

Exploring the Relationship Between Leadership Style and Competitive Advantage in NGOs: A Focus on Innovation and Inclusion

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Abstract

This literature review examines how leadership styles influence the competitive advantage of non-governmental organizations (NGOs), with a particular focus on innovation and inclusion as key mediating mechanisms. Although NGOs operate outside the profit motive, they face considerable pressure to secure funding, demonstrate measurable impact, and ensure long-term sustainability. Transformational, servant, and inclusive leadership approaches each contribute to shaping organizational culture in ways that position NGOs to respond effectively to these pressures. By synthesizing existing scholarship at the intersection of leadership, innovation, and inclusion, this paper argues that inclusive and sustainable leadership constitutes a strategic tool for achieving distinctive, socially responsive organizational performance. The paper contributes to the NGO management literature by proposing that leadership style is not merely an internal management concern but a driver of competitive positioning, stakeholder trust, and mission effectiveness.

Keywords: Leadership styles, Competitive advantage, NGOs, Transformational leadership, Servant leadership, Inclusive leadership, Innovation, Inclusion, Sustainable leadership, Organizational performance, Nonprofit management, Strategic leadership, Social impact, Organizational culture, Leadership and innovation.

Introduction

Non-governmental organizations (NGOs) operate in increasingly complex environments that demand more than traditional philanthropic approaches. While they remain mission-driven and non-profit in orientation, NGOs must compete for funding, demonstrate clear impact, and sustain their relevance in a crowded development landscape (Oracha, 2022). In this context, the leadership practices an NGO adopts are not peripheral concerns but strategic decisions with direct implications for organizational effectiveness and competitive positioning.

Contemporary NGO management literature recognizes transformational, servant, and inclusive leadership as particularly suited to the sector. These styles emphasize empowerment, stakeholder participation, and organizational adaptability, all of which are essential for navigating resource constraints and engaging diverse constituencies (Otieno, 2022). Transformational leaders motivate

staff through a compelling vision and a culture of continuous improvement. Servant leaders place the needs of others at the center of decision-making, aligning well with the humanitarian ethos of most NGOs. Inclusive leaders actively promote diversity, equity, and the meaningful participation of marginalized groups, enhancing organizational legitimacy across cultural contexts (Suciu, Bocaneala, & Dumitrescu, 2023).

Importantly, leadership in NGOs does not produce competitive advantage in the same way as in the private sector. Rather than market dominance or profitability, NGOs compete on the basis of donor trust, community reputation, program innovation, and staff retention (Oracha, Ogutu, K'obonyo, & Twalib, 2021). Research from Kenya and Southeast Asia indicates that leadership approaches enabling experimentation and collaborative problem-solving significantly strengthen innovation within NGOs (Si Dah, Siripipatthanakul, Phayaphrom, & Limna, 2022). Similarly, organizations that align strong inclusivity practices with strategic innovation tend

to attract more stakeholders, deploy resources more efficiently, and achieve longer-term sustainability (Oracha, 2022; Otieno, 2022).

Despite growing scholarly interest in NGO leadership, studies that specifically examine how leadership styles foster both innovation and inclusion as mediators of competitive advantage remain limited. This paper addresses that gap by synthesizing interdisciplinary literature to build a conceptual framework linking inclusive and sustainable leadership to organizational distinctiveness, value creation, and human resource development in the NGO sector.

Research Objectives

This paper is guided by three primary objectives:

To analyze the impact of leadership styles on the competitive advantage of NGOs.

To assess the role of innovation as a mediator between leadership and competitive advantage.

To identify leadership practices that drive both innovation and inclusion in NGOs.

3. Key Papers Informing This Review

The following table summarizes the primary sources used to substantiate this paper's arguments. Each entry identifies the author(s), year, and the specific contribution of the work within the context of leadership, innovation, inclusion, and competitive advantage in NGOs.

