



Entrepreneurial Leadership, Strategic Auditing, and Financial Agility as Catalysts of Sustainable Growth in SMEs: The Mediating Role of Innovation Capability

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ABSTRACT

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This study investigates how entrepreneurial leadership, strategic auditing, and financial agility contribute to the sustainable growth of small and medium-sized enterprises (SMEs). It further examines the mediating role of innovation capability, developing a multidisciplinary model that integrates leadership, auditing, finance, and entrepreneurship perspectives. A quantitative, cross-sectional survey design was employed. Primary data were collected from 350 managers and employees in textile and glass manufacturing SMEs in Lahore, Pakistan, using a structured questionnaire adapted from validated scales. The research framework was tested through structural equation modeling (SEM) to assess both direct and indirect relationships among variables. The results demonstrate that entrepreneurial leadership fosters vision and proactivity, strategic auditing enhances governance and accountability, and financial agility strengthens firms' ability to adapt resources. Moreover, innovation capability partially mediates these relationships, suggesting that leadership, auditing, and financial responsiveness generate stronger sustainability outcomes when paired with a culture of innovation. By combining entrepreneurial leadership, auditing, finance, and innovation, this study introduces a fit multidisciplinary model that extends sustainability research in SMEs and provides actionable insights for firms in emerging economies.

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1.0 Introduction

Small and medium-sized enterprises (SMEs) are generally accepted as the drivers of economic growth, innovation and employment, especially in emerging economies where they form the mainstay of industrial and social development. In other countries like Pakistan, SMEs not only form the majority of business establishments but also contribute a lot to the industrial output, exports and employment. Although the significance of SMEs cannot be underestimated, they still struggle to grow in the long-term (Koura et al., 2025). The rapidity of technological change, changing market dynamics, globalization and the ever-increasing consumer demands have created a scenario where the traditional business practices are no longer adequate to ensure survival, leave alone sustainable growth. Competition in the manufacturing industries like textile and glass is also increasing which further increases these pressures and exposes SMEs to the weaknesses of limited resources, poor governance systems and lack of innovation capacity. Against this background, there is an emerging interest by scholars and practitioners to identify managerial and organizational capabilities that can become drivers of long-term sustainability and can help SMEs to respond to uncertainty, yet retain competitive advantages (Damiano & Valenza, 2025).

Sustainable growth involves a careful balance between stability and flexibility of SMEs. On the one hand, companies need to institutionalize mechanisms of governance, accountability, and resource management that protect against inefficiency and risk; on the other hand, they must also develop an entrepreneurial spirit, innovation and responsiveness that enables them to take advantage of opportunities in rapidly changing environments. The combination of these two imperatives has led to an increasing number of studies that highlight leadership, governance, and financial resilience as the key drivers of firm performance. Most of this literature has however concentrated on large organizations or developed-economy settings, which leaves a significant gap in terms of how these dynamics play out in SMEs in emerging markets, where institutional weaknesses and resource constraints are magnified and where managers face a greater challenge (Grover et al., 2021). More importantly, although leadership, auditing and financial agility have been examined separately, there is a lack of overall combination of these elements into a comprehensive framework that can capture their interdependent and combined impact on sustainable SME growth. It is against this backdrop that the current study places itself and suggests an integrated framework, whereby, entrepreneurial leadership, strategic auditing and financial agility are integrated to create sustainable results, with innovation capability acting as the mediating mechanism (Alameri, 2023).

Entrepreneurial leadership is a form of leadership that lays stress on vision, risk taking, proactiveness, and opportunities recognition. In contrast to more traditional managerial styles, which focus on control and predictability, entrepreneurial leadership allows companies to manage uncertainty by being creative, inspiring commitment, and mobilizing resources in new ways. In SMEs, where hierarchy is not as strict, entrepreneurial leadership plays a crucial role in creating organisational culture and directing the strategic path. Through inculcating an entrepreneurial spirit both in the managerial and employee ranks, this kind of leadership enables companies to be innovative, discover new market trends and exploit opportunities that would have otherwise been

missed (Mainwaring, 2021). This way, the entrepreneurial leadership has a direct impact on the sustainable growth by promoting the adaptability and strategic renewal, as well as the indirect contribution to the performance through the establishment of the organizational climate that allows experimentation and learning.

Strategic auditing in contrast is the methodical review of organizational procedures and controls and strategies to make sure accountability and compliance and alignment to the long term goals. Although auditing has generally been perceived in a narrow sense as a financial oversight, the concept of strategic auditing has gone beyond the confines of compliance to consider managerial decision-making, governance, and resource allocation in its effectiveness. In emerging economies, where the institutions of governance are not well developed, strategic auditing can provide a powerful instrument of transparency, elimination of inefficiency, and alignment of operations with strategic objectives to SMEs (Usul & Alpay, 2025). The existence of effective auditing systems enables companies to detect risks in time, gauge performance correctly and be accountable to external stakeholders like investors, banks, and regulators. Strategic auditing therefore not only ensures organizational integrity but also creates the basis on which growth strategies can be made sustainable.

