily local with minor export orders	Owner (1M), Production Manager (1M), Compliance Officer (1M), Accountant (1F), Marketing Manager (1M), Technician (1M)

Data saturation was reached when no new codes or themes emerged from additional interviews. After the 20th interview, recurring patterns became evident, and by the 22nd interview no fresh insights were identified. This confirmed that the data were sufficient to capture the range of leadership and sustainability practices across the cases. Saturation was also judged across cases, ensuring that both apparel and textile, as well as small and medium firms, were adequately represented.

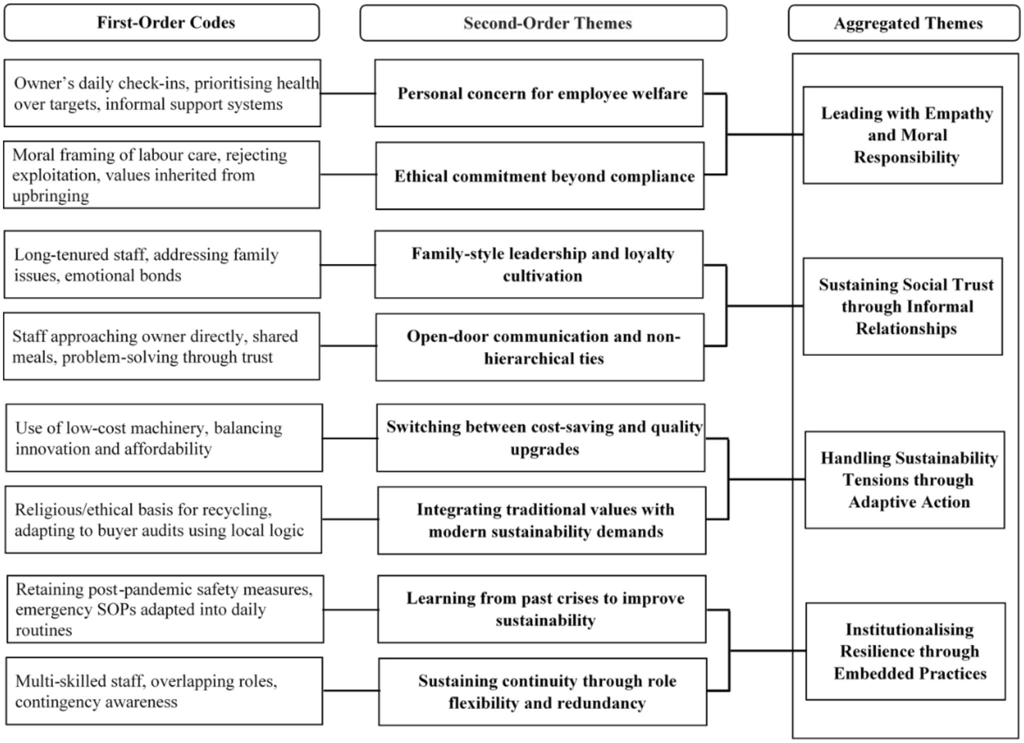
Trustworthiness was enhanced through triangulation of interviews, observations, and documents; member checking with participants; and maintaining a clear audit trail to ensure credibility and dependability. Triangulation involved comparing interview responses with observations from field visits and company records (such as HR policies and certification reports). Member checking was done by sharing preliminary findings with selected participants to confirm accuracy and interpretation. An audit trail of coding decisions, memos, and case records was kept to provide transparency in the research process. Credibility was strengthened by prolonged engagement in the field, dependability by careful documentation of procedures, confirmability by using direct quotations to ground findings in the data, and transferability by providing rich descriptions of the firm context and practices.

Field visits allowed the researcher to observe workplace settings, informal interactions, and evidence of sustainability-related practices. Company documents, such as HR policies and certification reports, were also reviewed to triangulate interview data. The study adhered to ethical research practices throughout, especially given the close-knit nature of SME environments and the personal nature of leadership discussions.

