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# Chapter 5 - Sustainable HR Practices with AI

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Chapter Information

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## Abstract

Artificial intelligence (AI) is crucial for productivity and efficiency. Employees' deteriorating commitment and resilience add to organizations' concerns on sustainability. An innovative culture facilitates organizations to benefit from AI, whilst leadership influences innovation, employees' commitment and resilience. The current study aims to examine the mediating effects of innovative culture on the positive relationships of transformational leadership with employees' affective organizational commitment and resilience and identify practical recommendations for employers, leaders and HR practitioners to drive innovation and sustainability. Data were collected from a random sample of 430 employees in Hong Kong via an online survey with validated scales. Structured equation modelling through SmartPLS (Version 4.1.0.9) was used to examine the linear relations and the mediating effects. Ten semi-structured interviews were conducted to validate how transformational leaders drive AI development and adoption, innovation and workforce sustainability in their organization. Transformational leadership was positively related to innovative culture ($p=0.000$), employees' affective organizational commitment ($p=0.000$) and resilience ($p=0.000$), whilst innovative culture was positively related to employees' affective organizational commitment ($p=0.000$) and resilience ($p=0.010$). Hence, innovative culture partially mediated the positive relationships between transformational leadership and employees' affective organizational commitment and resilience. The interviews showed that transformational leaders are role models who create psychological safety for their employees to take risk with accountability to enable experimentation, expose employees to stimulations for innovation and growth, establish trust and transparent communication with everyone to strengthen their affective organizational commitment and resilience to adversity. Leaders should demonstrate transformational leadership to drive employees' affective commitment and resilience, which are crucial for their organization's sustainability. Transformational leadership also helps leaders create an innovative culture to facilitate the development and implementation of AI. HR practitioners

should implement leadership development programs focused on transformational leadership.

**Keywords:** *leadership, innovation, commitment, resilience, artificial intelligence or AI, sustainability;*

## 5.1 Introduction

In today's volatility, uncertainty, complexity, and ambiguity (VUCA) world, artificial intelligence (AI) can enhance an organization's productivity and efficiency (Manimuthu et al., 2022). In its global survey 2023, McKinsey & Company found that organizations with a strong innovative culture are three times more likely to encourage experimentation and deliver growth and resilience through generative AI and other new technologies (Banholzer et al., 2023). Tech firms obviously are early adopters of innovation (Meyerson, 2016). Nowadays, even traditionally conservative industries are using AI to speed up their innovation. For example, pharmaceutical companies are using AI to expedite their drug discovery research and development as using AI is now seen as safe and responsible (Ghaffary, 2024).

Leadership and human resources management (HR) practices are two interlinked areas that drive sustainability and innovation. Both factors are crucial for AI development and implementation (Lafram & Bahji, 2024). Besides, leadership and innovativeness positively influence sustainability performance (Agbenyegah et al., 2024). In addition to the need for innovativeness to embrace AI and other new technologies, organizations are also faced by deteriorating employee commitment and organizational resilience that affect their sustainability. Behaviors like quiet quitting and conservation of effort are observed in employees. As a result, organizational performance is significantly affected (Arar & Yurdakul, 2024). Whilst organizations are increasing their investments in sustainability initiatives, business leaders also prioritize the sustainability of their workforce since they believe it helps increase employees' resilience and morale beyond meeting regulatory requirement (Caleb, 2024).

Researchers found that sustainable HR practices significantly enhance resilience individually and collectively (Elshaer et al., 2024). Many organizations adopt sustainable HR practices aiming to provide employees with the support that they need to be successful. At the same time, organizations try to ensure employees' commitment and resilience with intangible offerings like work-life balance, mental health, well-being, growth as well as tangible wages and benefits. Nonetheless, the perceived organizational fit of employees is equally important, since it influences employees' performance and the competitiveness of an organization (Bhatti, 2024). However, a crucial research gap remains unresolved.

Whilst there are studies on the impact of leadership and HR practices and their influences on innovation and other employee outcomes, limited research is found on the effects of innovative culture. Besides, there are cross-cultural variations in the effects of leadership, HR practices and organizational culture. Hong Kong has a unique culture with influences from both Confucian and Western cultures (Szeto, 2021). Therefore, the current study aims to address this unfilled research gap and answer the following research questions:

How does top management team's transformational leadership influence an organization's innovative culture?

How does top management team's transformational leadership influence employees' affective organizational commitment and resilience?

How does an organization's innovative culture influence the relationships between top

management team's transformational leadership and employees' affective organizational commitment and resilience?

In addition to the quantitative study that produced empirical data to answer the above research questions, ten semi-structured interviews were conducted with distinguished Hong Kong business leaders, tech firm founders and subject matter experts in the areas of innovation, employee commitment and resilience to generate practical advice for academics, industry leaders, and policymakers.

## 5.2 Literature Review

### *5.2.1 HR Practices and Sustainability*

Human resources management (HR) practices shape an organization's culture and employees' behavior and influence an organization's sustainability efforts and results (Varshini et al., 2024). Whilst leaders' commitment strengthens the relationship between artificial intelligence and sustainability (Li et al., 2024), employees' commitment is equally important for an organization's sustainability, since it connects between HR practices and sustainability performance (Mohammed & Binti Ahmad, 2024). Besides, resilience is another crucial factor for sustainability (Pedol et al., 2021). HR practices can enhance employees' resilience through social exchange (Malik & Singh, 2024). In the immediate term, HR practices enhance sustainability by retaining high-quality employees, maintaining their well-being, and fostering organizational resilience (Syafri & Rasyid, 2025). In a longer run, HR practices drive an innovative culture that reinforces sustainability (Murtaza et al., 2024).

### *5.2.2 Artificial Intelligence*

The advancements in artificial intelligence (AI) have brought radical changes to HR functions (Registre & Saba, 2024). The integration and diverse use of AI in various HR practices including talent acquisition, learning and development, performance management, rewards, compensation and benefits, employee engagement and well-being can enhance organizational outcomes and create a sustainable competitive advantage (Tairov et al., 2024). However, the successful adoption and implementation of AI depend on human and financial resources, necessary competences and an innovative culture (Chen et al., 2024). Therefore, leadership and employees' commitment are crucial factors for a successful AI ecosystem (Lafram & Bahji, 2024).

### *5.2.3 Transformational Leadership*

There are strong links between leadership and HR practices. Leadership predicts human resources management competences, which in turn drive culture, change and technology (Motsoeneng et al., 2024). On the other hand, HR practices mediate the relationships between leadership and many employee outcomes (Siraj et al., 2022). Leadership and HR practices are often studied as two separate factors, but they interact with each other to shape organizational and individual outcomes. Therefore, these two areas should be investigated as an integrated factor (Zhao et al., 2023).