Table 1: Key Papers and Their Relevance to the Paper's Arguments

Author(s)	Year	Summary in the Context of the Paper
Oracha, J. A.	2022	Doctoral study of INGOs in Kenya demonstrating that strategic leadership directly shapes competitive advantage by enabling organizations to leverage structure and performance outcomes. Core reference for linking leadership style to NGO competitiveness.
Oracha, J. A., Ogutu, M., K'obonyo, P., & Twalib, M.	2021	Examines competitive advantage as a mediator between strategic leadership and INGO performance in Kenya. Establishes that NGO distinctiveness rests on intangible assets such as community trust, social capital, and intellectual resources rather than profitability.
Suciu, M. C., Bocaneala, A. M., & Dumitrescu, D. O.	2023	Analyses how NGO leadership drives sustainable, inclusive, and resilient development outcomes. Supports the argument that NGOs must adopt inclusive and adaptive strategies to remain competitive in dynamic social environments.
Jayashree, P., El Barachi, M., & Hamza, F.	2022	Proposes a multi-stakeholder sustainability leadership framework grounded in inclusivity, ethics, and accountability. Directly informs the paper's call for shared decision-making and distributed leadership in NGOs.
Jan, B. K., & Maulida, M.	2022	Argues for entrepreneurial, agility-oriented leadership as more appropriate for evolving NGO and social enterprise contexts in the Global South than fixed step-by-step leadership models. Supports the paper's critique of rigid leadership frameworks.
Orekoya, I. O.	2024	Shows that inclusive leadership moderates the effect of power distance on team climate and trust in hierarchical, culturally diverse organizations, offering direct lessons for globally operating NGOs.
Khan, J., Jaafar, M., Mubarak, N., & Khan, A. K.	2024	Establishes that inclusive leadership increases psychological safety, boosting innovative work behaviour and collaborative problem-solving, which are key mediating mechanisms examined in this paper.
Badr El-Deen, R., & Ali, E. H.	2021	Demonstrates that strategic leadership styles support sustainable competitive advantage through social responsibility, stakeholder engagement, and strong reputation management in hospitality and tourism, with principles transferable to NGO strategy.
Alshahrani, M. A., Yaqub, M. Z., & Alabdali, M. A.	2024	Finds that intellectual capital, when combined with entrepreneurial orientation, matures sustainable competitive advantage in SMEs. Reinforces the argument that NGOs should build knowledge assets and agility as competitive tools.

Si Dah, N., Siripipathanakul, S., Phayaphrom, B., & Limna, P.	2022	Case study of NGOs and CSOs on the Thai-Myanmar border showing that leadership which empowers experimentation and team problem-solving significantly strengthens organisational innovation.
Shah, M. S., Wu, C., & Ullah, Z.	2021	Demonstrates that inclusive leadership strongly predicts employee creativity in banking, with CSR amplifying this effect, supporting the paper's claim that inclusion drives employee-level innovation in NGOs.
Phonthanukitithaworn, C., Srisathan, W. A., Ketkaew, C., & Naruetharadhol, P.	2023	Argues that open innovation, intellectual capital, and sustainable initiatives together enable SME sustainability, emphasising community insight integration as a model applicable to NGO innovation strategy.
Krara, W., Alzubi, A., Khadem, A., & Iyiola, K.	2025	Links environmental awareness and innovation capability to entrepreneurial success, suggesting that sustainability-conscious leadership is crucial to maintaining competitive positioning, an insight applied to NGO leaders in this paper.
Baldassarre, B., Calabretta, G., Karpen, I. O., Bocken, N., & Hultink, E. J.	2024	Introduces Responsible Design Thinking as a framework tying ethics, sustainability, and inclusivity into the innovation process. One of the three theoretical pillars underpinning this paper's framework.
Kahupi, I., Hull, C. E., Okorie, O., & Millette, S.	2021	Grounds Stakeholder Theory in competitive advantage, arguing that aligning stakeholder needs in product and service development improves outcomes. Provides the ethical and relational rationale for inclusive NGO leadership.
Saxena, P. K., Seetharaman, A., & Shawarikar, G.	2024	Systematic review identifying factors that drive sustainable innovation in organisations, including leadership vision and stakeholder co-creation, directly informing the value creation section of this paper.
Shao, J., Cherian, J., Xu, L., et al.	2022	Finds that inclusive leadership combined with polychronicity enhances employee creativity through CSR in hospitality, supporting the argument that inclusive approaches improve the innovative capacity relevant to resource-constrained NGOs.
Mishra, K., Agrawal, S., Shrestha, S., et al.	2024	Reviews transformative leadership in Nepalese institutions, demonstrating that it equips resource-scarce organisations with adaptive change management capabilities, providing transferable lessons for NGO leadership in the Global South.
Nasir, A., Zakaria, N., Do, N., & Velasquez, S.	2024	Shows that knowledge management drives sustainable performance with green innovation as a mediator in SMEs, informing the paper's argument that NGO leaders must systematically share information to enhance value creation.
Mata, M. N., Moleiro Martins, J., & Inacio, P. L.	2024	Examines how collaborative innovation, strategic agility, and absorptive capacity interact in SMEs. Highlights leadership's role in building absorptive capacity, which is directly applied to the HRD discussions in the NGO context.

