

Article

The Effect of Labor-Management Leadership and Compensation Fairness on Corporate Sustainability

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ABSTRACT

This study aims to analyze the effect of labor-management leadership and compensation fairness on corporate sustainability. In particular, this research analyses the mediating effect of organizational commitment and organizational agility in the relationship with labor-management leadership and compensation fairness on corporate sustainability. To achieve the research objectives, a survey was conducted with 300 members of Korean companies. Structural Equation Modeling (SEM) and bootstrapping techniques were employed to test the research hypotheses and mediating effects. Analysis revealed that both labor-management leadership and compensation fairness exerted a significant positive influence on organizational commitment and organizational agility. Organizational commitment and organizational agility were confirmed as key prerequisites for enhancing corporate sustainability. Furthermore, the mediating effects of organizational commitment and organizational agility on the influence of labor-management leadership and compensation fairness on corporate sustainability were also statistically significant. Hence, the findings suggest that labor-management leadership and a fair compensation system can serve as important factors in securing a company's long-term sustainability. Moreover, it shows that labor-management leadership and compensation fairness as strategic factors that transcend merely resolving labor-management conflicts to enhance members' organizational commitment and organizational agility.

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KEYWORDS: labor-management leadership; compensation fairness;
corporate sustainability; organizational commitment; organizational
agility

INTRODUCTION

The business environment surrounding companies is undergoing structural changes characterized by intensified global competition, accelerated technological innovation, and the spread of ESG (Environmental, Social, and Governance) management [1,2]. Amid these changes, labor-management relations are no longer viewed as merely an internal management issue but as a core strategic factor directly linked to a company's long-term sustainability [3]. In particular, the rapid adoption of digital transformation technologies such as artificial intelligence (AI), automation, and robotics is causing fundamental changes in the labor market and labor-management relations. These technologies are assessed as key drivers that will trigger future technology adoption and job restructuring [4,5]. AI technology creates new sources of conflict, such as concerns about job displacement and restructuring, the redesign of work processes, and the algorithmizing of performance evaluation and compensation systems. Simultaneously, it demands changes to existing labor-management negotiation agendas and conflict management approaches [6,7]. Thus, labor-management relations in the AI era are becoming a strategic management focus, as they critically influence the ability to preempt conflicts arising from technology adoption, foster employee participation and engagement during change, and secure agile adaptability in organizations [8].

Traditional labor relations research has developed based on industrial relations systems theory, focusing on the conflict of interests between employers and workers and the mechanisms for resolving such conflicts [9,10]. This theory explains labor relations as a single institutional system composed of environment, actors, and rules, positing that rules are formed because of interactions between labor and management [9]. However, the phenomenon of differing labor-management outcomes emerging within the same institutional environment could not be fully explained by this institutional-focused approach alone [11].

To address these limitations, the strategic choice perspective emphasizes that the choices made by management and labor unions are key determinants of the nature and outcomes of labor-management relations [12]. According to this perspective, labor-management relations are not unilaterally determined by external constraints but can be understood as the product of strategic choices made by the actors involved. Specifically, the strategic choice perspective theoretically justified the importance of role in forming cooperative labor-management relations by identifying labor-management leadership as a key variable determining the direction and level of cooperation in these relations [13,14].

Subsequent labor relations research has moved beyond a conflict management-centered perspective, focusing instead on cooperative labor relations that generate mutually beneficial outcomes through labor-management cooperation and partnership. Cooperative labor relations are characterized not merely by simple coordination of interests, but by joint problem-solving and integrative bargaining based on mutual trust between labor and management. Walton & McKersie (1991) [15] explained labor-management relations from the perspective of integrative bargaining, moving beyond distributive bargaining, and theoretically proposed that such interactions could lead to long-term cooperation and improved organizational performance.

Corporate sustainability, grounded in stakeholder theory, can be achieved when a company successfully balances the needs of its diverse stakeholders [16,17]. From this perspective, the quality of labor-management relations which is a core stakeholder relationship within the firm involving workers and unions, acts as a crucial factor in corporate sustainability [18–20].

Against this backdrop, corporate governance and labor-related management factors such as labor-management leadership and compensation fairness are increasingly recognized as drivers of strategically enhanced cultural collaboration, and sustainability [21–23]. According to Ogbonna & Harris, labor-management leadership can act as a key factor in forming labor-management structures and long-term cooperative systems. Furthermore, it can lead to organizational cultural revitalization and change, ultimately becoming a factor that promotes corporate growth and development [21]. Furthermore, as Colquitt et al. (2001) [22] pointed out, issues of reward fairness within an organization are highly likely to serve as an institutional foundation for building member trust and commitment. Perceived reward fairness is viewed as a key antecedent factor promoting organizational trust, organizational commitment, and cooperative behavior.