Leaders are responsible for coordinating and managing individuals to deliver team results (Antonakis, 2021). Hence, leadership is a crucial factor for organizational success (Longenecker & Insch, 2018), development, improvement (Everett, 2021), change, innovation (Day & Shea, 2020), trust (O'Brien, 2015; Kovac & Jesenko, 2010), resilience (Bulatova, 2015), competitiveness, diversity and sustainability (Stomski & Leisten, 2015). Leadership is also a crucial factor in new product development and decision making through adopting AI (Cooper & Brem, 2024). Leadership style is an important factor (Peterson, Abramson, & Stutman, 2020) for innovation (Nwagbara et al., 2024). However, this intangible element that makes leaders and their organization successful, competitive, and sustainable (Petrick et al., 1999) is usually missing (Kovac & Jesenko, 2010).

Transformational Leadership (TFL) has dominated the Western leadership theory developed by Burns and expanded by Bass (Bass, 2003; Burns, 1978, pp. 241-256; Brown et al., 2020). It influences the effectiveness of HR practices (Motsoeneng et al., 2024). It positively influences talent management, learning and development, employees' voluntary effort and job involvement (Sulistiasih et al., 2024). It also enhances employees' satisfaction, motivation and performance (Ali, 2023). Unlike transactional leaders who rely on their bureaucratic powers to influence employees, transformational leaders are employees' role models (Van Knippenberg & Sitkin, 2013). They create a vision to facilitate employees' identification with the organization (Koveshnikov & Ehrnrooth, 2018) and transform the organization (Hartog et al., 1997). In addition to having a positive impact on organizational performance, TFL has a strong influence on organizational change capability (Le & Le, 2021).

### *5.2.4 Innovative Culture*

Culture is a collective phenomenon that distinguishes the characteristics of one group of individuals to the others (Hofstede, 2011). Organizational culture plays a crucial role in shaping the social and psychological environment of an organization and guiding decision making and employees' behavior (Haberberg & Rieple, 2008). According to Wallach (1983), organizational culture is employees' shared understanding about the expected standards of behavior, speech and performance. In other words, it defines how employees should do things in their organization. Wallach argues that there are no good or bad cultures, but one that reinforces the organization's mission, purposes and strategies would be effective. She categorizes organizational culture into three types: Bureaucratic, innovative, and supportive cultures, and suggests that innovative organizations are exciting, dynamic, driving, enterprising, challenging, stimulating, creative, results- oriented and risk-taking.

Organizational culture is a crucial factor that influences how creative and innovative an organization is when tackling its problems (Adler, 1980). Innovation involves both a top-down strategic decision making on change goals and bottom-up creative involvement that keeps employees enthusiastic and motivated (Si et al., 2023). An innovative culture (IC) promotes curiosity, creativity and encourages employees to take risks (Watson-Hemphill, 2024). It is an essential element for an organization to improve its innovation capability (Munoz-van den Eynde et al., 2015). It also facilitates the introduction of AI in an organization as it eases human-computer interaction (Xu et al., 2024) and creates a competitive advantage for organizations which embrace the use of AI (Banholzer et al., 2023).

### *5.2.5 Affective Organizational Commitment*

Affective organizational commitment (AOC) refers to employees' emotional attachment to their organization through which they identify themselves with their organization and are strongly committed to its activities and goals (Allen & Meyer, 1990). It has a positive relationship with sustainability and makes significant contributions to process improvement and innovation for sustainable practices (Rae et al., 2015). It drives innovative work behavior and ownership (Mustafa et al., 2024). It also enhances employees' resilience by reducing role ambiguity and increasing work engagement (Orgambídez & Benítez, 2021).

### *5.2.6 Employee Resilience*

Employee resilience (ER) is employees' capability to cope with pressure and crisis, which is crucial for the sustainability and sustainable development of an organization (Arvanitis et al., 2023). Factors like employee engagement, retention, diversity, well-being and performance are important for building and maintaining a sustainable work environment and a resilient workforce (Kaaria, 2024). Psychological well-being enhances employees' emotional engagement with their organization and performance in solving problem (Wulandari & Subiyanto, 2024). Retaining high-quality employees and keeping them motivated are important to resilience (Low, 2024). Resilience is integrated with sustainability, leadership and innovation to drive change, capability enhancement and business model transformation (Liang et al., 2024).

## 5.3 Hypothesis Development

Leadership style and organizational behavior influence an organization's creativity and innovation (Egide, 2024). TFL is positively related to many favorable individual and organizational outcomes (Sayyadi & Provitera, 2024). Transformational leaders show their inspirational motivation to encourage employees to voice out their thoughts (Jiang & Yang, 2016). They demonstrate their idealized influence and charisma (Podsakoff et al., 1990). They stimulate employees (Muchiri et al., 2020) and motivate them to innovate and adapt to the everchanging world (Afsar et al., 2019; Shafi et al., 2020; Schuesslbauer et al., 2018). Through intellectual stimulation, employees feel safe to challenge old assumptions (Bass, 1997). Therefore, TFL is expected to predict IC:

*H1: TFL is positively related to IC*

Transformational leaders focus on inspiration and motivation and facilitate employees to exceed their usual performance (Akotia et al., 2024; Weber, 2009). They also make employees feel that their work is meaningful through intellectual stimulation (Peng, et al., 2016). They provide employees with individualized consideration such that employees have trust with their leaders (Martinez-Corcoles et al., 2020) and higher affective commitment to their organization (Rafferty & Griffin, 2006; Gemasari et al., 2024). TFL also lowers employees' turnover intention (Ha et al., 2024; Jia & Li, 2024) and motivates employees to go beyond self-interest for higher purpose (Atoki et al., 2024). Therefore, TFL is expected to predict AOC:

*H2: TFL is positively related to AOC*

In addition to enhancing employees' productivity (Sayan & Surucu, 2024) and innovative work behavior (Akotia et al., 2024), TFL is also positively related to employees' resilience (Ha et al., 2024). It improves agility (Probojakti et al., 2024), learning and involvement (Sulistiasih et al., 2024). It also facilitates knowledge sharing and helping behavior amongst team members (Wong, 2024). It drives corporate social responsibility and organizational performance (Thapa et al., 2024), and helps employees achieve organizational goals (Boutamine & Benlaharche, 2024). It positively influences problem solving (Wulandari & Subiyanto, 2024), research and development (Bas & Aksoy, 2024), efficiency and sustainability (Atoki et al., 2024). Therefore, TFL is expected to predict ER:

*H3: TFL is positively related to ER*

IC drives the adoption of AI, which in turn improves employee experience and strengthens meaningful employee recognition and organizational culture (Tanner, 2024). It is positively related to employee engagement (Hooi & Chan, 2023). It enhances an organization's performance, profitability, competitiveness and sustainability ((Restrepo-Morales et al., 2024). Some researchers argue that employees' organizational commitment and organizational culture do not affect employees' innovative behaviour (Gemasari et al., 2024). Others suggest that IC has positive effect on employees' organizational commitment (Lok & Crawford, 2004).