4. Literature Review

4.1 Leadership Styles in NGOs

Leadership approaches in NGOs directly shape organizational outcomes and determine the capacity for adaptation in uncertain, resource-constrained environments. Inclusive and transformational strategies, in particular, enable organizations to build consensus and sustain long-term commitment

among staff and stakeholders (Badr El-Deen & Ali, 2021). Jayashree, El Barachi, and Hamza (2022) further articulate this through a sustainability leadership framework grounded in inclusivity, ethical accountability, and distributed participation in decision-making.

A counter-argument in the literature suggests that prescribed, step-by-step leadership models are ill-suited to NGOs operating in dynamic, context-

specific environments (Jan & Maulida, 2022). Entrepreneurial leadership, which is characterized by agility and opportunity recognition, has been proposed as a more appropriate model for social enterprises in the Global South. This perspective usefully complements the call for adaptive and relational leadership models rather than replacing conventional frameworks outright.

The broader trend in NGO leadership scholarship moves decisively toward collaborative and inclusive decision-making. Orekoya (2024) finds that promoting diverse leadership improves team cohesion in hierarchical, high-power-distance organizations, a finding directly applicable to NGOs working across cultures. Khan et al. (2024) provide complementary evidence that inclusive leadership increases psychological safety, which in turn enhances innovative behavior and cooperative problem-solving. Taken together, these studies indicate a clear sectoral shift away from authoritative leadership toward relational, inclusive, and adaptive approaches.

4.2 Competitive Advantage in NGOs

Competitive advantage in NGOs differs fundamentally from the private sector concept. Rather than market share or profit margins, NGOs compete on the basis of donor trust, community legitimacy, innovative programming, and effective talent management. Badr El-Deen and Ali (2021) demonstrate that strong leadership is central to building sustainable competitive advantage, achieved through social responsibility initiatives, strong reputational standing, and meaningful stakeholder engagement. This framing situates competitive differentiation in the domain of culture, social capital, and intellectual resources.

The evolving demands of Industry 5.0 further reinforce the need for NGOs to embed innovation and sustainability as strategic imperatives in order to remain relevant and respected (Sharma & Gupta, 2024). Moreover, Alshahrani, Yaqub, and Alabdali (2024) highlight that intellectual capital, when combined with an entrepreneurial orientation, contributes significantly to sustainable competitive advantage in resource-limited organizations. Their finding, that the combination of green products and artificial intelligence can enhance organizational

readiness, offers lessons for NGOs seeking to leverage limited resources creatively. Competitive advantage in the NGO sector, therefore, emerges from organizational agility, knowledge dissemination, and a consistent orientation toward positive social impact.

4.3 Innovation as a Driver of Competitive Advantage

Innovation has emerged as one of the most significant mechanisms through which NGOs differentiate themselves and maintain effectiveness under difficult conditions. Research in the context of Thai-Myanmar border NGOs demonstrates that leadership environments that encourage experimentation are strongly associated with higher levels of organizational innovation (Si Dah et al., 2022). Similarly, Phonthanukitithaworn et al. (2023) show that open innovation practices, supported by intellectual capital, enable organizations to pursue sustainable development by integrating community insights into their operations.

Innovation in NGOs encompasses not only technological development but also program design, fundraising strategy, and partnership models. Corporate culture plays a mediating role, as Chen (2022) demonstrates, influencing the degree to which business model innovation translates into social responsibility outcomes. Leaders who foster open, trust-based cultures therefore create the conditions necessary for ongoing innovation. Krara et al. (2025) further emphasize that environmental awareness and robust innovation capabilities together determine whether an organization can sustain its competitive edge over time, a finding with clear implications for NGO leaders navigating complex socio-environmental landscapes.