Within the labor-management relations context, it can function as the most fundamental yet powerful institutional mechanism for mitigating conflict and inducing cooperation [24]. Specifically, when distributive fairness (fairness of compensation), procedural fairness (fairness in promotion evaluation processes), and interactional fairness (fairness of treatment) are secured, a foundation of mutual respect and cooperation among stakeholders within the company is established, which can ultimately impact its sustainability [25].

However, a review of existing prior research indicates that studies on labor-management strategies have primarily focused on verifying the direct relationship between cooperative labor-management relations and organizational and corporate performance [26–28]. Although prior research has independently examined organizational justice, commitment, agility, and corporate sustainability, three important gaps remain unaddressed. First, most studies on organizational commitment and

fairness have treated these constructs within a general HRM or organizational behavior framework, without positioning labor-management relations as a distinct institutional context or generative mechanism. The present study departs from this approach by explicitly situating compensation fairness and management leadership within the strategic choice framework of labor-management relations [29]. In doing so, it argues that the labor-management relational context imparts a distinctive institutional character to these variables, differentiating them from generic notions of fairness or leadership. Second, although organizational commitment and organizational agility have been linked to performance outcomes separately, their joint mediating role in the relationship between labor-management antecedents and corporate sustainability has not been examined simultaneously. By modeling these two mechanisms in parallel within a single structural equation framework, this study provides a more comprehensive understanding of how labor-management strategic choices translate into long-term organizational values. Third, corporate sustainability has rarely been examined as an outcome variable within the labor-management relations literature. Most prior research has relied on proximate performance indicators such as productivity, absenteeism, or labor dispute frequency. This study extends the outcome horizon by linking labor-management factors to the integrated economic, social, and environmental sustainability of the firm, as conceptualized in the triple bottom line theory [17]. Together, these contributions represent the primary theoretical advancements of the study.

This study sought to empirically examine the collaborative relationship between labor-management factors and compensation fairness, and corporate sustainability, moving beyond performance-centered approaches such as corporate performance and labor-management consultation outcomes. Specifically, by illuminating the influence of labor-management leadership and compensation fairness on corporations through the mediating effects of organizational commitment and organizational agility, this study aimed to discuss the impact of strategic corporate labor-management factors on organizational members and sustainability.

LITERATURE REVIEW

Labor-Management Leadership

Labor-management leadership is a core concept of ‘Strategic Choice Theory’ by Kochan et al. (1986) [29] emphasized that corporate strategic choices are the key factors determining the direction and nature of labor-management relations. That is, they viewed labor-management relations as not being determined by the institutional environment, but rather formed based on how management perceives labor-management relations and which strategies they choose. From this perspective, labor-

management leadership signifies the value orientation and implementation capabilities whereby management perceives labor-management relations as a strategic asset for securing the organization's long-term competitiveness and actively pursues the formation of cooperative relationships [30].

According to Kochan et al. (1986) [29], labor-management leadership is crucial for two primary reasons: First, executives are the top decision-makers determining an organization's strategic direction and resource allocation. Therefore, their perception of and choices regarding labor-management relations determine the overall climate of labor-management relations throughout the organization. Second, labor-management leadership acts as a role model influencing the attitudes and behaviors of lower-level managers and members, and cooperation-oriented leadership spreads a cooperative culture throughout the organization. Third, clear labor-management philosophy and consistent leadership from management send signals of trust to labor unions, forming a virtuous cycle that induces cooperative attitudes from labor unions.

Numerous studies consistently confirm the importance of labor-management leadership. It has been emphasized that strategic choices and perceptions regarding labor-management relations significantly influence the nature and operational methods of these relations [31]. Recent prior studies further present management leadership as a key factor influencing the quality of employee relationships and organizational performance by promoting organizational commitment and cooperative behavior, reaffirming its strategic importance [30,32]

Recent studies also emphasize that labor-management leadership significantly impacts a company's long-term performance and stability, extending beyond mere labor-management relations management [33]. Specifically, they suggest that managers' cooperative labor-management leadership promotes organizational members' well-being and encourage innovative behavior, and that strengthening these intrinsic capabilities ultimately leads to sustainable corporate growth [2,30,34]. Therefore, it is evident that labor-management leadership is increasingly being recognized as a strategic asset that determines a company's long-term survival and creation of social value.

Compensation Fairness

Greenberg (1990) [25] defined organizational justice as the fairness perceived by members. According to Colquitt et al. (2001) [22], distributive justice refers to the perception of whether outcomes such as compensation or promotions are fairly distributed. Procedural justice refers to the perception of whether the processes and procedures leading to such outcomes are fairly administered. Interactional justice refers to the perception of whether members are treated with respect and provided with appropriate information during the execution of these procedures.