Data Analysis

Thematic analysis, facilitated by NVivo 14 software, was used to analyze the data, following Braun and Clarke's (2006) six-phase process: familiarization, coding, theme development, review, definition, and reporting. All interviews were transcribed and translated where necessary. Codes were first generated inductively from the data, then grouped into second-order themes and aggregated dimensions. These themes were compared across cases and linked to the emergent conceptual model. Particular attention was paid to identifying actions and behaviors that reflected relational leadership in sustainability-related SME contexts. Ethical approval was obtained from the relevant university review board before data collection. Informed consent was secured from all participants, with assurances of anonymity and confidentiality. Interviewees were told they could withdraw at any point. Pseudonyms were used in transcripts and reporting. Care was taken to protect sensitive business information and respect cultural norms during interviews and observations. The study adhered to ethical research practices throughout, especially given the close-knit nature of SME environments and the personal nature of leadership discussions. The final structure of the themes, presented in Figure 1, reflects how relational sustainability leadership manifested across the four SMEs. Four aggregated themes were developed, each supported by two second-order themes and several first-order codes. These themes capture a range of informal, adaptive, and ethically grounded leadership practices distinct from formalized Western models.

Figure 1: Data Structure



This section presents the key findings from the cross-case analysis of four Sri Lankan apparel and textile SMEs. Guided by the research aim, the themes illustrate how relational leadership practices shaped sustainability responses within resource-constrained SME contexts.

Leading with Empathy and Moral Responsibility

Leadership across all four SMEs was rooted in everyday empathy and ethical care for workers. Rather than relying on policies, owners acted out of personal moral obligation, treating employee wellbeing as central to sustainability. These practices reflect culturally grounded, relational leadership that differs from formalized Western approaches (Maak & Pless, 2006; Hofstede, 2001).

Personal Concern for Employee Welfare

SME leaders consistently prioritized employee health, stress, and family needs, even when it reduced short-term productivity. In Case 1 (medium apparel), the owner regularly paused production demands to accommodate personal wellbeing.

"If someone looks tired, he'll say, 'Take a break, don't worry about the quota today.'" (Supervisor reflecting the owner's view, Case 1 - Medium Apparel)

Case 2 (small apparel) showed similar concern. When staff were unwell, the owner permitted leave without scrutiny, trusting their judgement.

“Even if we don’t ask, the owner tells us to rest. He knows we won’t misuse it.” (Machinist, Case 2 – Small Apparel)

In Case 3 (medium textile), flexible hours were granted for family obligations, while Case 4’s owner visited workers’ homes after natural disasters to check on their safety. These examples align with resilience leadership, where emotional awareness supports long-term continuity (Duchek, 2020). They also extend relational leadership by showing how everyday care substitutes for formal structures in SMEs (Uhl-Bien, 2006). In contrast, Western literature often presents productivity and empathy as competing goals (Cameron & Spreitzer, 2012), but here, care practices are integral to sustainable business survival in resource-constrained settings.

Ethical Commitment beyond Compliance

Leaders framed their sustainability actions not as obligations, but as moral responsibilities shaped by personal values, religious beliefs, and cultural upbringing. This ethical framing extended beyond compliance norms and reflected an internalized sense of duty. In Case 3 (medium textile), the co-owner explicitly rejected exploitative practices, citing religious reasons and a belief in karmic consequences.

“We can’t play with people’s lives just to meet orders. That’s not right, and it won’t end well.” (Owner, Case 3 – Medium Textile)

Case 4’s (small textile) owner expressed a similar sentiment, stating that he avoids harsh punishments or job cuts because it violates his sense of fairness.

“These are people’s families. We find a way to adjust rather than remove someone.”