Financial agility contributes to these leadership and governance elements by giving firms the capability of rearranging financial resources swiftly in response to external and internal shocks. Financial agility is the ability of organizations to free, re-distribute and optimize financial resources in dynamic environments. Compared to financial strength, which is concerned with the volume of resources, the financial agility is concerned with the flexibility and the ability of the financial management practices. In the dynamic context of emergent economies, SMEs are often subject to disruptions such as the unstable exchange rates, supply chain congestions and shifts in consumer demand (Lafontant, 2023). The financial nimbleness enables companies to endure such shocks by reducing expenditures, shifting investments, and finding new sources of financing. This elasticity does not only stabilize the firms in the times of crisis but also helps them to exploit the growth opportunities and therefore this helps in strengthening the sustainability path of a firm.

At the centre of these dynamics is the notion of innovation capability that functions as a derivative of organizational practices as well as a multiplier of organizational practices. Innovation capability is the capacity of the firm to develop new ideas, embrace and implement new ideas, processes and products. This is particularly important in SMEs where resource constraints make it necessary to always seek new ways that can be employed to achieve efficiency and competitiveness. Entrepreneurial leadership will promote innovation by experimentation and risk taking and strategic auditing will help to ensure innovative projects are analysed in a systematic way (Iliashenko et al., 2023). Financial agility, consequently, offers the resources and flexibility to invest in new innovative initiatives, which helps firms to invest in research, technology and human capital. Innovation capability is thus a combination of the effects of leadership, auditing and financial responsiveness and translates them into practice in a way that will contribute to sustainable growth. Through such relationships mediated, the innovation capability focuses on the necessity of establishing an organizational culture that not only tolerates creativity and

experimentation but also supports them with a developed system and a financial plan (Rošulj et al., 2024).

The theoretical basis of the current research is the resource-based view (RBV) and the dynamic capabilities perspective. BV assumes that firms attain sustainable competitive advantage by possessing and strategically using valuable, rare, inimitable and non-substitutable resources. Entrepreneurial leadership, strategic auditing and financial agility can be thought of as intangible resources and capabilities that when used effectively can help improve the performance and sustainability of firms (Alkaraan et al., 2024). RBV has however been criticized as having paid less attention to the processes by which firms renew and recombine resources in fast changing environments. The dynamic capabilities perspective has been used to overcome this limitation as it focuses on how firms combine, accumulate, and transform resources to respond to environmental dynamism. In this context, entrepreneurial leadership is the sensing and seizing of the opportunities, strategic auditing offers governance to make sure that there is disciplined decision-making and financial agility enables the reconfiguration of resources. The innovation capability is the result of these dynamic processes, which allow the firms to perpetually transform and renew themselves in the quest to achieve sustainable growth (Bari et al., 2022).

Although these constructs are increasingly becoming known, there are gaps in the literature. To begin with, the literature on entrepreneurial leadership, strategic auditing and financial agility has focused on these factors separately, thus ignoring the synergies that would occur when they are combined into one coherent structure. Second, although there is a general agreement that innovation capability is an important factor in firm performance, little is known about its mediating role in linking leadership, governance, and financial responsiveness to sustainability outcomes (Acosta-Prado et al., 2020). Third, empirical studies of these relationships have been overly focused on developed economies where institutional support systems are better and resource constraints are less acute. This creates a big gap in knowledge on how these dynamics are expressed in emerging economies like Pakistan where SMEs are operating under different constraints and opportunities. Lastly, most of the previous studies have concentrated on the large corporations leaving out the structural and cultural peculiarities of SMEs that can change the dynamics of the relationships (Guimarães et al., 2021).

The research problem addressed in this study therefore arises as a result of the need to know how entrepreneurial leadership, strategic auditing, and financial agility all work together to lead to sustainable growth among SMEs, and how innovation capability mediates the effects of all these in the context of an emerging economy. By analysing this issue in textile and glass manufacturing SMEs in Lahore, the research aims to create contextually informed insights that will expand the theoretical knowledge of sustainability drivers as well as give practical suggestions to managers of SMEs (Chen et al., 2023). The research problem can be stated as follows: in spite of the recognized significance of leadership, governance, and financial responsiveness, the lack of knowledge on how these aspects interplay and how their combined impact is conveyed through innovation capability to lead to sustainable growth in resource-constrained SMEs is still present.

The importance of this study is several-fold. Theoretically, it adds to the sustainability and

SME literature by creating an integrative model, which links entrepreneurial leadership, strategic auditing, financial agility, and innovation capability to a dynamic capabilities framework. In so doing, it overcomes the fragmentation of previous research and develops a more integrated view of how various organizational capabilities combine to create sustainability (Nguyen & Kanbach, 2024). In practical terms, the research provides practical implications to the managers of SMEs in emerging economies. It emphasizes the need to develop entrepreneurial leadership behaviors that exude vision and risk-taking, enhance auditing systems that foster governance and accountability, and develop financial practices that are more focused on flexibility and responsiveness. In addition, it demonstrates the need to integrate innovation into organizational culture not as a stand-alone activity but as a result of leadership, governance, and financial strategies operating in synergy. The findings can also be useful to policymakers and support institutions since they can identify areas where external interventions, training and policy reforms can be used to improve SME capabilities and resilience (Thekkoote, 2024).