Nonetheless, organizational culture is a mediator between leadership behavior and many employees' outcomes (Cravens et al., 2015). Innovativeness mediates the positive relationship between leadership and performance (Suifan, 2021). Besides, IC is positively related to employees' behavioral outcomes (Khan et al., 2018), mediates between organizational culture and performance (Imran et al., 2021) and moderates between AOC and employees' job satisfaction (Saha & Kumar, 2018). Therefore, IC is expected to have positive effects on AOC and ER, hence mediate the positive relationships of TFL with AOC and ER:

*H4: IC mediates the positive relationship between TFL and AOC*

*H5: IC mediates the positive relationship between TFL and ER*

Figure 1a and 1b depict the theoretical models of the current study.

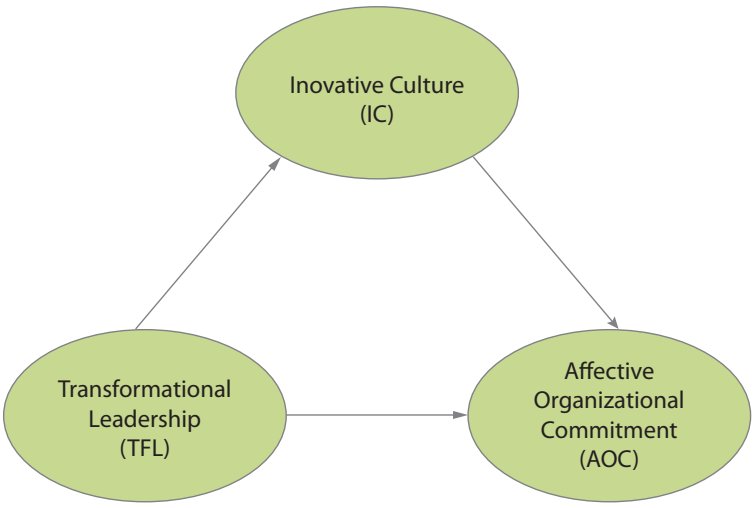



**Figure 1a.** Theoretical Model 1

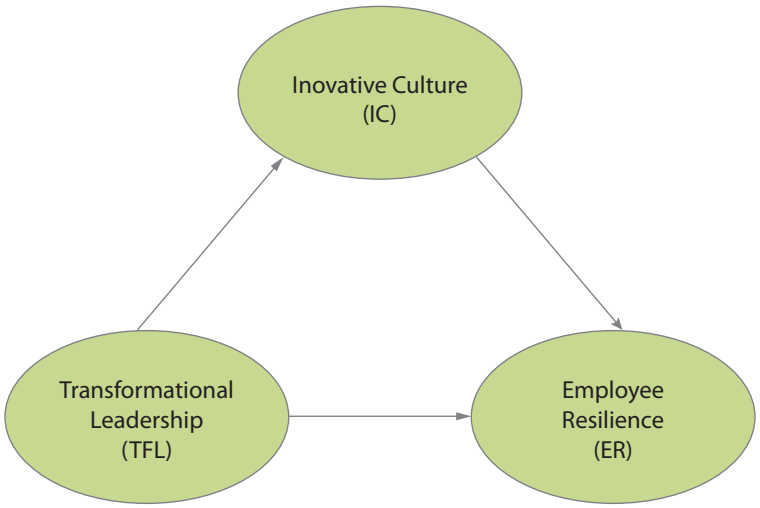



**Figure 1b.** Theoretical Model 2

## 5.4 Methods

To address the research questions, a quantitative and confirmatory approach was adopted to test the hypotheses with data collected through a self-administered online survey. A mediation analysis was conducted through the structural equation modelling (SEM) tool to analyze the structural relationships in the theoretical model.

### 5.4.1. Data Collection

Through random sampling, a cross-sectional survey questionnaire was used to collect Hong Kong employees' assessments on their top management team's TFL, their organization's IC, and employees' AOC and ER. Demographic data were also collected through the questionnaire. As all data came from survey respondents, the survey results were open to common-sourced–common-method bias, which was alleviated by data anonymity and confidentiality, the shortened versions of the scales, shuffled scale items, and dividing the questionnaire into separate pages such that respondents were not able to return to the previous pages upon completion of each page.

A total of 628 invitations were sent and 430 valid responses were collected between November and December 2024, achieving a response rate of 68 percent. A 7-point Likert scale was used, through which respondents provided ratings, from 1 - strongly disagree to 7 - strongly agree, on seven questions on TFL derived from the Multifactor Leadership Questionnaire by Bass (1985), four questions from the IC scale (Judge, 2021), six items from the AOC scale (Allen & Meyer, 1990), and nine items from the ER scale (Naswall et al., 2019).

### *5.4.2. Sample*

Most respondents worked in Banking, Financial Services, Insurance Activities, etc. (18 percent), NGO, Non-Profit Activities, etc. (14 percent), Consulting, Professional Services, Scientific, Technical Activities, etc. (13 percent), Education (12 percent), and Import/Export,

Wholesale, Retail Trades, e-Commerce, etc. (11 percent). Most responses came from large organizations with 1,000 employees or more (39 percent), followed by organizations with 50-499 employees (32 percent) and small organizations with less than 50 employees (22 percent). Most respondents were at the job level of Assistant Manager, Manager, Senior Manager or Equivalent (45 percent) whilst close to a third of respondents were Senior Executives in a CXO, VP, General Manager, Director or Department Head capacity (34 percent). The distributions of respondents by industry, organizational size and job level are shown in Tables 1, 2 and 3 respectively.