When these forms of justice are collectively secured, members trust the organization, become committed to it, and further develop cooperative attitudes.

In the context of labor-management relations, reward fairness plays a role in eliminating major causes of conflict between labor and management and providing an institutional foundation for cooperation [25,35]. A significant portion of labor union demands relates to fair wage, promotion, and evaluation systems. When these systems operate fairly, trust between labor and management is established, and cooperative relationships can be maintained [22,29]. Reviewing relevant prior studies reveals that organizational fairness, particularly reward fairness, is reported as a key factor in building trust between labor and management, mitigating conflict, and promoting cooperative labor-management relations. This demonstrates that perceptions of organizational fairness strengthen social exchange relationships, thereby fostering trust between labor and management, reducing conflict, and inducing cooperative behavior. Thus, perceptions of organizational fairness influence members' attitudes and behaviors, forming a crucial foundation for building cooperative labor-management relationships [36].

Other studies on reward fairness also confirm that positive employee relations and fair organizational systems are key factors in enhancing job-related attitudes and organizational commitment [37]. This is because without established fairness, no other cooperative effort can easily gain members' trust. Islami et al. (2024) [38] also demonstrated through meta-analysis that organizational fairness strengthens organizational trust and commitment, further positively influencing organizational performance. Another study confirmed that organizational fairness significantly enhances organizational commitment, with psychological factors like job satisfaction playing a crucial mediating role in this process [24,36].

Organizational Commitment and Organizational Agility

In corporate human resource and organizational theory research, organizational commitment and organizational agility are studied as strategic resources for enhancing the dynamic capabilities of an organization's human resources within rapidly changing environments or for strengthening its competitive advantage [39]. First, organizational commitment refers to the emotional attachment and dedication members feel toward the organization [40,41], and is reinforced by key elements of cooperative labor-management relations such as fairness, trust, and participation. Meyer and Allen (1991) [40] categorized organizational commitment into affective commitment, continuance commitment, and normative commitment.

Affective commitment represents emotional attachment to an organization and can be considered a direct outcome of the trust and perceived fairness fostered by cooperative labor-management relations. When management exercises cooperative leadership and establishes a fair compensation system, members develop emotional attachment to the organization and voluntarily commit to organizational goals [42]. The members with high organizational commitment respond positively to change and innovation and exert additional effort to achieve the organization's long-term goals. Therefore, organizational commitment acts as a key influencing factor explaining the psychological mechanism through which labor-management leadership and compensation fairness translate into corporate sustainability [43].

Furthermore, organizational agility is a dynamic capability factor signifying the ability to sense environmental changes, seize opportunities, and reconfigure resources [44]. These capabilities provide the conceptual foundation for organizational agility, enabling organizations to respond swiftly to change. In other words, organizational agility, as the result of dynamic capabilities being implemented at the organizational level, plays a crucial role in securing a company's sustainability in uncertain business environments [45,46]. In particular, organizational agility is strengthened when information sharing is activated based on labor-management cooperation and member participation is guaranteed in the decision-making process [13,47].

Regarding organizational agility, Overby et al. (2006) [48] demonstrated that organizational agility significantly impacts corporate performance within the context of labor-management relations. Syarkani (2025) [49] also presented organizational agility as a key mechanism for securing corporate competitiveness, while Hooi (2023) [39] clarified that leadership enhances organizational agility, thereby promoting organizational innovation and transformation.

The cross-level pairing of organizational commitment as an individual-level psychological construct and organizational agility as an organization-level dynamic capability is theoretically coherent and empirically meaningful. Multilevel mediation frameworks have been widely applied in organizational behavior research to explain how individual-level attitudes and organization-level capabilities jointly translate managerial inputs into performance outcomes Jiang et al. (2012) [47]. Within such frameworks, individual psychological states function as proximal mechanisms through which leadership influences behavior, whereas collective capabilities operate as more distal, aggregated mechanisms through which organizational practices shape adaptive performance. Both constructs share a common antecedent logic in the context of labor-management relations: cooperative leadership and compensation fairness are likely to foster trust. At the individual level, this trust crystallizes into affective commitment, and, at the organizational level, it facilitates information sharing and participative decision-making

that underpin agility [13,47]. By modeling both mechanisms within a single structural equation framework, this study enables a simultaneous assessment of their relative explanatory power. Consequently, it provides a more comprehensive account of how labor-management strategic factors translate into corporate sustainability than would be possible by examining either pathway in isolation.