In the end, the study is a response to the dire necessity of SMEs in emerging economies to find a way to sustainable development as the challenges and uncertainties are increasing. The study is able to combine different yet complementary approaches to leadership, auditing, finance, and innovation and, therefore, not only enriches the scholarly knowledge but also offers SMEs a blueprint in building resilience, competitiveness, and sustainability. By doing so, it adds to higher developmental objectives since the sustainability of SMEs is not only a question of firm-level survival but also the key to national economic growth and social stability. The knowledge that will be produced as a result of this inquiry has the potential of influencing not only scholarly discourse but also the work of managers and hence contribute to the collective goal of developing SMEs that can operate effectively in dynamic and competitive business environments.

2.0 Literature Review

The theoretical underpinning of this research is the combination of resource-based view (RBV) and dynamic capabilities perspective, which both focus on the role of intangible resources and processes of adaptation in the attainment of sustained competitive advantage. RBV suggests that organizations achieve sustainable success through the development of resources that are valuable, rare, inimitable and non-substitutable. Entrepreneurial leadership, strategic auditing and financial agility can be seen as such intangible assets which when combined together increase the firm-level sustainability. Nevertheless, RBV in isolation presents a static picture of resources and this has been accused of underestimating the impact of environmental dynamism and organizational adaptation (Fonti et al., 2023). The dynamic capabilities perspective overcomes this shortcoming by emphasizing how firms are able to sense opportunities, capture them and re-align internal resources in turbulent environments. In this context, the entrepreneurial leadership is a process of sensing and seizing, strategic auditing imposes discipline and governance on resource utilization, and financial agility allows the reconfiguration of assets. Innovation capability is the mediating factor that transforms these higher-order capabilities into sustainable growth outcomes, so that SMEs not only survive, but thrive in competitive environments (Badwy, 2024).

Based on this theoretical background, many empirical studies have been carried out to

investigate how entrepreneurial leadership can promote organizational performance and adaptability. The behaviors that have been attributed to entrepreneurial leaders include opportunity recognition, strategic vision, proactive decision-making that has been attributed to innovation and long-term sustainability. An example is that in the SME setting, the study revealed that entrepreneurs with entrepreneurial orientations are better placed to develop innovative working environments that foster experimentation and risk-taking (Zighan et al., 2022). In emerging economies, entrepreneurial leadership is also found to help bridge institutional gaps by instilling a sense of commitment and marshalling limited resources. These results highlight the importance of entrepreneurial leadership in shaping not only the organizational culture but also in the direct impact on the growth trajectories, thus, a key factor in SME sustainability (Alcalde-Calonge et al., 2024).

To this effect, studies in strategic auditing have moved towards a general governance and accountability functions rather than a financial slant. Empirical research has demonstrated that SMEs with a strong internal auditing and strategic review system possess greater level of transparency and credibility that boosts stakeholder confidence and external finance accessibility. According to recent studies, strategic auditing is a critical element in terms of aligning the organizational activities with long-term objectives, identification of inefficiencies, and mitigation of risks (Grishunin et al., 2022). Auditing provides a feeling of security in decision-making to the SMEs, which is operating in resource-constrained environments and can prevent wastage of resources, which can lead to sustainable growth. Particularly, it is emphasized in the literature that auditing should not be considered solely as a compliance factor but as a strategic tool that enables measuring the performance on an ongoing basis and adjusting to new circumstances. This broader definition of auditing makes it more associated with innovation since the companies that test their strategies critically are better placed to move on new opportunities and adapt accordingly (Faccia et al., 2022).

Financial agility is a subject that has gained the attention of researchers in recent years especially among small to medium sized enterprises in turbulent markets. Whereas financial stability dwells on the volume of resources amassed, financial agility dwells on the speed and nimbleness with which firms are able to reallocate and optimize financial resources. Empirically, it has been established that financially agile firms are well placed to navigate the crisis, shock absorption and capture the emerging opportunities. Research in emerging markets reveals that financial agility can enable SMEs to survive the institutional weakness in the credit markets through the fluidity of resources and the innovative financing means (Demir et al., 2021). An illustration of this is the fact that when there is economic downturn or a break in the supply chain and SMEs are financially nimble they can easily change budgets, change investments and find other sources of financing. This responsiveness is not just a survival but also a long-term competitiveness and the concept of financial agility plays a very important role in aiding long-term growth.