**Table 1.** Respondents' industries.

| Industry | Responses | % |
|---|---|---|
| 01. Accommodation, Food Service Activities, etc. | 16 | 4% |
| 02. Arts, Entertainment, Recreation, etc. | 5 | 1% |
| 03. Banking, Financial Services, Insurance Activities, etc. | 77 | 18% |
| 04. Conglomerate, Multi-industry Organisation, etc. | 10 | 2% |
| 05. Construction | 10 | 2% |
| 06. Consulting, Professional Services, Scientific, Technical Activities, etc. | 55 | 13% |
| 07. Education | 52 | 12% |
| 08. Energy | 4 | 1% |
| 09. Government, Public Administration, etc. | 18 | 4% |
| 10. Healthcare | 23 | 5% |
| 11. Import/Export, Wholesale, Retail Trades, e-Commerce, etc. | 46 | 11% |
| 12. Information, Communications, etc. | 17 | 4% |
| 13. NGO, Non-Profit Activities, etc. | 62 | 14% |
| 14. Real Estate | 12 | 3% |
| 15. Transportation, Storage, Postal, Courier Services, etc. | 22 | 5% |
| 16. Water Supply, Sewerage, Waste Management, etc. | 1 | 0.2% |
| Grand Total: | 430 | 100% |

**Table 2.** Respondents' organizational sizes.

| Org Size | Responses | % |
|---|---|---|
| 01. Below 50 | 94 | 22% |
| 02. 50-499 | 137 | 32% |
| 03. 500-999 | 33 | 8% |
| 04. 1,000 and above | 166 | 39% |
| Grand Total: | 430 | 100% |

**Table 3.** Respondents' job levels.

| Job Level | Responses | % |
|---|---|---|
| 01. General Staff or Non-Managerial Position | 91 | 21% |
| 02. Assistant Manager, Manager, Senior Manager or Equivalent | 193 | 45% |
| 03. Senior Executive (CXO, VP, General Manager, Director or Department Head) | 146 | 34% |
| Grand Total: | 430 | 100% |

## 5.5 Results

SEM Partial Least Squares (PLS-SEM) was used to investigate the causal relationships of TFL with IC, AOC and ER in the theoretical models and to examine the mediating effect of IC via SmartPLS (Version 4.1.0.9). A significance level of 5 percent ($\alpha < 0.05$) was adopted.

### *5.5.1. Measurement Model*

The reliability and validity of the two theoretical models were examined by assessing the composite reliability, the convergent validity, the average variance extracted (AVE), the discriminant validity and the cross-loadings (Hair et al., 2014). All constructs selected from shortened versions of well-established scales had at least four items (Marsh et al., 1998; Robinson, 2017). The Cronbach's alpha values of all constructs, TFL, IC, AOC and ER, in the two models were higher than 0.7 (Koran, 2020). The internal reliability and convergent validity were confirmed (Hair et al., 2011).

The discriminant validity was confirmed as all constructs had a rho_A value higher than 0.7, a composite reliability (CR) value higher than 0.7, and an AVE value above 0.5 (Kline, 2015, pp. 7-24). Besides, the square roots of AVE of all latent variables were higher than their correlations with the other constructs (Fornell & Larcker, 1981). All items had a cross-loading value higher than 0.5 (Gefen & Straub, 2005). All heterotrait–monotrait ratio of correlation (HTMT) values were lower than 0.9 (Henseler et al., 2015). See Table 4a and 4b for the Cronbach's alpha, CR, and AVE of the latent constructs, Table 5a and 5b for the square roots of AVE, Table 6a and 6b for the cross-loading analysis, and Table 7a and 7b for the HTMT values in the two theoretical models.

**Table 4a.** Internal reliability and convergent validity in Theoretical Model 1.

| | Cronbach's alpha | Composite reliability (rho_a) | Composite reliability (rho_c) | Average variance extracted (AVE) |
|---|---|---|---|---|
| AOC | 0.924 | 0.926 | 0.941 | 0.727 |
| IC | 0.907 | 0.910 | 0.935 | 0.782 |
| TFL | 0.911 | 0.918 | 0.930 | 0.655 |

**Table 5a.** Construct correlations – square roots of AVE in Theoretical Model 1.

| Square Roots of AVE | AOC | IC | TFL |
|---|---|---|---|
| AOC | 0.853 | | |
| IC | 0.645 | 0.884 | |
| TFL | 0.715 | 0.775 | 0.809 |

**Table 6a.** Cross-loading analysis for Theoretical Model 1.

| | AOC | IC | TFL |
|---|---|---|---|
| AOC1 | 0.865 | | |

| | | | |
|---|---|---|---|
| AOC2 | 0.883 | | |
| AOC3 | 0.871 | | |
| AOC4 | 0.877 | | |
| AOC5 | 0.888 | | |
| AOC6 | 0.719 | | |
| IC1 | | 0.869 | |
| IC2 | | 0.903 | |
| IC3 | | 0.902 | |
| IC4 | | 0.862 | |
| TFL1 | | | 0.812 |
| TFL2 | | | 0.756 |
| TFL3 | | | 0.662 |
| TFL4 | | | 0.840 |
| TFL5 | | | 0.889 |
| TFL6 | | | 0.874 |
| TFL7 | | | 0.810 |

**Table 7a.** HTMT values in Theoretical Model 1.

| | AOC | IC | TFL |
|---|---|---|---|
| AOC | | | |
| IC | 0.703 | | |
| TFL | 0.779 | 0.849 | |

**Table 4b.** Internal reliability and convergent validity in Theoretical Model 2.

| | Cronbach's alpha | Composite reliability (rho_a) | Composite reliability (rho_c) | Average variance extracted (AVE) |
|---|---|---|---|---|
| ER | 0.910 | 0.917 | 0.927 | 0.586 |
| IC | 0.907 | 0.910 | 0.935 | 0.782 |
| TFL | 0.911 | 0.919 | 0.930 | 0.655 |

**Table 5b.** Construct correlations – square roots of AVE in Theoretical Model 2.

| Square Roots of AVE | ER | IC | TFL |
|---|---|---|---|
| ER | | | |
| IC | 0.659 | | |
| TFL | 0.753 | 0.849 | |

**Table 6b.** Cross-loading analysis for Theoretical Model 2.

| | ER | IC | TFL |
|---|---|---|---|
| ER1 | 0.774 | | |

| | | | |
|---|---|---|---|
| ER2 | 0.573 | | |
| ER3 | 0.793 | | |
| ER4 | 0.812 | | |
| ER5 | 0.840 | | |
| ER6 | 0.826 | | |
| ER7 | 0.733 | | |
| ER8 | 0.730 | | |
| ER9 | 0.775 | | |
| IC1 | | 0.872 | |
| IC2 | | 0.901 | |
| IC3 | | 0.903 | |
| IC4 | | 0.861 | |
| TFL1 | | | 0.808 |
| TFL2 | | | 0.753 |
| TFL3 | | | 0.664 |
| TFL4 | | | 0.843 |
| TFL5 | | | 0.890 |
| TFL6 | | | 0.873 |
| TFL7 | | | 0.813 |

**Table 7b.** HTMT values in Theoretical Model 2.

| | ER | IC | TFL |
|---|---|---|---|
| ER | | | |
| IC | 0.659 | | |
| TFL | 0.753 | 0.849 | |

*5.5.2 Structural Model*

The SEM analysis was used to confirm the predictive ability of the theoretical model. All variance inflation factor values (VIF) were lower than 5.0. The reliability of the results from the inferential statistics was confirmed as collinearity was ruled out in both models (Huck, 2012, pp. 68-89; Hair et al., 2014). See Table 8a and 8b.