Corporate Sustainability

Corporate sustainability refers to a company's ability to survive and grow long-term while creating economic, social, and environmental value in a balanced manner [17]. Previous studies on corporate sustainability have consistently argued that integrated management of economic social and environmental performance, centered on the 'Triple Bottom Line (TBL)' concept, determines a company's long-term competitiveness [50]. In other words, triple bottom line theory evaluates corporate performance across three dimensions: economic profit, social responsibility, and environmental sustainability, positing that the balance among these three dimensions determines long-term sustainability.

Stakeholder Theory plays a significant role in corporate sustainability discourse by arguing that companies secure long-term competitiveness by meeting the needs of diverse stakeholders such as employees, customers, suppliers, local communities, not just shareholders. From this perspective, workers and labor unions are core stakeholders, and the quality of labor-management relations can act as a key determinant of corporate sustainability [16].

Regarding corporate sustainability, Eccles et al. (2014) [51] conducted a longitudinal study of 180 U.S. companies, demonstrating that those voluntarily adopting sustainability policies since the early 1990s achieved superior long-term accounting and stock price performance compared to those that did not. Meanwhile, Flammer (2012) [2] identified that ESG factors positively influence corporate social value creation and long-term financial performance. Porter and Kramer (2007) [3] advantage by creating shared value with stakeholders. This suggests that the quality of relationships with internal stakeholders, namely employees, is emerging as a key determinant of sustainability performance.

Fair and flexible labor-management leadership and strategies reduce the costs of labor-management conflict, enhance productivity, and contribute to economic performance. The paradigm of labor-management relations is also shifting beyond simple conflict management toward strengthening employee engagement and organizational capabilities [13]. In particular, labor-management leadership and fair compensation systems foster employee trust and commitment, thereby accentuating the organization's intrinsic capabilities.

These capabilities serve as a dynamic foundation for securing corporate sustainability within uncertain business environments [30,34]. Ultimately, labor-management leadership and compensation fairness should be understood as strategic management resources that enhance the quality of relationships with workers—key stakeholders emphasized in stakeholder theory—and contribute to long-term corporate value creation through the mediating pathways of organizational commitment and organizational agility [52,53].

METHOD

Research Model and Hypothesis

As shown in Figure 1, this study established a research model to verify the effect of management's labor-management leadership and compensation fairness on corporate sustainability, mediated by organizational commitment and organizational agility. Management's labor-management leadership and compensation fairness were set as independent variables, organizational commitment and organizational agility as mediating variables, and corporate sustainability as the dependent variable. This model was designed and analyzed using structural equation modeling. Based on this research model, a total of six research hypotheses were established.

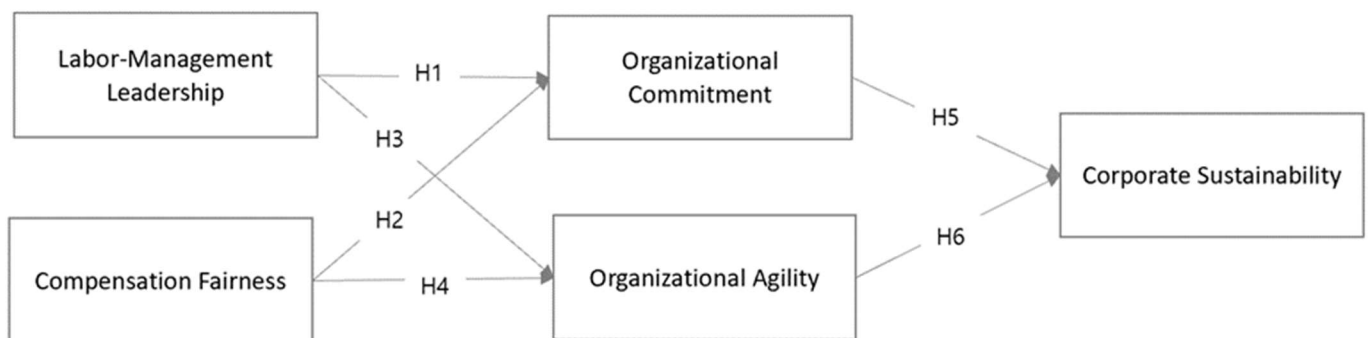


Figure 1. Research model.

Labor-Management Leadership and Organizational Commitment

Management's labor-management leadership is defined as leadership that recognizes labor-management relations as a strategic asset of an organization and utilizes value orientation and implementation capabilities to form cooperative [14,29]. Previous studies consistently present cooperative labor-management relations and management leadership as key factors that enhance members' organizational commitment. Appelbaum et al. (2000) [13] revealed that employees' organizational commitment significantly increases under participatory and cooperative labor-management relations. Bowen and Ostroff (2004) [54] explained that consistent management leadership influences the formation of employee attitudes through signaling mechanisms within

an organization. Based on these key prior studies, this research establishes Hypothesis 1.