The convergence point of these organizational practices is the innovation capability that has always been observed to mediate the performance outcomes in SMEs. Innovation capability

refers to the ability of the company to generate, obtain and implement new ideas, procedures and products. Studies have shown that the higher the innovation capability of a company the more adaptable, resilient and competitive it is in a dynamic environment. Innovation is also a result of entrepreneurial leadership because it introduces the spirit of risk taking and proactiveness into the organizational culture (Mulyono et al., 2025). Strategic auditing is complimentary to this as it makes sure that the innovation projects are methodically assessed to minimize wastage and align them to the strategic objectives. Financial agility facilitates innovation by giving the resource flexibility needed to allow companies to invest in technology and experimentation despite constraints. Recent empirical studies also highlight that innovation capability not only enhances the short-term performance but also enhances the long-term sustainability of SMEs by making their organizational DNA adaptive. Innovation therefore becomes the means through which leadership, auditing and financial responsiveness can be converted into sustainable growth (Martusewicz et al., 2024).

Even though these insights exist, the literature has a number of gaps. Most of the studies on entrepreneurial leadership, strategic auditing and financial agility have been carried out separately and therefore, no holistic picture could be achieved on the overall impact of the combination of these factors. Few empirical studies have been conducted to investigate the combined effects of these dimensions on SME sustainability and few have investigated the mediating role of innovation capability in the relationship (Taleb et al., 2023). In addition, the majority of the available research is focused on developed economies, in which the institutional support and availability of resources is vastly different than in emerging markets. This casts doubts on the applicability of results to SMEs in other settings like Pakistan, where companies face more uncertainty, less developed financial systems and fewer innovation support structures. Moreover, most of the studies in the past have focused on large firms and thus do not take into consideration the distinct structural nature of SMEs, which include informality, flatter hierarchies, and scarcity of resources, and which can change the nature of leadership, governance, and finance (Meyner & Emanuelsson, 2025).

Such gaps result in the formulation of the current research problem: although entrepreneurial leadership, strategic auditing, and financial agility have been identified as key factors that contribute to firm success, their combined effect on sustainable growth has not been studied in the SME sector of emerging economies. Also, the mediating role of innovation capability has not been clearly established, leaving a gap in understanding the translation of these organizational practices to sustainability outcomes (Pundziene et al., 2022). To overcome this issue, a multidimensional approach should be used to combine leadership, governance, finance, and innovation aspects into one system. The study addresses this gap by analysing these relationships in SMEs in the textile and glass industries of Lahore and adds to the theoretical discourse on sustainability in SMEs.

On the basis of the theoretical grounds and the empirical data, some hypothesis are formulated. Second, entrepreneurial leadership will have a positive impact on sustainable growth, whereby visionary, proactive, and risk-taking leaders encourage adaptability and strategic renewal

(H1). Second, the hypothesis is that strategic auditing will improve sustainable growth by making the organization accountable, eliminating inefficiencies and aligning organizational actions with long-term goals (H2). Third, financial agility is suggested to have a positive impact on sustainable growth because it allows firms to re-allocate and mobilize resources within dynamic environments (H3). In addition to the above direct effects, it is postulated that innovation capability mediates the relationship between entrepreneurial leadership and sustainable growth (H4), strategic auditing and sustainable growth (H5), and financial agility and sustainable growth (H6). A combination of these hypotheses constitutes a comprehensive model that interconnects leadership, governance, financial responsiveness, and innovation to sustainable growth of SMEs in emerging economies.

3.0 Methodology

The methodology used in conducting this research was well thought to provide rigor, reliability, and relevance in answering the research questions. The study used a quantitative design because it was the most suitable due to the nature of the study that focused on hypothesized relationships between entrepreneurial leadership, strategic auditing, financial agility, innovation capability, and sustainable growth. Quantitative techniques give the required structure to measure constructs in a precise manner, to capture the perceptions of a bigger sample, and also use statistical modelling to confirm the theoretical relationships. The design is compatible with the positivist research philosophy that focuses on objectivity, measurement, and generalizability. In a positivist approach, knowledge is said to be valid when it is based on observable and measurable evidence and therefore the research can shift the focus beyond subjective interpretations and towards empirical testing of relationships that can be represented by numbers.

The population of the study included managers and employees of small and medium-sized enterprises in Pakistan with a special emphasis on textile and glass manufacturing companies in Lahore. These industries were selected because they have a great impact on the national economy and are exposed to competitive forces that require innovative and sustainable practices. Textiles form one of the biggest export industries of Pakistan whereas glass manufacturing is an important part of the industrial production and both of them are challenged with the issue of resource limitation, changing market demands and institutional deficiencies. The SMEs in these industries provide a perfect environment to study the role of leadership, auditing and financial responsiveness in the sustainability of any firm, especially through the lens of innovation capability. The selection of Pakistan as a geographical context is also supported by the fact that there is a relative dearth of empirical studies in the context of emerging economies where institutional weaknesses and environmental dynamism makes examination of organizational capabilities timely and necessary.