**Table 8b.** VIF values in Theoretical Model 1.

| | AOC | IC | TFL |
|---|---|---|---|
| AOC | | | |
| IC | 2.505 | | |
| TFL | 2.505 | 1.000 | |

**Table 8b.** VIF values in Theoretical Model 2.

| | ER | IC | TFL |
|---|---|---|---|
| ER | | | |
| IC | 2.516 | | |
| TFL | 2.516 | 1.000 | |

In Model 1, after a non-parametric bootstrapping for up to 5,000 times, the path coefficients between TFL and AOC, between TFL and IC, and between IC and AOC were 0.538, 0.775 and 0.228 respectively, showing positive correlations amongst all three constructs ($p < 0.05$). In Model 2, the path coefficients between TFL and ER, between TFL and IC, and between IC and ER were 0.550, 0.776 and 0.179 respectively, also showing positive correlations amongst all three constructs ($p < 0.05$). See Table 9a and 9b.

**Table 9a.** Path coefficients and statistical significance in Theoretical Model 1.

| | Path Coefficient | Sample mean | Standard deviation | T statistics | p-values |
|---|---|---|---|---|---|
| IC -> AOC | 0.228 | 0.228 | 0.055 | 4.143 | 0.000 |
| TFL -> AOC | 0.538 | 0.538 | 0.049 | 10.944 | 0.000 |
| TFL -> IC | 0.775 | 0.776 | 0.024 | 32.457 | 0.000 |

**Table 9b.** Path coefficients and statistical significance in Theoretical Model 2.

| | Path Coefficient | Sample mean | Standard deviation | T statistics | p-values |
|---|---|---|---|---|---|
| IC -> ER | 0.179 | 0.182 | 0.071 | 2.522 | 0.012 |
| TFL -> ER | 0.550 | 0.549 | 0.066 | 8.335 | 0.000 |
| TFL -> IC | 0.776 | 0.777 | 0.024 | 32.677 | 0.000 |

The coefficients of determination (R Square) showing the predictive accuracy of the structural models or the proportion of variance in IC, AOC and ER that TFL accounted for in Theoretical Model 1 and 2 are shown in Table 10a and 10b respectively.

**Table 10a.** Coefficients of determination in Theoretical Model 1.

| TFL as Independent Variable | R Square | R Square Adjusted |
|---|---|---|
| AOC | 0.532 | 0.529 |
| IC | 0.601 | 0.600 |

**Table 10b.** Coefficients of determination in Theoretical Model 2.

| TFL as Independent Variable | R Square | R Square Adjusted |
|---|---|---|
| ER | 0.487 | 0.485 |
| IC | 0.603 | 0.602 |

Figure 2a and 2b show the results of PLS-SEM analysis depicting the relationships

between the latent variables in Theoretical Model 1 and 2 respectively.