Hypothesis 1 (H1): *Management's labor-management leadership will have a positive (+) effect on organizational commitment.*

Reward Fairness and Organizational Commitment

Reward fairness is defined as the perception of whether the outcomes and processes of rewards, promotions, evaluations, and other benefits provided by an organization to its members are fair [22,25]. According to organizational justice theory, perceived fairness acts as a key antecedent factor in the formation of organizational trust and organizational commitment. Colquitt et al. (2001) [22] proposed that organizational fairness significantly influences organizational commitment, trust, and organizational citizenship behavior. Cropanzano et al. (2007) [36] explained that fair compensation and procedures enhance members' affective commitment. Dirks and Ferrin (2002) [55] revealed that perceived fairness is a crucial factor that increases organizational commitment through the mediating effect of trust in the organization. Based on this, Hypothesis 2 was established in this study.

Hypothesis 2 (H2): *Reward fairness positively (+) influences organizational commitment.*

Labor-Management Leadership and Organizational Agility

Labor-management leadership of corporate executive managers determines an organization's strategic direction and decision-making processes, significantly influencing its ability to respond to change and adapt accordingly [14,29]. According to dynamic capability theory, an organization's strategic choices and leadership are key factors that enhance its ability to respond to environmental changes, i.e., organizational agility [44]. Hooi and Chan (2023) [39] also explained that leadership strengthens an organization's dynamic capabilities, thereby promoting organizational agility and innovation. Based on these key arguments from prior research, this study established Hypothesis 3.

Hypothesis 3 (H3): *Management's labor-management leadership positively (+) influences organizational agility.*

Reward Fairness and Organizational Agility

Reward fairness acts as an institutional foundation that promotes employee trust and cooperative behavior. This, in turn, enhances organizational information sharing and collaboration levels, thereby strengthening organizational adaptability and flexibility [22,25]. Previous studies have also revealed that fair human resource management systems act as a key mechanism for improving organizational capabilities and

performance [47], and suggested that fair organizational management practices enhance organizational agility, ultimately leading to enhanced corporate performance [45]. Based on these prior studies' claims, Hypothesis 4 was established.

Hypothesis 4 (H4): *Reward fairness positively (+) influences organizational agility.*

Organizational Commitment and Sustainability

Organizational commitment refers to the emotional attachment and dedication members feel toward their organization [40] and has been studied as a key variable explaining organizational performance and effectiveness. Previous research indicates that organizational commitment enhances organizational citizenship behavior and job performance while reducing turnover intention [43,56]. Recent research also indicates that organizational commitment strengthens an organization's innovation and change-response capabilities, thereby helping to secure long-term competitiveness and sustainability [42]. Based on these prior research claims, Hypothesis 5 was established.

Hypothesis 5 (H5): *Organizational commitment positively (+) influences corporate sustainability.*

Organizational Agility and Sustainability

Organizational agility refers to an organization's ability to respond swiftly by sensing environmental changes, seizing opportunities, and reconfiguring resources, serving as a core competency that determines corporate sustainability in uncertain environments [44,57]. Overby et al. (2006) [48] proposed that organizational agility enhances a firm's environmental responsiveness, positively influencing organizational performance. Clauss et al. (2021) [58] also explained that organizational agility helps to secure a firm's long-term competitiveness and sustainability by mediating business model innovation. Based on these prior studies' claims, Hypothesis 6 was established.

Hypothesis 6 (H6): *Organizational agility positively (+) influences corporate sustainability.*

Survey Item Composition

This study constructed survey items for a total of five variables as shown in Table 1. First, the independent variable, management's labor-management leadership, was based on the strategic choice theory by Kochan et al. (1986) [29] and comprised five items measuring management's strategic perception of labor-management relations, cooperative decision-making, and conflict management capabilities. Compensation fairness was measured using five items based on the

organizational fairness theory by Colquitt et al. (2001) [22] and theories emphasizing fair management and participatory environments within organizations [13,47].

Table 1. Survey item composition.