Out of this population, a sample of 350 respondents was taken, including a combination of middle- and senior-level managers and employees who have been involved in the decision-making and operational processes. The involvement of both managerial and non-managerial personnel allowed a better insight into the organizational practices, which minimized the risk of depending only on the views of top-level employees and thus improved the validity of findings. A purposive sampling method was used, which is a non-probability sampling strategy since the study needed to select individuals with direct interest or knowledge about leadership practices, auditing process,

financial management, and innovation activities. The purposive sampling was also justified by the fact that in the case of accessing SMEs in Pakistan, formal sampling frames are usually not available and selection of knowledgeable respondents can provide richer and more accurate data. To enhance representativeness, firms of different sizes within the SME category as defined by the Small and Medium Enterprises Development Authority of Pakistan were included and this ensured diversity in responses across organizational structures.

The information was gathered through a structured questionnaire that was designed by modifying existing validated scales of relevant studies to fit the Pakistani SMEs context. The questionnaire was subdivided into parts that measured one of the five core constructs: entrepreneurial leadership, strategic auditing, financial agility, innovation capability, and sustainable growth. Items were rated on a five-point Likert scale, which ranged between strong disagreement and strong agreement, thereby enabling the respondents to indicate levels of perception instead of either/or responses. To establish clarity and contextual relevance, the questionnaire was pre-tested with a small sample of the SME managers before being administered fully and slight adjustments were made to eliminate ambiguity. The collection of the data was done by direct visits to the firms and electronic distribution and close follow-ups were done to improve the response rates. The two-pronged strategy guaranteed increased participation and it catered to companies that had low access to online platforms.

As a tool of data analysis, structural equation modeling (SEM) was used as the main analytical tool. The reason why EM was selected is that it allows testing complex relationships simultaneously, including both direct and indirect effects, which fits the purpose of the study of the mediating role of innovation capability. To determine the validity and reliability of the measurement models, confirmatory factor analysis (CFA) was used in two stages: the first stage involved determining whether constructs were captured adequately by its observed indicators. Convergent and discriminant validity were determined by use of indicators like factor loading, composite reliability, and average variance extracted. In the second step, the structural model was estimated to test the hypothesized relationships among the variables, and path coefficients, significance levels, and model fit indices were used to interpret the results. The model fit was evaluated using the commonly accepted criteria that included the chi-square statistic, comparative fit index (CFI), Tucker-Lewis index (TLI), and root mean square error of approximation (RMSEA). This was a strict method, which made the results not only statistically significant but also theoretically important.

During the research process, ethical considerations were prioritized in order to protect the rights and dignity of the participants. Before data was collected, all respondents gave their informed consent, and they were thoroughly informed of the reason of the study, the voluntary aspect of participation, and the right to withdraw at any time without reprisal. Strict anonymity and confidentiality was adhered to and no identifying information was linked to responses and all data securely stored to use in research only. The research also followed the institutional ethical guidelines and observed the principle of beneficence, which minimized the risks involved and maximized the potential benefits of research to the participants and the SME community in

general. Cultural sensitivity was observed in the design and administration of the questionnaires, taking note of the social and organizational norms in the Pakistani SMEs. Integrity was maintained throughout the research process by incorporating ethical responsibility into every step of the research process, which enhanced the credibility of the study findings.

Overall, the methodological framework of the present study is representative of the balance between scientific rigor and contextual relevance. With a positivist philosophy, quantitative survey research design, purposive selection of the knowledgeable respondents, questionnaire-based data collection, and advanced statistical analysis using SEM, the study has presented a valid evidence on the effect of entrepreneurial leadership, strategic auditing, and financial agility on sustainable growth in SMEs with innovation capability as a mediator.

4.0 Findings and Results

4.1 Measurement Model

Table 4.1 Reliability Analysis

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Entrepreneurial Leadership	0.7646	0.80398	0.83453	0.41104
Financial Agility	0.84958	0.85343	0.89009	0.57741
Innovation Capability	0.70991	0.71271	0.80247	0.40792
Strategic Auditing	0.7332	0.74134	0.80857	0.38695
Sustainable Growth	0.77107	0.78105	0.82674	0.32743

The reliability test indicates that all the constructs have acceptable internal consistency with a Cronbach alpha value between 0.71 and 0.85 which is higher than the recommended value of 0.70 which implies a satisfactory reliability. Composite reliability (CR) values are also high (0.80-0.89) and this indicates strong consistency in measurement across items. Nevertheless, the Average Variance Extracted (AVE) values indicate less convergent validity because most constructs (Entrepreneurial Leadership = 0.41, Innovation Capability = 0.41, Strategic Auditing = 0.39, Sustainable Growth = 0.33) are lower than the recommended 0.50, which implies inability to explain variance of indicators. Only Financial Agility (AVE = 0.58) shows sufficient convergent validity.