4.4 Inclusion and Leadership in NGOs

Inclusion in NGOs functions simultaneously as a core ethical commitment and a strategic advantage. Inclusive leadership aligns with the humanitarian values that define most NGO missions while also fostering the collaborative, creative organizational culture necessary for effective program delivery. Shah, Wu, and Ullah (2021) establish that inclusive leadership has a strong direct effect on employee creativity, with corporate social responsibility

(CSR) practices amplifying this relationship. Since NGO outcomes depend heavily on staff initiative and voice, this finding has immediate practical implications.

Orekoya's (2024) research further demonstrates that inclusive leadership moderates the effect of power distance on team climate, making it particularly valuable in the multicultural, cross-border contexts that characterize many international NGOs. At the individual level, Al Amosh (2025) shows that gender diversity, as an important dimension of inclusion, supports green collaboration and improves organizational financial performance, offering additional evidence that inclusive practices produce measurable outcomes beyond symbolic value.

Importantly, inclusion must extend beyond demographic representation to encompass structural changes in governance and operations. Jayashree et al. (2022) argue for clearly defined inclusivity in leadership structures and organizational processes. This means NGO leaders must not only be attentive to who is present in decision-making spaces but must actively address structural disadvantages that prevent underrepresented groups from contributing meaningfully.

4.5 Sustainable Leadership in the NGO Sector

Sustainability has become a foundational expectation for NGO governance rather than an aspirational add-on. These organizations face mounting pressure to deliver impact, demonstrate

accountability, and respond effectively to shifting global conditions (Sharma et al., 2024). Inclusive sustainable leadership provides the organizational architecture through which NGOs can address complex problems, generate long-term value, and support staff development (Abdelfattah et al., 2024).

Evidence from Nepal illustrates that transformative leadership equips resource-scarce institutions with the tools to manage change and build stakeholder support (Mishra et al., 2024). When transformative approaches are paired with inclusive and sustainability-oriented guidelines, NGOs are better positioned to adapt programming to stakeholder needs while maintaining mission integrity. The scholarship broadly agrees that sustainable leadership must operate across multiple dimensions simultaneously, balancing performance objectives with equity considerations and environmental responsibility.

5. Theoretical Framework

The relationship between leadership style and competitive advantage in NGOs is best understood through three complementary theoretical lenses: Dynamic Capabilities Theory (DCT), Responsible Design Thinking, and Stakeholder Theory. Together, these frameworks explain how inclusive and sustainable leadership enables NGOs to build adaptive capacity, drive innovation, and create enduring value. Table 2 summarizes how each theory maps onto the paper's research objectives and how it is applied throughout the analysis.

Table 2: Theoretical Frameworks and Their Alignment with Research Objectives

Theory	Core Premise	Research Objective(s) Addressed	Application in This Paper	Key Supporting References
Dynamic Capabilities Theory (DCT)	Competitive advantage derives from an organisation's ability to sense, seize, and reconfigure resources and competencies in response to changing environments.	Objectives 1 and 2: Explains how leadership style shapes the adaptive capacity that underpins NGO competitiveness, and how innovation emerges when leaders build and deploy dynamic capabilities.	Used to explain how inclusive and sustainable leadership enables NGOs to mobilise stakeholder knowledge, adapt programming under resource constraints, and foster innovation despite limited budgets.	Siddiqi et al. (2025); Abera et al. (2025); Mehralian et al. (2023)

Responsible Design Thinking	Innovation should be guided by ethical considerations including sustainability, inclusivity, and broad societal benefit, with beneficiaries as active co-creators rather than passive recipients.	Objectives 2 and 3: Provides the process framework through which NGO leaders convert inclusive values into concrete innovation practices and iterative, community-driven programme development.	Applied to show how NGO leaders can embed empathy, contextual learning, and ethical accountability into the innovation process, linking inclusive leadership behaviour directly to programme innovation outcomes.	Baldassarre et al. (2024); Mahato et al. (2021)
Stakeholder Theory	Organisations perform better when they integrate the interests and perspectives of all legitimate stakeholders, including communities, donors, regulators, and partners, into strategic and operational decisions.	Objectives 1 and 3: Grounds competitive advantage in relational legitimacy and provides the normative rationale for inclusive leadership as the mechanism through which stakeholder alignment is operationalised.	Used to explain why NGOs that practise inclusive leadership enjoy stronger donor trust, community credibility, and programme relevance, positioning stakeholder integration as a direct driver of competitive positioning.	Kahupi et al. (2021); Saka-Helmhout et al. (2024); Alshukri et al. (2024)