(Owner, Case 4 – Small Textile)

In Case 1, values passed down from the owner’s parents shaped her emphasis on compassion and worker dignity, while Case 2’s owner described her leadership as “guided by conscience.” These findings support the argument that ethical leadership in developing contexts is often grounded in lived experience rather than codified standards (Judge et al., 2004). While Western frameworks often emphasize policy-based ethical compliance (Brown & Treviño, 2006), these Sri Lankan SMEs show how informal, values-based leadership can drive socially sustainable behavior. This contrasts with the logic of rules-driven responsibility in formal economies, and highlights the moral underpinnings of relational sustainability leadership in the Global South.

Sustaining Social Trust through Informal Relationships

Across the four SMEs, leaders fostered employee commitment through trust and emotional closeness rather than formal HR systems. These relational practices helped balance economic and social sustainability under resource constraints. Unlike Western models focused on structure and incentives (Caldwell & Dixon, 2010), Sri Lankan leaders relied on empathy, presence, and moral credibility- hallmarks of relational and resilience leadership (Uhl-Bien, 2006; Duchek, 2020).

Family-Style Leadership and Loyalty Cultivation

Leaders across cases used familial logic to secure loyalty, drawing on moral closeness rather than transactional tools. In Case 1, the owner modified workloads when employees were unwell- acting more like a caregiver than a manager.

"The owner will say, 'Don't push too hard today, you had a headache yesterday. Like a mother checking on you." (HR Manager, Case 1 – Medium Apparel)

In Case 4 (small textile), loyalty was anchored in quiet acts of generosity and respect.

"He helped with my daughter's wedding and never told anyone. It's not about salary; it's about the person." (Technician, Case 4 – Small Textile)

In Case 2, the owner's familiarity with family matters created emotional bonds that reduced turnover. In Case 3, owners blurred hierarchy to foster a sense of belonging. These examples reflect a collectivist leadership approach where loyalty is earned through relational investment and not performance incentives. While relational leadership theory captures these dynamics (Uhl-Bien, 2006), this study extends it by highlighting how such familial closeness functions as a sustainability strategy in low-resource contexts. Contrary to Western assumptions that emotional proximity undermines objectivity (Mintzberg, 2004), here it is precisely this proximity that ensures employee retention and moral cohesion.

Handling Sustainability Tensions through Adaptive Action

Leaders across the four SMEs frequently navigated tensions between competing sustainability demands such as cost pressures and quality expectations, or traditional values and modern standards. Rather than following rigid plans, they adapted pragmatically, switching strategies based on context. This theme reflects ambidextrous leadership (Rosing et al., 2011) and paradox theory (Smith & Lewis, 2011), showing how leaders in resource-constrained environments balance short-term efficiency with long-term sustainability.

Switching Between Cost-Saving and Quality Upgrades

To remain sustainable under economic pressure, leaders in all cases made flexible decisions at times prioritizing affordability, and at other times investing in quality upgrades. In Case 1 (medium apparel), the owner reused older machines to save costs, but selectively invested in safety enhancements to meet audit standards.

"We can't upgrade everything, but we added safety rails because buyers check that first." (Owner, Case 1 – Medium Apparel)

In Case 3 (medium textile), imported second-hand machinery was used where possible, but premium dyes were chosen to ensure quality for export orders.

"We balance things- cheap machines, but better dye. That way, we stay within budget and keep the customer." (Deputy Manager, Case 3 – Medium Textile)

Case 2 (small apparel) relied on low-cost local materials for day-to-day orders but invested in training when preparing for new buyers. Case 4 (small textile) reused materials creatively, such as cutting waste fabric into reusable packaging. These practices show how SME leaders shift between exploitation and exploration modes depending on immediate priorities- an ambidextrous response to environmental and economic constraints (O'Reilly & Tushman, 2013). Western SMEs often follow linear upgrade paths (Morsing & Perrini, 2009), but these Sri Lankan cases illustrate non-linear, adaptive sustainability driven by lived constraints and opportunity recognition.