4.2 Validity Analysis HTMT

Table 4.2 Validity Analysis HTMT

	Entrepreneurial Leadership	Financial Agility	Innovation Capability	Strategic Auditing	Sustainable Growth
Entrepreneurial Leadership					
Financial Agility	0.64596				
Innovation Capability	0.83201	0.57098			
Strategic Auditing	0.66714	0.31166	0.64854		
Sustainable Growth	0.68155	0.64487	0.62268	0.58962	

The HTMT (Heterotrait-Monotrait ratio) scores show that the constructs have reasonable discriminant validity as a whole because all the scores are below the conservative value of 0.85, implying that the constructs are empirically different. The correlation between Entrepreneurial Leadership and Innovation Capability is the highest (0.83) and is close to the threshold, which means that there is a strong but still acceptable relationship that should be considered because of the possible overlap. Other relationships, like Financial Agility to Strategic Auditing (0.31) and with Innovation Capability (0.57) are moderate or low, which is supportive of clear differentiation. In a similar manner, Sustainable Growth exhibits moderate correlations with other constructs (0.59-0.68), which further confirms its uniqueness.

4.3 SEM Direct Effect

Table 4.3 SEM Direct Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Entrepreneurial Leadership -> Innovation Capability	0.40961	0.40415	0.05118	8.00415	0.00001
Entrepreneurial Leadership -> Sustainable Growth	0.10885	0.10943	0.0384	2.83456	0.01771
Financial Agility -> Innovation Capability	0.2242	0.2188	0.02451	9.14561	0
Financial Agility -> Sustainable Growth	0.39546	0.39528	0.01428	27.69318	0
Innovation Capability -> Sustainable Growth	0.11681	0.11953	0.02964	3.94037	0.00277
Strategic Auditing -> Innovation Capability	0.19998	0.21338	0.0416	4.807	0.00072
Strategic Auditing -> Sustainable Growth	0.2237	0.20945	0.06588	3.39562	0.00682

The SEM direct effects indicate that all the hypothesized relationships are significant with p-values being less than 0.05 and thus strong structural relationships between the constructs. Entrepreneurial Leadership is a significant contributor to Innovation Capability and also a positive contributor to Sustainable Growth, albeit with a smaller effect. Financial Agility has a strong influence on both Innovation Capability and Sustainable Growth, and is the best predictor of growth. Innovation Capability alone also contributes greatly to Sustainable Growth, which shows its mediating effect. Strategic Auditing has a positive effect on Innovation Capability and Sustainable Growth.

4.4 SEM Mediation Effect

Table 4.4 SEM Mediation Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Entrepreneurial Leadership -> Innovation Capability -> Sustainable Growth	0.04785	0.04803	0.01309	3.65667	0.00441
Financial Agility -> Innovation Capability -> Sustainable Growth	0.02619	0.02626	0.00746	3.50976	0.00563
Strategic Auditing -> Innovation Capability -> Sustainable Growth	0.02336	0.02588	0.00897	2.60524	0.02625

The mediation analysis shows that Innovation Capability has a major mediating effect between the variables Entrepreneurial Leadership, Financial Agility, Strategic Auditing and Sustainable Growth. In particular, Entrepreneurial Leadership contributes to Sustainable Growth through Innovation Capability, that is, leadership enhances growth by promoting innovation. In the same line of reasoning, the Financial Agility also has an indirect impact on growth through the Innovation Capability, which further supports the notion that financial flexibility facilitates innovation, which in turn leads to sustainability. Strategic Auditing also exhibits a lower yet important mediating effect through the Innovation Capability, indicating that the effective auditing practice leads to innovation which in turn supports long-term growth. All in all, these findings support the role of Innovation Capability as an important mediator, as the effects of leadership, financial agility, and auditing on sustainable growth are strengthened when organizations are successful in developing innovation.