Variable	Survey Item	Research
Labor-Management Leadership	<ul style="list-style-type: none"> - Top management recognizes the importance of cooperative labor-management relations - Management possesses a clear philosophy for mutual benefit between labor and management. - Management views labor-management conflicts as issues requiring joint resolution. - Management makes efforts to directly listen to on-site opinions and resolve issues when labor-management concerns arise. - Management leadership positively influences the formation of labor-management trust. 	[29]
Compensation Fairness	<ul style="list-style-type: none"> - Our company's compensation is determined fairly based on individual performance. - Promotions and evaluations are conducted based on consistent and fair criteria. - Decision-making procedures related to personnel and compensation are transparent. - I feel that supervisors or the company provide sufficient explanations for personnel and compensation decisions. - I feel that our company's personnel and compensation system is fair in both process and outcome. 	[13,22,47]
Organizational Commitment	<ul style="list-style-type: none"> - I feel emotionally attached to our organization. - I am proud to be a member of our organization. - I feel the organization's goals and values are my own. - This organization holds very important personal meaning for me. - If possible, I would like to continue working for this organization in the future. 	[40]
Organizational Agility	<ul style="list-style-type: none"> - Our organization recognizes signals of environmental change early. - Decisions are made swiftly when change is necessary. - The organization flexibly adjusts its work methods or structure to accommodate change. - Coordination among stakeholders within the organization is smooth, enabling swift change implementation. - When new systems or policies are needed, our organization tends to have a swift turnaround from planning to implementation. 	[45,59]
Sustainability	<ul style="list-style-type: none"> - Our company consistently generates long-term performance. - The company places significant importance on employee job security and quality of life. - Our company tends to maintain stable performance, employment, and operations even during crises. - Our company conducts business considering its responsibilities to the local community and stakeholders. - Overall, our company practices sustainable management. 	[17]

The mediating variable, organizational commitment, was based on the concept proposed by Meyer and Allen (1991) [40] and comprised five items measuring emotional attachment and dedication to an organization. Furthermore, organizational agility was grounded in dynamic capability theory [44], which signifies an organization's ability to respond swiftly and flexibly to rapidly changing business environments. The measurement of organizational agility in this study comprised five items, referencing

measurement items used in studies by Tallon and Pinsonneault (2011) [45] and Narayan and Sharma (2011) [59].

Finally, the dependent variable, corporate sustainability, was operationalized using a five-item scale designed to capture employees' perceptions of their organization's long-term viability across economic, social, and environmental dimensions, grounded in Elkington's (1997) [17] triple bottom line framework. Perceptual measurement approaches are well-established in the sustainability literature and offer specific theoretical advantages in the present context. First, as this study examines the psychological and behavioral causal chain—from leadership and fairness perceptions, through individual commitment and collective agility, to sustainability—a consistent perceptual methodology ensures construct alignment throughout the model. Second, employees' perceptions of organizational sustainability have been shown to reflect actual firm sustainability practices with reasonable fidelity, particularly when respondents are distributed across multiple organizational levels and functional roles, as in the present sample [51]. Third, perceptual sustainability measures have been widely adopted in SEM-based studies examining internal organizational factors as drivers of sustainability [41,49], providing a basis for comparison with prior findings. These five items address long-term economic performance, employee-oriented social responsibility, crisis resilience, stakeholder engagement, and integrated sustainability practices—each corresponding to a facet of the triple bottom line. This multi-dimensional coverage ensures that the construct is not conflated with financial performance or corporate social responsibility alone.

Data Collection and Analysis Methods

This study conducted an online survey targeting workers employed across various domestic industries. The survey was conducted from January to February 2026, securing a total of 300 valid samples. The sample's industry distribution was as follows: Manufacturing 29%, Service Industry 37.3%, Distribution/Logistics 9.3%, IT/Platform 9.3%, and Other 15%. All measurement tools utilized scales with established reliability and validity from prior research, with some items modified and supplemented to suit the domestic context. All items were measured using a 5-point Likert scale (1 = Strongly disagree, 5 = Strongly agree).

Data analysis was conducted using SPSS 28.0 and AMOS 28.0. Descriptive statistics and frequency analysis were first performed to understand the general characteristics of the sample, and reliability analysis was used to verify the internal consistency of the measurement tools. Subsequently, confirmatory factor analysis (CFA) was used to validate the validity of the measurement model, and structural equation modeling (SEM) was employed to test the research hypotheses. Mediation effects were verified using the bootstrapping method with 5,000 resamples.

RESULTS

Characteristics of the Survey Participants

As shown in Table 2, the study sample comprised 300 participants, with 46% male and 54% female. The largest age group was those in their 30s at 34.3%, followed by those in their 40s at 31.7% and those in their 50s at 23.7%. Educational attainment showed the highest proportion at 74.7% for college graduates. In terms of tenure, those with less than five years of service accounted for the highest percentage at 38%.

Table 2. Survey respondent information.