Integrating Traditional Values with Modern Sustainability Demands

SME leaders integrated cultural values such as religious beliefs, ancestral wisdom, and community ethics into their approach to modern sustainability demands. This blend helped them align global expectations with local meaning. In Case 2 (small apparel), the owner framed waste reduction as a moral obligation, not just a buyer requirement.

"We don't waste cloth, not because someone checks, but because it's wrong to throw usable things."(Owner, Case 2 – Small Apparel)

In Case 4 (small textile), sustainability practices like reusing water or fabric scraps were justified using Buddhist teachings about balance and non-harm.

"We grew up learning not to waste. That's part of our religion, not just business."

(Owner, Case 4 – Small Textile)

In Case 1, the owner incorporated local rituals into team gatherings to promote unity and care, while Case 3 adapted buyer-mandated safety drills to fit local routines and beliefs. These examples reflect how traditional and modern sustainability logics co-exist, allowing SMEs to meet external standards while retaining cultural authenticity (Mair & Marti, 2009). This contradicts the Western assumption that modernization replaces tradition. Instead, these leaders demonstrate a contextualized paradox approach (Geissdoerfer et al., 2017), where sustainability is achieved by negotiating and not eliminating tensions. Such hybrid logics are rarely captured in formal sustainability models but are critical for understanding SME behavior in developing Asian contexts.

Institutionalizing Resilience through Embedded Practices

In all four SMEs, past crises such as the COVID-19 pandemic, economic instability, or local disruptions were not only managed reactively but became sources of embedded learning. Leaders institutionalized lessons informally through routines, overlapping roles, and proactive safety measures. These practices illustrate how resilience in SMEs is not a one-time response but an evolving leadership trait embedded in everyday operations (Duchek, 2020). This theme is explained through two sub-themes: Learning from Past Crises to Improve Sustainability and Sustaining Continuity through Role Flexibility and Redundancy.

Learning from Past Crises to Improve Sustainability

Leaders turned survival experiences into long-term practices that supported both environmental and social sustainability. In Case 1 (medium apparel), emergency health protocols adopted during the pandemic, such as handwashing stations and spaced workstations were retained even after restrictions eased.

"Now we keep the washbasins, even though Covid is over. It helps everyone stay clean and safe." (HR Manager, Case 1 – Medium Apparel)

In Case 2 (small apparel), the owner developed a simple checklist for daily operations after facing material shortages during lockdowns. This helped reduce waste and improve planning.

"We started keeping track because during Covid we struggled. Now we continue it, it saves a lot." (Owner, Case 2 – Small Apparel)

In Case 3, backup supply networks were maintained post-crisis, and in Case 4, the team retained daily temperature checks and flexible attendance to avoid health risks. These behaviors reflect resilience leadership where routines are shaped by prior shocks (Lengnick-Hall et al., 2011), but in a culturally grounded, informal way. Western literature often frames resilience as formal risk management or system redesign (Boin & van Eeten, 2013), but here it emerges through habit, memory, and practical improvisation which is a grounded pathway to long-term sustainability in developing contexts.

Sustaining Continuity through Role Flexibility and Redundancy

Rather than relying on formal succession plans or structured teams, SME leaders sustained operations through flexible roles and informal redundancy. In Case 3 (medium textile), staff were cross-trained in multiple tasks so work continued even during absences or disruptions.

"One of our helpers can run the dyeing machine if needed. Everyone knows at least two jobs." (Deputy Manager, Case 3 – Medium Textile)