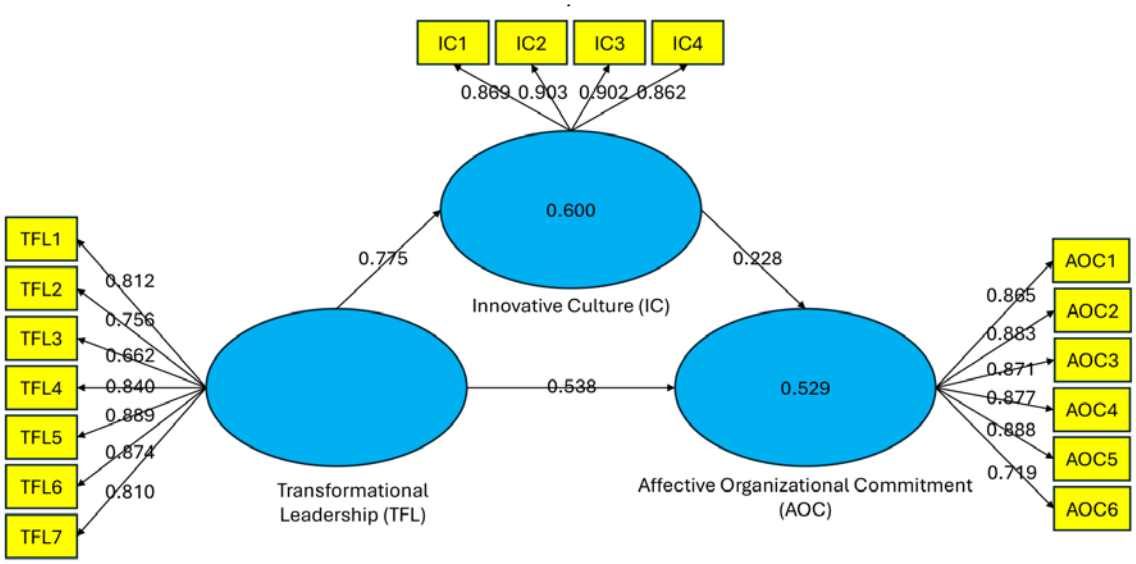



Figure 2a. Results of PLS-SEM analysis for Theoretical Model 1

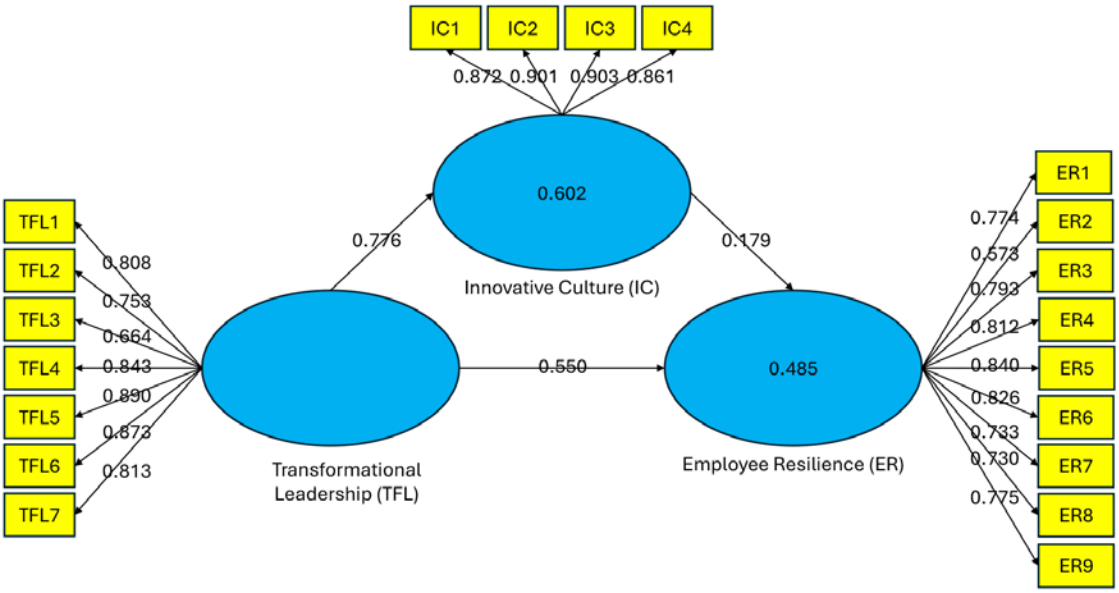



Figure 2b. Results of PLS-SEM analysis for Theoretical Model 2.

The positive relationships amongst TFL, IC and AOC in Theoretical Model 1 and amongst TFL, IC and ER in Theoretical Model 2 were all statistically significant ($p < 0.05$). The mediation analysis confirms that a mediating factor, IC, exists in both structural models, and the mediating effects were partial (Iacobucci, 2012). Table 11 shows the hypothesis testing results.

**Table 11.** Results of hypothesis testing.

| No. | Hypothesis | Result |
|---|---|---|
| 1 | TFL is positively related to IC | Accepted |
| 2 | TFL is positively related to AOC | Accepted |
| 3 | TFL is positively related to ER | Accepted |
| 4 | IC mediates the positive relationship between TFL and AOC | Accepted |
| 5 | IC mediates the positive relationship between TFL and ER | Accepted |

## 5.6 Semi-structured Interviews

In order to facilitate the transfer of the evidence-based quantitative research findings to practitioners and avoid academic knowledge losses before and in translation (Podgorodnichenko et al., 2022), ten semi-structured interviews were conducted with business leaders, founders of tech firms, and subject matter experts in employee commitment and resilience in Hong Kong to examine their behaviors in leading their organizations and understand the reasons behind their strategies and actions (Sekaran & Bougie, 2013, pp. 112-128). During these interviews, conversations and narratives were captured and analyzed (Myers, 2020, pp. 21-40). After interpreting these experts' narratives and examples in relation to TFL behaviors, practical insights were generated (Flick, 2019, pp. 11-22). The qualitative findings are organized under the four TFL dimensions – idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Judge & Piccolo, 2004).

### *5.6.1 Idealized Influence*

Employees regard their leaders as role models (Van Knippenberg & Sitkin, 2013). Employees' personal values, beliefs, and attitudes can be transformed by the idealized influence of their transformational leaders (Podsakoff et al., 1990; Toader & Howe, 2021). Idealized influence also facilitates employees' identification with their organization (Bass & Steidlmeier, 1999; Kark & Shamir, 2002; Koveshnikov & Ehrnrooth, 2018) and motivates employees to work toward leaders' vision (Hartog et al., 1997). Implementing AI to enhance sustainability is a major change to employees. Idealized influence, which is positively related to innovative behaviors and employees' problem-solving abilities (Chu & Lai, 2011), can help employees cope with the challenges brought by the change. For the current study, the following three leaders shared how they demonstrate their idealized influence as employees' role models.

*"Leadership is like swimming; it's not just about keeping your head above water, but mastering the strokes that guide others through the waves while looking ahead, not backward." – Allan Zeman*

Dr. Allan Zeman, Founder of Lan Kwai Fong Holdings, is a prominent entrepreneur and business leader, widely recognized for his pivotal role in the development of Hong Kong's entertainment and leisure industries. He has demonstrated a unique ability to blend creativity with

strategic business acumen. When Dr. Zeman shared his insights on leadership, particularly during challenging times, he emphasized that leaders must first leave their own comfort zones before guiding their teams to do the same. To foster a future-oriented mindset within teams, Dr. Zeman advised leaders to encourage their members to focus on what lies ahead rather than dwelling on the past. He suggested leaders to prompt their teams to observe the world around them and envision how current trends might evolve over the next one, five, or ten years.

*"A true leader is a role model who stands firm in the face of adversity, showing up for their team when times are tough, demonstrating how to tackle challenges, and inspiring others by bouncing back stronger from setbacks." – Daniel Chan*

Mr. Daniel Chan, a Hong Kong Paralympics medallist, founded his training consultancy, Kompass, after retiring from international competition. To promote para-sports, raise disability awareness, and foster a more inclusive world, he decided to hire a team of para-athletes to help them transition from their athletic journeys to the business realm. Mr. Chan is a strong believer in the power of role modelling; he feels that, as the founder of his company, he must demonstrate passion and a strong work ethic. He insists on being hands-on and making progress to inspire passion and confidence within his team. He encourages team members to experiment with new ideas. He takes small risks and accepts mistakes, emphasizing the importance of identifying root causes after any error and creating a two-way channel and a supportive environment for team members to experiment with new ideas to foster innovation.

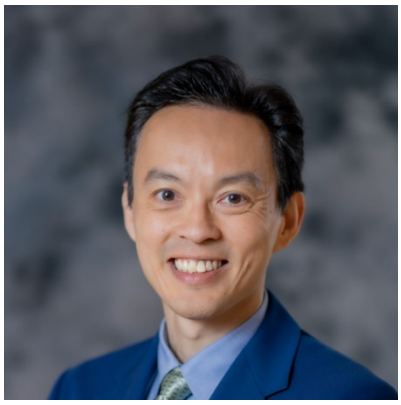
*"Leaders must model the courage to admit mistakes, as this not only uncovers blind spots but also transforms errors into valuable learning opportunities, fostering a culture of growth and resilience." – Karen Chung*

Ms. Karen Chung is the founder of Kossie, AI-assisted coaching platform that helps medium-scale companies get access to 1:1 professional coaching via an employee well-being program. As a leader in a tech start-up, Ms. Chung emphasizes the importance of fostering an innovative environment where team members feel safe to share new ideas without fear of judgment. She holds regular team meetings to uncover leadership blind spots and emphasizes the necessity of embracing mistakes as learning opportunities. This approach encourages her team to remain agile and focused on gaining experience, which is vital in the ever-evolving tech landscape. Transparent communication is another cornerstone of Ms. Chung's leadership philosophy. By modelling the behavior she expects from her team, she creates a culture of recognition and appreciation, ensuring that team members feel valued and motivated. She actively acknowledges contributions, reinforcing the idea that everyone plays a critical role in the organization's success.