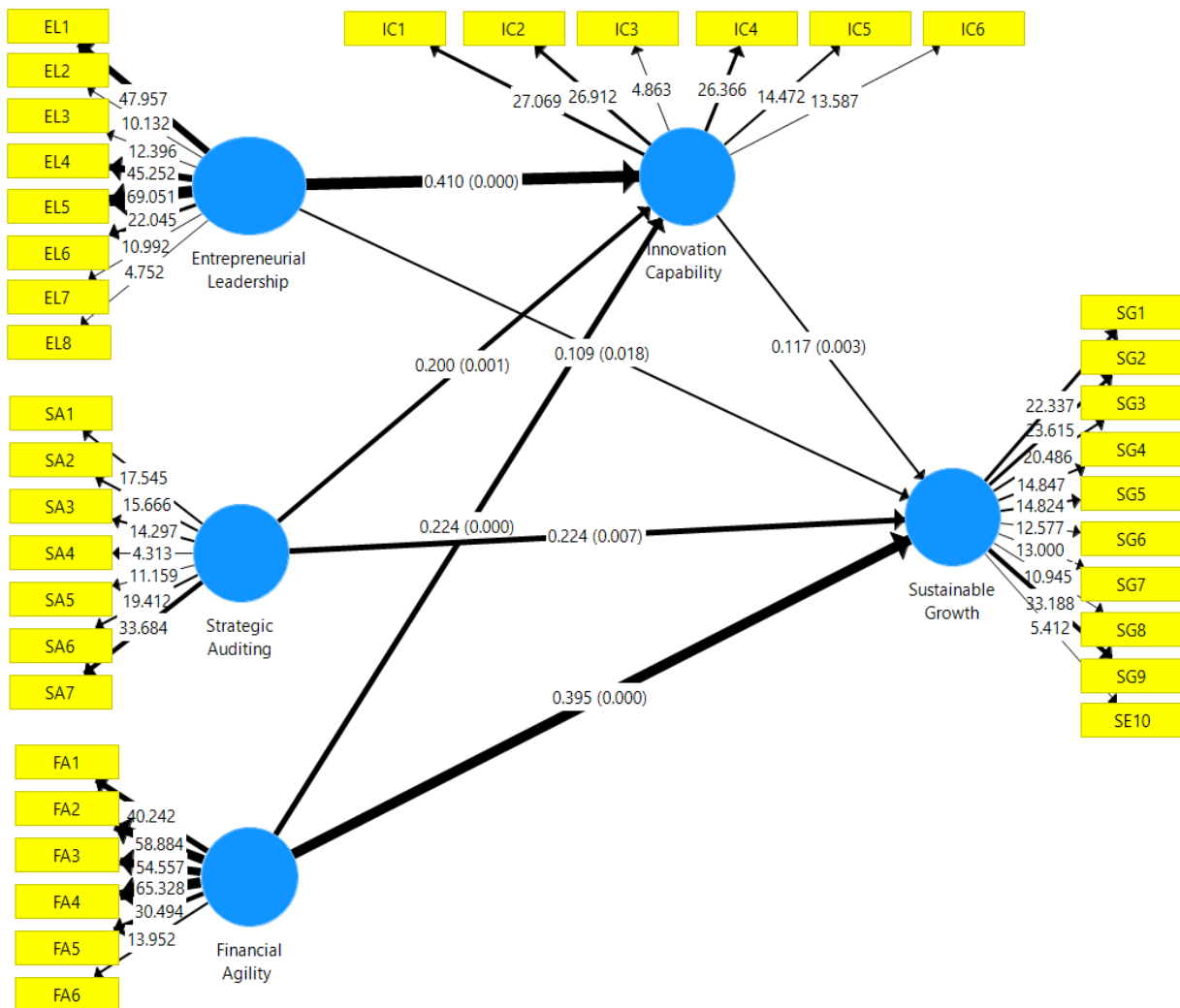


Figure 4.1: Structural Equational Model

5.0 Discussion and Conclusion

The results of this research provide useful information on how entrepreneurial leadership, strategic auditing, and financial agility can support long-term growth of SMEs in emerging economies and specifically in the textile and glass industries of Pakistan. The findings revealed that entrepreneurial leadership has significant impact on sustainability through its ability to foster vision, proactiveness, and opportunity recognition that in turn promote adaptability and long-term competitiveness. This aligns with previous findings that leaders play an important role in instilling an entrepreneurial mindset in organizations but the present study adds to this by establishing that leadership practices are equally important in resource-scarce settings. In environments of institutional weaknesses and increased uncertainty, entrepreneurial leadership plays the role of a stabilizing force that is innovative and creates confidence amongst the employees and enables resilience to external shocks. The findings hence confirm the theoretical assumption that leadership does not only imply administrative dominance but also implies a feeling of organization orientation that rewards innovation and change.

The strategic auditing also became a major driver towards sustainable growth and this makes the argument that governance and the accountability systems are significant to SMEs. The results showed that, those companies that had well-established auditing practices were able to align resources with long-term goals, reduce inefficiencies, and enhance their credibility to third parties. This is replicated in the broader literature that perceives auditing as being more than a mere compliance tool but as a strategic competence. Strategic auditing would provide the practice that is required to keep growing and innovating in the SME environment where wastage of resources and informal decision making have been the order of the day. These findings show that SMEs in Pakistan, which have been said to have weak governance systems, can improve their sustainability trajectory by institutionalizing auditing processes that audit performance, risk management and accountability. This observation contributes to the emergent knowledge that governance practices long considered as peripheral in the SME context are actually central to survival and growth in the long-term.

The paper has also reinstated the importance of financial agility as a growth sustaining factor. The evidence demonstrated that SMEs capable of rearranging financial resources fast and pursuing flexible financial strategies had an opportunity to respond more effectively to the changing market conditions and remain competitive. This observation is similar to those of other studies that point to resource fluidity as an engine of resilience but is more precise since it demonstrates how financial agility can be used in emerging economies where access to external sources of finance is limited. Being financially agile in such environments does not only imply the usage of the available resources but the creative activation of these resources to maintain and innovate.. By validating the fact that financial agility leads to a significant improvement in sustainable growth, the research highlights the necessity of the SME managers reconsidering financial management as a dynamic capability instead of a static administrative activity.