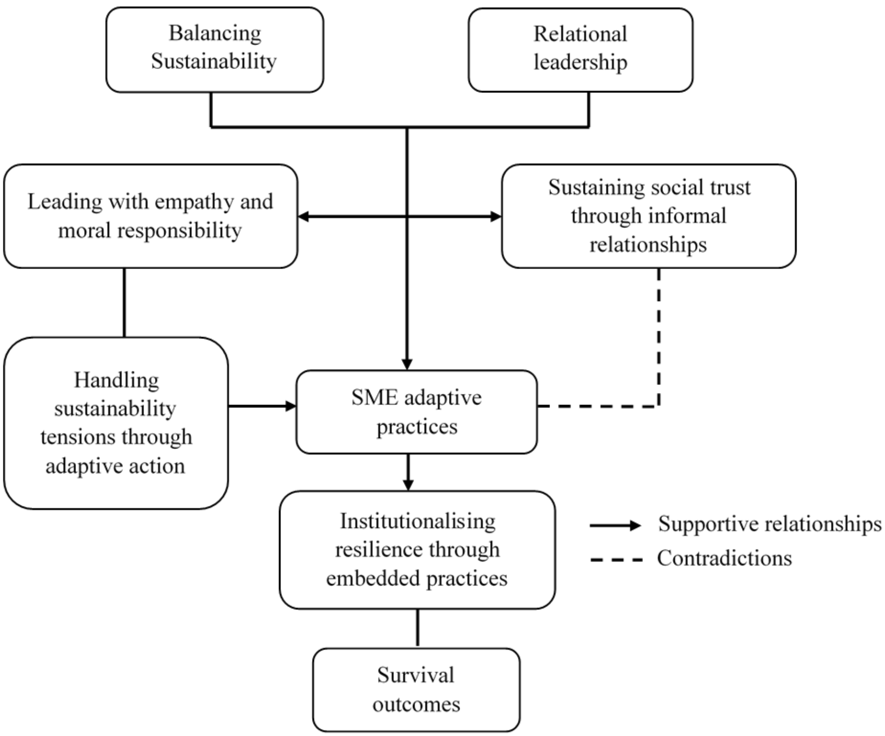
In Case 1 (medium apparel), the owner ensured that at least two people could handle critical tasks like order tracking and packaging, reducing dependency on any single employee.

"If someone is sick or leaves, another person can manage. We've learned not to rely on one hand only." (Owner, Case 1 – Medium Apparel)

Case 2 (small apparel) and Case 4 (small textile) also relied on shared responsibilities, such as blending clerical, production, and coordination duties within small teams. This informal overlap supported operational continuity during crises and illustrated resilience through structural simplicity (Vogus & Sutcliffe, 2007). While Western SMEs often promote specialization and hierarchy (Mintzberg, 2004), these cases highlight an alternative logic continuity through relational learning and multi-skilling in response to uncertain environments. These findings extend resilience theory into informal, low-resource SME contexts by showing how redundancy is achieved not by excess capacity, but by interpersonal adaptability and role-sharing.

Drawing from the cross-case findings, an emergent conceptual model (Figure 2) was developed to illustrate how relational leadership practices in Sri Lankan SMEs shape adaptive sustainability responses within informal, resource-constrained contexts.

Figure 2: Emergent conceptual model



The model maps the connections between the four aggregated themes and highlights how these practices support the balancing of economic, social, and environmental demands, while aligning or diverging from formal leadership expectations typically found in developed contexts. This framework offers a grounded, context-sensitive understanding of sustainability leadership in the Global South and sets the stage for further theoretical discussion.

Results and Discussion

The findings of this study show that leaders of Sri Lankan SMEs approach sustainability in ways that differ from the dominant frameworks found in Western research. Rather than depending on written policies, specialized departments, or incentive-based systems, owner-managers relied on their personal presence, moral reasoning, and close relationships with employees. These practices confirm earlier arguments that leadership in small firms is often embedded in relational dynamics (Uhl-Bien, 2006), but the evidence here goes further by showing how such dynamics directly influence sustainability outcomes in contexts where formal systems are limited.

What becomes clear from the four cases is that sustainability was not treated as an abstract corporate goal but as a lived practice, tied to the daily well-being of workers and the survival of the business. For example, while Western studies frequently describe human resource policies and structured employee engagement as essential to sustaining performance (Caldwell & Dixon, 2010; Metcalf & Benn, 2013), the Sri Lankan cases show that trust, empathy, and family-like ties can achieve similar or stronger effects. This indicates that in South Asian SMEs, relational leadership is more than a cultural preference; it serves as a practical strategy to secure loyalty, reduce turnover, and build legitimacy under resource-constrained conditions.