Category		Frequency	Percentage (%)
Gender	Male	138	46
	Female	162	54
Age	20–29 years old	11	3.7
	30–39 years old	103	34.3
	40–49 years old	95	31.7
	Late 50s	91	30.4
Education	High school graduate	34	11.3
	College graduate	224	74.7
	Graduate school or higher	42	14
Years of Service	Less than 5 years	114	38
	5 to 10 years	80	26.7
	10 to 20 years	70	23.3
	20 years or more	36	12
Position	Staff	92	30.7
	Assistant Manager/Section Chief	114	38
	Deputy Director/Director	78	26
	Executive	16	5.3
Size	Under 300 employees	223	74.3
	300 to 999 employees	33	11
	1000+ employees	44	14.7
Union presence	Union present	86	28.7
	No union	214	71.3
Industry Group	Manufacturing	87	29
	Service	112	37.3
	Distribution & Logistics	28	9.3
	IT/Platform	28	9.3
	Other	45	15

By position, Assistant Managers/Section Chiefs were the most common at 38%, followed by Staff Members at 30.7%, Deputy Managers/Department Heads at 26%, and Executives at 5.3%. Company size was dominated by those with fewer than 300 employees at 74.3%. Companies with labor unions accounted for 28.7%, while those without unions accounted for 71.3%. By industry sector, service industries accounted for the largest share at 37.3%, followed by manufacturing at 29%, and other sectors at 15%.

Validity and Reliability Verification

This study conducted confirmatory factor analysis (CFA) to validate the measurement model's validity. The results of the convergent validity verification showed that the standardized factor loadings for all variables were above 0.7. Additionally, the construct reliability (CR) was above 0.7 for all variables, and the average variance extracted (AVE) was above 0.5 for all variables, confirming convergent validity. Furthermore, Cronbach's α values were above 0.914 for all variables, confirming internal consistency (see Table 3).

Table 3. Results of reliability and validity.

Variable	Item	Standard Loadings	Standard Error	t-value (p)	CR	AVE	Cronbach's α
Labor- Management Leadership	L1	0.827	-	-	0.914	0.681	0.915
	L2	0.833	0.055	17.336***			
	L3	0.859	0.055	18.173***			
	L4	0.878	0.051	18.801***			
	L5	0.750	0.063	14.867***			
Compensation Fairness	F1	0.806	-	-	0.935	0.743	0.928
	F2	0.860	0.056	17.527***			
	F3	0.833	0.061	16.755***			
	F4	0.846	0.063	17.133***			
	F5	0.911	0.058	19.058***			
Organizational Commitment	C1	0.834	-	-	0.919	0.695	0.914
	C2	0.881	0.055	19.069***			
	C3	0.796	0.059	16.294***			
	C4	0.838	0.058	17.605***			
	C5	0.781	0.062	15.841***			
Organizational Agility	A1	0.700	-	-	0.931	0.732	0.925
	A2	0.855	0.092	14.076***			
	A3	0.891	0.095	14.636***			
	A4	0.888	0.09	14.595***			
	A5	0.889	0.093	14.612***			
Corporate Sustainability	S1	0.766	-	-	0.918	0.692	0.915
	S2	0.814	0.079	15.029***			
	S3	0.842	0.071	15.665***			
	S4	0.859	0.075	16.047***			
	S5	0.857	0.075	15.993***			

Note: *** $p < 0.001$

The discriminant validity verification results showed that the square root of the AVE for each variable was greater than the correlation coefficients with other variables, confirming discriminant validity (see Table 4). Furthermore, to verify common method bias, Harman's single-factor test was conducted, resulting in the extraction of five factors. The explanatory power of the first factor was 16.968%, which is below 50%, confirming that the common method bias issue is not severe.

Table 4. Results of discriminant validity verification.

Category	AVE	LML	CF	OC	OA	CS
Labor-Management Leadership (LML)	0.681	0.825				
Compensation Fairness (CF)	0.743	0.706	0.862			
Organizational Commitment (OC)	0.695	0.695	0.643	0.834		
Organizational Agility (OA)	0.732	0.747	0.66	0.753	0.856	
Corporate Sustainability (CS)	0.692	0.811	0.644	0.751	0.793	0.832

Note: The bold diagonal entries represent the square root of the AVE.

Results of Hypothesis Analysis

Using structural equation modeling to test the research hypotheses, the model fit indices were $\chi^2 = 514.922$ (df = 268, $p < 0.001$), $\chi^2/\text{df} = 1.921$, RMR = 0.055, GFI = 0.882, AGFI = 0.857, NFI = 0.924, TLI = 0.957, CFI = 0.962, RMSEA = 0.056, indicating overall satisfactory levels. Therefore, the structural model of this study secured an acceptable level of fit overall (see Table 5).

Table 5. Model fit.

Model	$\chi^2(\text{df})$	DF	χ^2/df	RMR	GFI	AGFI	NFI	TLI	CFI	RMSEA
Original Model	514.922	268	1.921	0.055	0.882	0.857	0.924	0.957	0.962	0.056

The hypothesis verification results indicate that management's labor-management leadership exerts a significant positive (+) effect on organizational commitment ($\beta = 0.531$, $t = 7.270$, $p < 0.001$), thus supporting Hypothesis H1. This is interpreted as cooperative leadership by management fostering member trust and providing psychological security, thereby strengthening emotional attachment and commitment to the organization.