### *5.6.2 Inspirational Motivation*

Through inspirational motivation, transformational leaders stimulate employees to generate

and implement innovative idea (Muchiri et al., 2020) from diverse perspectives (Lauring & Jonasson, 2018). Employees can improve their adaptability (Schuesslbauer et al., 2018), creativity (Shafi et al., 2020), mutual support (Veshne & Munshi, 2020), decision-making quality and speed (Hsu & Chang, 2021), critical thinking and efficacy in voicing out their thoughts (Jiang & Yang, 2016). As inspirational motivation drives employees' innovative work behavior (Afsar et al., 2019), facilitates product and process innovation (Al-Husseini et al., 2013) and makes an organization more innovative (Knezovic & Drkic, 2021), it can enhance an organization's effectiveness in using AI to implement its innovation strategy (Chun et al., 2016). The following two leaders shared how they exemplify their inspirational motivation to their teams.



*"Seeding projects and planned failures are essential for creating a safe space where teams can innovate, learn, and grow. Failures are acceptable, but we as a team take responsibility together, followed by actionable steps to improve and move forward."– Alan Cheung*

Dr. Alan Cheung is the Chief Director, Artificial Intelligence and Trust Technologies of Hong Kong Applied Science and Technology Research Institute (ASTRI) which was established in 2000 to enhance Hong Kong's competitiveness through applied research and has successfully transferred over 1,500 technologies to industry, holding more than 1,100 patents globally. He asserted that a robust innovative culture is essential for survival in the rapidly evolving tech landscape. He leads a team that stays current with advancements in technologies, including but not limited to generative AI, while actively addressing industry challenges. He highlighted the importance of exploratory "seeding projects" and "planned failures," where potential risks and consequences are identified, allowing for effective risk management and client communication. He also emphasized that innovative teams are highly attuned to economic fluctuations, making them more resilient to environmental changes.

*"Leaders must embody humility and curiosity, embracing the power of questions to drive innovation and improvement. Balancing risk-taking and prioritization is essential, but they must always remain anchored to the original purpose and mission." – Bonnie So*

Ms. Bonnie So is the CEO and Secretary General of Hong Kong Red Cross. As the leader of a workforce comprising 400 staff members and 30,000 volunteers to provide humanitarian services, education, and fundraising, Ms. So emphasizes the importance of understanding the organization's purpose. She believes it is essential for the team to reconnect with their original mission of serving the community and the significance of their work. Leaders, in her view, must continuously learn and confront weaknesses rather than avoiding them. She believes leaders should view the world as boundless and embrace the notion that nothing is impossible. She encourages team members who may not regularly interact with service users to reach out and engage directly with them to understand how their roles contribute to humanitarian improvement. Ms. So

maintains direct dialogue with all team members and creates initiatives to support innovation, believing that an innovative culture must be established from the top down.

### *5.6.3 Intellectual Stimulation*

Whilst other TFL dimensions focus on the affective aspects, intellectual stimulation emphasizes on the cognitive and intellectual leadership processes (Barling et al., 2000). Intellectual stimulation is associated with challenging the traditions and status quos under which employees generate new ideas and do things in new ways (Bass, 1997). It influences innovation and makes employees feel that their work is meaningful (Peng, Lin, et al., 2016). Intellectual stimulation makes employees more satisfied with and committed to their job (Anjali & Anand, 2015; Robinson & Boies, 2016). Leaders can use intellectual stimulation to empower employees to support their vision (Rao, 2014), help each other (Lorinkova & Perry, 2019) and fulfil their individual development needs (Starc, 2013) as they feel that they can learn and improve based on performance feedback (Yadav & Seth, 2021). Leaders with strong intellectual stimulation can tap into employees' specific competences (Hicks, 2018) to build a sustainable competitive edge (Farkas et al., 2020). The following two leaders explained how their intellectual stimulation helps enhance their teams' readiness for AI implementation, innovation and continuous improvement.

*"The cream always rises to the top; leaders must continually present new challenges to their talent, fostering a culture of learning, agility, and excitement. This not only keeps them motivated but also equips them to drive innovation and tackle future challenges with confidence." – Krish Sundaresan*

Mr. Krish Sundaresan is the General Manager of Pfizer Hong Kong and Macau. He emphasizes a paradigm shift from an inside-out to an outside-in perspective, encouraging his team to engage not only with healthcare professionals but also with patients and caregivers as well as other key stakeholders such as insurers and employers. By adopting a design thinking framework, he fosters a culture of empathy and understanding, enabling his team to grasp the true value of their innovations and how they can meaningfully improve lives. He implements three key talent management strategies: Instilling core values such as courage, joy, equity, and excellence, organizing patient forums that facilitate direct interactions between team members and patients, and fostering a sense of belonging through the celebration of both small and significant achievements. He also champions continuous learning and development by encouraging zig-zag job rotations, allowing team members to acquire diverse skills and experiences. This commitment to growth ensures that top talents emerge, ultimately contributing to a more innovative and resilient organizational culture.

*"Leadership is about co-creating the future with balance and intention. We can draw from Buddhist and Confucian principles to apply the five aggregates of leadership – Form (色), Sensation (受), Perception (想), Action (行), and Consciousness (识) – as a guide to navigate complexity." – William Lee*

Mr. William Lee is the Co-founder of YAS Microinsurance and N+ Ventures Studio. He stands out not just as a serial tech entrepreneur but as a modern-day philosopher of leadership. He has developed a unique leadership philosophy that integrates clarity of vision, adaptability, and purpose-driven action. Central to Mr. Lee's approach is the application of Buddhist and Confucian principles. His leadership embodies a harmonious blend of control and flexibility, creating a culture that thrives on both structure and fluidity. He emphasizes the importance of empowering individuals to take ownership of their decisions, embrace diverse roles, and think beyond traditional job titles. This parallel mindset cultivates a multi-dimensional and agile workforce. He views AI not merely as a tool for efficiency but as a means to augment human potential. By expanding the possibilities for creative problem-solving and enhancing individual capabilities, AI plays a crucial role in his vision of the future of work.