Dynamic Capabilities Theory, as applied to NGO contexts, holds that organizational competitiveness depends on the ability to reconfigure internal and external resources in response to changing environments. Siddiqi et al. (2025) demonstrate that in emerging economies, sustainable leadership significantly shapes eco-innovation and environmental performance through dynamic capabilities. For NGOs, inclusive leadership plays an analogous role, mobilizing stakeholder knowledge, enabling adaptive programming, and fostering innovative responses to social challenges even under resource constraints.

Responsible Design Thinking, as theorized by Baldassarre et al. (2024), integrates ethical considerations including sustainability, inclusivity,

and broad societal benefit directly into the innovation process. Applied to NGOs, this framework supports the involvement of beneficiaries and community members as co-creators, encourages iterative learning, and requires leaders to demonstrate empathy and contextual sensitivity (Mahato, Phi, & Prats, 2021). This approach aligns closely with the humanitarian orientation of most NGOs and grounds innovation in relational rather than purely technical processes.

Stakeholder Theory, as synthesized by Kahupi et al. (2021), posits that organizational outcomes improve when stakeholder perspectives are meaningfully integrated into strategy and design. NGOs engage with a wide range of stakeholders including donors, regulators, marginalized communities, and partner institutions, each of whom holds a legitimate claim

on the organization's activities. Inclusive leadership is the mechanism through which this stakeholder integration is operationalized. When leaders actively create pathways for stakeholder voice, they enhance both the relevance of programming and the organizational legitimacy that underpins long-term sustainability.

Cutting across all three frameworks is the mediating role of innovation capability. Research on digitization in microfinance institutions confirms that strong leadership is central to building and retaining the capabilities necessary for sustained innovation (Abera et al., 2025). Shao et al. (2022) further demonstrate that inclusive leadership enhances employee creativity in complex, multi-task environments, which are precisely the conditions that characterize NGO operations. Finally, the theoretical tension between transformational and sustainable leadership deserves acknowledgment. While the former targets growth through vision and inspiration, the latter emphasizes long-term accountability, societal responsibility, and operational prudence (Iqbal & Piwowar-Sulej, 2023). NGOs may require a synthesis of both orientations, one that is ambitious in vision yet deeply rooted in ethical and community commitments.

6. Thematic Analysis: Inclusive Sustainable Leadership and Its Organizational Effects

6.1 Impact on Organizational Distinctiveness

In a sector populated by organizations addressing overlapping issues covering health, education, climate, and gender equity, the ability to differentiate is critical for securing donor support, building credibility, and maximizing program impact. Inclusive sustainable leadership contributes to organizational distinctiveness by drawing on diverse perspectives, respecting cultural complexity, and embedding strategic innovation into planning processes (Mata, Martins, & Inacio, 2024).

Dynamic capabilities, specifically the ability to reconfigure internal resources in response to external shifts, are central to this distinctiveness. Mehralian et al. (2023) show that effective leadership enables high-performance work systems (HPWS) to promote innovation, setting

organizations apart competitively. In NGOs, analogous systems take the form of knowledge-sharing practices, participatory decision-making, and inclusive program planning. Leaders who build and sustain these systems create the conditions for genuine organizational differentiation.

6.2 Impact on Value Creation

Value creation in the NGO sector extends well beyond financial performance to encompass community development, beneficiary empowerment, and environmental stewardship. Inclusive sustainable leaders operationalize value creation by distributing power and enabling co-creation with beneficiaries and stakeholders. Saxena, Seetharaman, and Shawarikar (2024) identify the promotion of sustainability as foundational to building innovation ecosystems capable of addressing complex social problems.

Green innovation offers a concrete example of NGO-relevant value creation. Skubis, Akahome, and Bijanska (2023) document how green technologies in NGO healthcare programming reduce waste while delivering community and environmental benefits. At the leadership level, Hossain et al. (2024) demonstrate that green ambidexterity, meaning the simultaneous pursuit of exploratory and exploitative innovation, is shaped significantly by leadership orientation. Nasir et al. (2024) further confirm that knowledge management practices, led from the top, directly contribute to sustainable organizational performance. NGO leaders who prioritize information sharing, multi-stakeholder collaboration, and environmental integration are therefore making concrete investments in value creation.