The study also highlights how SME leaders dealt with competing pressures, such as saving costs while meeting buyer expectations for quality and compliance. Their responses illustrate ambidextrous leadership, though in a form that was improvised and highly situational. Unlike the planned balancing of exploration and exploitation described in large firm literature (Raisch & Birkinshaw, 2008; O'Reilly & Tushman, 2013), SME leaders made quick decisions based on immediate needs, reusing old machinery in one moment while investing in selective upgrades in another. This kind of practical ambidexterity reflects the realities of operating in volatile economies, where long-term strategic planning is less possible.

A further contribution of the study lies in its insights into resilience. Leaders not only responded to crises such as the pandemic and economic shocks but also institutionalized what they had learned in simple but lasting ways. Practices like cross-training workers or keeping safety measures from crisis times show that resilience in SMEs is not a one-time response but an embedded capability. This supports Duchek's (2020) idea of resilience as anticipation, coping, and adaptation, and aligns with Lengnick-Hall and Beck's (2021) view that resilience can turn disruptions into long-term strengths. However, the Sri Lankan cases demonstrate that this resilience emerges informally, without written plans or formal risk systems, relying instead on interpersonal trust and shared responsibility.

Taken together, these findings make three contributions to theory. First, they show how relational leadership, often overlooked in mainstream literature, is central to sustainability in

SMEs in South Asia. Second, they extend ambidextrous leadership theory by illustrating how owner-managers enact it through pragmatic, day-to-day adjustments rather than formal systems. Third, they add to resilience leadership theory by showing how crisis experiences are transformed into ongoing practices in resource-poor settings.

Conclusion

This study advances understanding of how SME leaders in developing countries practice sustainability leadership by introducing the concept of relational sustainability leadership. Drawing on evidence from four Sri Lankan apparel and textile SMEs, it shows that trust, empathy, and adaptive moral responsibility and not formal structures underpin how social, economic, and environmental goals are balanced in everyday practice. By integrating relational leadership theory (Uhl-Bien, 2006) with ambidextrous and resilience leadership perspectives (Raisch & Birkinshaw, 2008; Duchek, 2020; Lengnick-Hall & Beck, 2021), the study offers a novel theoretical lens that explains how informal, culturally embedded leadership behaviors can sustain corporate responsibility in resource-constrained environments.

The findings extend relational leadership theory by situating it in a low-resource, high-trust SME context, demonstrating that moral proximity and cultural embeddedness are not just complementary to formal sustainability systems- they can, in such contexts, act as their primary drivers. The study also contextualizes ambidextrous leadership by illustrating how SME leaders shift fluidly between cost-saving and quality-enhancing strategies, and between tradition and modern sustainability demands, as a practical, non-linear response to market and institutional pressures. Similarly, it extends resilience leadership theory by showing how habitual, trust-based redundancies replace formal contingency systems in SMEs.

The practical contribution of this research lies in showing policymakers, development agencies, and SME support programs that sustainability in resource-constrained settings can be strengthened through leadership development that prioritizes interpersonal trust, moral decision-making, and adaptive action. For SME owners, the findings suggest that investing in strong, ethical relationships with employees, suppliers, and community stakeholders is not merely a social good- it is a resilience and performance strategy. However, the findings are context-bound and limited to one industry and one country. While the theoretical model developed has broader conceptual applicability to other South Asian SME contexts, further research is needed to test and refine it across sectors, regions, and longitudinally. Future studies should compare relational sustainability leadership practices in Sri Lanka with those in other South Asian countries to deepen the comparative dimension highlighted by reviewers and to explore how such leadership adapts over time under shifting economic, political, and environmental pressures.

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