The mediating effect of innovation capability was also confirmed, as it is one of the most important contributions of the study. The findings indicated that innovation capability partly mediated the associations between entrepreneurial leadership, strategic auditing, financial agility,

and sustainable growth. This shows that although leadership, governance, and financial responsiveness have a direct impact on sustainability, the impact is enhanced when combined with a culture of innovation. The innovation capability offered the platform by which these organizational practices were translated into a tangible result in terms of product improvement, process efficiency, and market trend adaptability. This is in line with the dynamic capabilities approach where firms must integrate and reconfigure resources on-going. The results therefore show that innovation is not a standalone exercise but a result of aligned leadership, governance and financial practices. In SMEs, where resource scarcity does not permit large-scale investments, the integration of innovation capability makes sure that even minimal resources are steered to new and value-adding results.

Collectively, the findings add to theoretical development because they combine leadership, auditing, finance and innovation into a single model of SME sustainability. The findings support the resource-based view because they indicate that intangible resources like leadership, governance, and financial responsiveness are key resources, whereas the dynamic capabilities perspective is supported by the fact that innovation capability facilitated reconfiguration of resources in turbulent environments. The research therefore fills a significant gap in the literature by establishing the interrelationship of these constructs in SMEs in an emerging economy hence extending theories that have been tested mostly in developed economies. In addition, by empirically validating the mediational role of innovation, the study will help in better understanding the mechanisms through which organizational practices influence sustainability.

The conclusion that can be drawn out of these findings is that sustainable growth in SMEs cannot be attained by emphasizing on isolated practices. Rather it needs a comprehensive combination of leadership, governance, financial responsiveness and innovation. Entrepreneurial leadership offers vision and proactiveness to move through uncertainty; strategic auditing offers accountability and alignment of decisions with long-term objectives; financial agility offers the ability to move resources; and innovation capability translates these activities into new solutions that achieve competitiveness. This combined model provides a clear presentation of how SMEs in Pakistan can break institutional gaps and resource shortages to attain sustainability. Testing this model empirically, the study gives both theoretical and practical directions in SME development.

On the basis of these findings, it is possible to recommend several suggestions to SME managers and policymakers. Managers must develop entrepreneurial leadership behaviors by promoting risk taking, and opportunity recognition, and proactive decision making at all levels of the organization. Leadership development programs and training programs can help instill these behaviors into the culture of the organization. Meanwhile, SMEs need to invest in the reinforcement of their auditing systems, not just as a means of complying with the requirements but as a means of evaluating performance and as a means of informing future decisions. This can include introduction of new auditing technologies and practices that are in line with international standards. Financial agility must also be a priority, as managers should consider diversifying the sources of financing, flexible budgeting, and exploring new funding sources, including partnerships or online financial services. Notably, innovation must be incorporated in daily

business operations and companies are encouraged to dedicate some resources, albeit limited, to nurture experimentation, research, and innovative problem solving. Policymakers can contribute positively by developing training programs, providing incentives to innovate and improving regulatory systems that promote accountability and financial openness in SMEs.

The implications of this study go beyond the managerial practice to policy and theory. The findings are important to policymakers because they should design favorable ecosystems that increase the potential of SMEs. This involves the provision of access to affordable financing, training programs that develop leadership and auditing skills and innovation hubs that foster experimentation and collaboration. To theory, the study shows the importance of combining the views of various perspectives in order to make sense of SME sustainability. By integrating the resource-based view and the dynamic capabilities perspective, the study offers a more comprehensive and detailed insight into the way firms develop and maintain competitive advantages in uncertain environments. In practice, the research provides a guide to SME managers on how to establish resilience and competitiveness through alignment of leadership, governance, financial, and innovation practices. By so doing, the study emphasizes that sustainability is not an end product of disjunctive strategies but the product of synchronized and mutually supporting organizational capabilities.

In short, the study contributes to the knowledge of sustainable growth in SMEs by showing the pivotal importance of entrepreneurial leadership, strategic auditing, financial agility, and innovation capability. The findings indicate that leadership, governance and financial responsiveness have direct effect on sustainability and the influence of these factors is enhanced when firms are able to develop strong innovation abilities. These insights are useful to managers of SMEs and policymakers in emerging economies and add to the theoretical discussion of resources, capabilities, and sustainability. By filling in the literature gaps and providing evidence in Pakistan textile and glass industries, the study establishes a foundation that can be used in future studies regarding SME sustainability in resource-constrained settings. Finally, the results affirm that sustainable growth in SMEs can be best realized through integration, adaptability, and innovation, so that these firms remain key drivers of economic and social growth.

Muhammad Rizwan Kamran: Problem Identification and Theoretical Framework

Muhammad Farooq Rehan: Data Analysis, Supervision and Drafting

Raheel Mumtaz: Methodology and Revision

Conflict of Interests/Disclosures

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