6.3 Impact on Human Resource Development

Human resource development (HRD) is frequently underprioritized in NGOs, where mission urgency can overshadow systematic investment in staff development and retention. Yet HRD is indispensable for building the capabilities that sustain competitive advantage. Inclusive sustainable leadership addresses this gap by fostering mentorship, ethical engagement, and meaningful staff empowerment (Adigwe, 2024).

Transformational leaders, as illustrated by the comparative analysis of Jeff Bezos and Steve Jobs by Adigwe (2024), excel at cultivating intrinsic motivation and generating innovative thinking across organizational levels. The principle translates directly to NGOs: leaders who invest in staff development, encourage continuous learning, and recognize contribution enable their organizations to respond more effectively to environmental shifts (Mishra et al., 2024). Mata et al. (2024) highlight absorptive capacity, meaning the ability to recognize, internalize, and apply external knowledge, as heavily dependent on leadership engagement in employee development. Since NGOs typically cannot match corporate compensation, investment in learning, autonomy, and mission alignment becomes the primary tool for talent retention.

6.4 Strategic Implications for NGO Leadership

The cumulative findings of this review carry several strategic implications for NGO leaders. First, inclusive sustainable leadership must be treated as a strategic priority rather than a management style preference. Nassar, Naarne Toth, and Vasa (2022) demonstrate that diverse leadership approaches significantly improve program outcomes in complex interventions such as food security, meeting the varied needs of beneficiaries more effectively than homogeneous leadership teams.

Second, NGOs should institutionalize collaborative innovation practices by transforming stakeholder feedback into opportunities for program improvement (Fabrizio et al., 2022). Mehralian et al. (2023) confirm that organizations combining collaborative innovation methods with customer knowledge management achieve greater strategic agility. For NGOs, this means creating systematic channels for community voice to inform programmatic decisions. Third, sustainable innovation must be embedded in institutional policy rather than pursued as a series of ad hoc initiatives. Leaders are responsible for ensuring that sustainability principles are integrated into mission statements, strategic plans, and performance metrics, thereby creating the conditions for durable, policy-guided innovation rather than fragmented experimentation.

7. Research Gaps

Despite the growing body of literature on leadership, innovation, and sustainability, significant gaps remain at their intersection within the NGO sector specifically.

Most research on dynamic capabilities and innovation has focused on for-profit firms and technology-intensive SMEs (Siddiqi et al., 2025; Abera et al., 2025; Wang et al., 2024). The distinctive success metrics of NGOs, such as social transformation, community empowerment, and equity outcomes, are rarely operationalized in capability-based research frameworks. Similarly, while Baldassarre et al.'s (2024) Responsible Design Thinking offers valuable conceptual tools, its application to mission-driven, donation-dependent organizations remains largely theoretical.

The evidence base for inclusive leadership in nonprofit contexts is also underdeveloped. Although Shao et al. (2022) and Khan et al. (2024) offer insights from hospitality and technology sectors respectively, empirical studies situated in the high-cultural-diversity, multi-stakeholder environments of international NGOs are rare. This is a notable gap given that leadership in NGOs operates under conditions of unusual complexity, including cross-cultural sensitivity demands, accountability to multiple principals, and constrained autonomy.

Frugal innovation, which involves making creative use of minimal resources to produce high-value outcomes, is another understudied area in the NGO context. Iqbal and Piwowar-Sulej (2023) focus primarily on business ecosystems, leaving the application of frugal innovation principles to NGOs, particularly under adaptive leadership, largely unexplored. Furthermore, research on how inclusive leadership enables green digital transformation in small-to-medium NGOs remains scarce, despite growing evidence from Mahato et al. (2021) and Dias et al. (2022) that context-driven innovation is vital for nonprofit resilience.

Finally, most theoretical treatments of sustainable leadership in NGOs abstract away from sector-specific challenges such as competing accountability structures, externally driven funding cycles, and governance complexity. As Xiong

(2024) illustrates in the SME context, macro-institutional factors significantly shape organizational behavior. Similar forces shape NGO innovation, yet how leaders navigate these pressures has received insufficient scholarly attention.