### *5.6.4 Individualized Consideration*

Individualized consideration enhances employees' job performance, organizational citizenship behavior (Jong & Ford, 2020), learning (Loon et al., 2012) and affective commitment to their organization (Rafferty & Griffin, 2006). It also strengthens employees' self-awareness such that they can make better use of their strengths at work (Ding & Lin, 2021). Transformational leaders establish trust with employees through enhanced role clarity (Martinez-Corcoles et al., 2020) and transferring personal wisdom to employees (Zacher et al., 2014). Innovation and implementation of AI require diverse experiences and competences. Transformational leaders' individualized consideration can facilitate change management by considering employees' individual differences (Alqatawenh, 2018). The following three leaders elaborated how demonstrate their individualized consideration in driving sustainability through strengthening innovation, commitment and resiliency.

*"The right people require little encouragement to innovate and deliver results; thus, understanding team members' values, strengths, and motivations is far more crucial than merely adhering to job descriptions." – Cintia Nunes*

Ms. Cintia Nunes is the General Manager and Head of Asia of The Mills Fabrica. She fosters a culture of freedom and safety, where employees feel comfortable expressing themselves and asking questions. She promotes autonomy, empowers employees to take charge of their work, fosters transparency and recognition among team members and advocates for resource ownership, encouraging employees to propose new ideas without fear of resource constraints. Ms. Nunes asserted that it is crucial to makes sure employees feel that their ideas

are heard, though those ideas may not always be fully accepted. She conducts interim reviews to listen to employees' requests and wishes, ensuring they feel heard regardless of outcomes. Ms. Nunes encourages individuals to take ownership of their growth while providing regular, transparent feedback. She promotes a culture of continuous assessment and dialogue to align career progression with organizational needs.


*"Leaders play a vital role in assessing their team's alignment with the company's core values, swiftly addressing workplace toxicity caused by misfits to cultivate a healthy, cohesive environment where everyone can thrive." – Amanda Pang*

Ms. Amanda Pang is the Chief Operating Officer and Co-founder of Evercare, a premier health tech platform that connects over 30,000 healthcare professionals with more than 1 million patients across hospitals, elderly homes, and residential communities via its proprietary matching algorithm and caregiver app. She underscored the critical role of mutual trust in cultivating an innovative culture. She places a strong emphasis on authenticity within her organization, regularly assessing whether her team reflects the company's core values. She believes that thorough fact-finding is essential for effective problem-solving, particularly when it comes to enhancing team resilience or identifying misfits and underperformers to mitigate workplace toxicity. In the rapidly evolving innovation sector, she highlighted the significance of speed and progress tracking, asserting that timely recognition of achievements serves as a powerful motivator for teams.

*"Leaders have a duty to prioritize the well-being and resilience of their workforce, remaining vigilant to individual behaviors to identify and address any self-harming tendencies, ensuring a supportive and thriving workplace." – Angie Chan*

Ms. Angie Chan is the Executive Director of The Samaritan Befrienders Hong Kong dedicated to suicide prevention, ensuring that those inclined toward suicidal thoughts have a compassionate listener to help them articulate their inner pain and distress. Ms. Chan shared that among the 1,043 help seekers of working age (22-59) over the past year, 7.2% faced work-related challenges. These cases comprised 38% related to work stress, 30% concerning unemployment or job-seeking difficulties, 19% involving coworker relationships, and the remainder dealing with disputes with employers, work injuries, and concerns about unsatisfactory working environments. She explained that most help seekers struggle with a diminished sense of self-worth. For individuals who have developed suicidal thoughts or plans, intervention by mental health experts is crucial. However, leaders can foster resilience among employees by cultivating a respectful workplace culture where all individuals feel valued. Prioritizing employees' physical and mental health is essential, alongside promoting a healthy lifestyle and an environment conducive to open dialogue and mutual respect.

## 5.7 Discussion and Conclusions

Implementing AI is no longer an option. Organizations that embrace AI can create a sustainable competitive advantage with their enhanced productivity and efficiency (Manimuthu et al., 2022). To achieve that, a strong innovative culture is needed (Banholzer et al., 2023). The current study aims to examine the relationships amongst transformational leadership, innovative culture, affective organizational commitment and resilience to produce empirical evidence on how leaders can create an innovative culture, which in turn will enhance employees' affective commitment to the organization and build employee resilience. In addition to the quantitative findings, interviews with business leaders, tech firm founders and subject matter experts provide practical insights to leaders and HR practitioners and advise them what they can do to boost their sustainability through AI and innovation, and at the same time increase employees' commitment and resilience.

### *5.7.1. Theoretical Implications*

The current study addresses the scarcity of research on the relationships between the innovative culture of an organization and its employees' commitment and resilience. As expected, transformational leadership had a direct impact on innovative culture, but the current study further discovered the mediating effects of innovative culture on the relationships between transformational leadership and employees' affective organizational commitment and resilience, highlighting the importance of transformational leadership that bring favorable individual and organizational outcomes, and an innovative culture's effects on other favorable employee outcomes apart from enhancing the organizational readiness in implementing AI and other new technologies.

### *5.7.2. Practical Implications*

Through the semi-structured interviews, business leaders, tech firm founders and subject matter experts provided their practical advice on what employers, leaders and HR practitioners should do to build an innovative culture, enhance employees' affective organizational commitment and strengthen employee resilience. Leaders are advised to be role models of employees on leaving their comfort zones, being future-oriented, demonstrating passion and strong work ethic, and maintaining transparent communication. They should also create psychological safety and promote risk-taking with accountability to motivate employees to discover new ideas and experiment new ways of doing things. They should focus on attracting and retaining the right people with the right values, stimulate and expose them to challenges, and strike a balance between structure and fluidity to enable them to innovate and take charge of their growth. Nonetheless, diversity is important for an innovative culture. Leaders should establish trust and mutual understanding with every individual, celebrate progresses and learn from failures together to make their team feel valued.

### *5.7.3. Limitations and Future Studies*

Innovation demands leaders and employees to have diverse competences and experiences. To maximize organizational and individual performance and growth, leaders are required to

match their leadership style to different situations and individuals' competences, development needs and personalities (McHugh, 2024). In the current study, effects of transformational leadership were examined. Whilst transformational leaders rely on their charismas to lead their team, transactional leaders use their bureaucratic powers. According to Bass (1985), transformational and transactional leadership augment each other. Both bring favorable individual and organizational outcomes (Weber, 2009). In addition, authenticity influences diversity, trust and transparency (Boekhorst, 2015). Therefore, authentic leadership may also bring positive influences on innovation. Both quantitative and qualitative data collected for the current study showed that certain behaviors under transactional leadership and authentic leadership have significant relationships with innovative culture and employees' affective organizational commitment and resilience. Therefore, future studies on transactional leadership and authentic leadership are recommended.

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