In summary, the literature lacks integrative models that examine how both inclusive and sustainable leadership simultaneously build innovation capability, stakeholder trust, and long-term organizational performance in the NGO context (Pesqueira et al., 2024). Future empirical research should address the following:

The interactive effects of leadership style on innovation and sustainability outcomes in NGOs.

How frugal and inclusive leadership practices build organizational resilience in resource-scarce, social-impact settings.

The role of digital and green innovation under inclusive leadership in mission-driven organizations (Martinez-Pelaez et al., 2023).

8. Discussion

This review has argued that inclusive and sustainable leadership is a meaningful determinant of competitive advantage in NGOs, primarily through its effects on innovation capacity and organizational inclusion. This argument is corroborated across several bodies of literature and aligns with observable trends in how high-performing NGOs manage themselves.

The central finding, that sustainable leadership drives innovation, parallels Abbas's (2024) demonstration that green transformational leadership supports technological innovation in corporate contexts. NGO leaders, like their environmentally oriented corporate counterparts, benefit from principles-based leadership that enables creative responses to resource constraints. The concept of entrepreneurial bricolage, which involves making innovative use of available resources rather than waiting for ideal conditions, is especially relevant here and requires leaders who can model and reward creative problem-solving (Wu et al., 2024).

Stakeholder integration emerges as another key theme. Saka-Helmhout et al. (2024) show that

corporate social innovation in multinational firms depends critically on well-aligned stakeholder engagement. For NGOs, this insight underscores the importance of inclusive leadership in maintaining legitimacy, securing continued support, and ensuring that programming remains responsive to community needs. Leaders who actively facilitate community co-design rather than delivering predetermined solutions position their organizations for greater relevance and impact (Dionisio, 2024).

The discussion also highlights the organizational culture dimension. Salam and Jahed (2023) demonstrate that trust and corporate reputation mediate the competitive advantage of CSR-oriented firms in B2B markets. While NGOs differ structurally from commercial enterprises, the same relational logic applies: trust among staff, beneficiaries, and donors is a strategic asset, and it is cultivated through consistent, values-driven leadership (Mohd Radzi et al., 2025). Leaders who embed innovation within a culture of trust and accountability are therefore compounding their competitive advantage.

Finally, the discussion affirms that learning orientation is central to NGO competitiveness. Alshukri et al. (2024) confirm that CSR, innovation capability, and organizational learning together generate sustainable value when stakeholder engagement is strong. The corollary for NGOs is that leaders must create systems that reward inquiry, support cross-cultural knowledge exchange, and build the reflective capacities that enable ongoing improvement. These are qualities that Wu et al. (2024) describe as essential for entrepreneurial performance under uncertainty.

9. Conclusion

This review has demonstrated that NGOs led by inclusive and sustainable leadership practices are better positioned to achieve lasting competitive advantage, not through market dominance but through demonstrated innovation, meaningful community engagement, and effective knowledge stewardship. The evidence drawn from leadership, CSR, dynamic capabilities, and stakeholder management literature converges on a consistent conclusion: leadership style is not merely an internal

organizational variable but a strategic driver of distinctiveness, value creation, and resilience.

Specific leadership approaches including green transformational leadership (Abbas, 2024), coaching leadership (Siddiqui et al., 2023), and stakeholder-inclusive models (Saka-Helmhout et al., 2024) have been shown to enhance performance, boost innovation, build trust, and sustain organizational legitimacy. As NGOs navigate increasingly competitive funding environments and complex social challenges, these findings argue for deliberate investment in leadership development that prioritizes social responsibility, ethical accountability, and participatory governance.

The paper's most important contribution is its argument that inclusive and sustainable leadership should be understood as a strategic framework rather than a normative ideal. NGO managers, board members, and donors would benefit from treating leadership development with the same rigor applied to program design and financial management. Future empirical research should test the mediating mechanisms proposed here, particularly the roles of innovation capability and inclusion practices, using sector-specific measures appropriate to the NGO context.

Conflict of Interest Statement

The author(s) declare no conflict of interest. The research was conducted in the absence of any commercial relationships that could be construed as a potential conflict of interest. Although the financial assistantship was provided by UPES (University of Petroleum and Energy Studies) in the form of stipend.

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