Furthermore, reward fairness was found to have a significant positive (+) effect on organizational commitment ($\beta = 0.279$, $t = 4.067$, $p < 0.001$), and Hypothesis H2 was also supported. This can be seen as a result of a fair reward system acting as a key factor in promoting organizational commitment by increasing members' trust in the organization and strengthening social exchange relationships.

Management's labor-management leadership was also found to have a significant positive (+) effect on organizational agility ($\beta = 0.605$, $t = 7.963$, $p < 0.001$), and Hypothesis H3 was supported. This can be seen as the result of management's cooperative leadership promoting information sharing within the organization and member participation, thereby strengthening the organization's rapid decision-making and environmental responsiveness capabilities.

Reward fairness was also found to have a significant positive (+) effect on organizational agility ($\beta = 0.244$, $t = 3.785$, $p < 0.001$), supporting Hypothesis H4. This can be attributed to a fair institutional environment acting as a foundation that enhances organizational flexibility and

responsiveness by inducing voluntary participation and cooperation among members.

Meanwhile, organizational commitment was found to have a significant positive (+) effect on corporate sustainability ($\beta = 0.386$, $t = 6.865$, $p < 0.001$), supporting Hypothesis H5. This is interpreted as high commitment to the organization inducing members' voluntary efforts and long-term dedication, thereby contributing to the creation of sustainable corporate performance.

Finally, organizational agility was found to have a significant positive (+) effect on corporate sustainability ($\beta = 0.545$, $t = 8.284$, $p < 0.001$), supporting Hypothesis H6. Notably, the influence of organizational agility was greater than that of organizational commitment. This is interpreted as organizational agility playing a key role in securing long-term corporate sustainability by enabling rapid organizational response capabilities to maintain competitive advantage and effectively adapt to environmental changes in a rapidly evolving business environment (see Table 6).

Table 6. Results of hypothesis verification.

Hypothesis (Path)	Path Coefficient	t-value (p)	Acceptance	R ²
Labor management Leadership → Organizational Commitment	0.531	7.270***	Adopted	0.569
Reward Fairness → Organizational Commitment	0.279	4.067***	Adopted	
Labor Management Leadership → Organizational Agility	0.605	7.963***	Adopted	0.633
Reward Fairness → Organizational Agility	0.244	3.785***	Adopted	
Organizational Commitment → Corporate Sustainability	0.386	6.865***	Adopted	0.697
Organizational Agility → Corporate Sustainability	0.545	8.284***	Adopted	

Note: *** $p < 0.001$.

Mediating Effect Analysis

The model was specified such that labor-management leadership and compensation fairness were entered simultaneously as independent variables, while organizational commitment and organizational agility were modeled as parallel mediators. Corporate sustainability served as the dependent variable. The model retained direct paths from the independent variables to the dependent variable, allowing the assessment of partial versus full mediation.

As reported in Table 7, all four indirect effects are statistically significant, with 95% bootstrap confidence intervals excluding zero. Specifically, the indirect effect of labor-management leadership on corporate sustainability via organizational commitment was $\beta = 0.170$ [0.076, 0.289], and via organizational agility was $\beta = 0.274$ [0.160, 0.414]. The indirect effect of compensation fairness via organizational commitment was $\beta = 0.098$ [0.027, 0.176], and via organizational agility was $\beta = 0.120$ [0.026, 0.236]. In all four paths, the direct effects of the independent variables on corporate sustainability remain statistically significant after controlling for mediators, indicating partial rather than full mediation. This pattern suggests that labor-management leadership and compensation fairness influence corporate sustainability through

both the psychological pathway of enhanced employee commitment and the organizational capability pathway of enhanced agility, while also maintaining direct associations with sustainability outcomes that are not fully captured by these two mechanisms.

Table 7. Results of direct and indirect effect.

Path	Indirect Effect (β)	Boot LLCI	Boot ULCI	p-value	Mediation Type
Labor Management Leadership → Organizational Commitment → Corporate Sustainability	0.17	0.076	0.289	<0.001	Partial
Labor Management Leadership → Organizational Agility → Corporate Sustainability	0.274	0.16	0.414	<0.001	Partial
Reward Fairness → Organizational Commitment → Corporate Sustainability	0.098	0.027	0.176	<0.01	Partial
Reward Fairness → Organizational Agility → Corporate Sustainability	0.12	0.026	0.236	<0.05	Partial

Note. BootLLCI and BootULCI indicate the lower and upper bounds of the 95% bootstrap confidence interval. Indirect effects are considered significant if the interval does not include zero.

DISCUSSIONS

This study empirically examined the effects of management's labor-management leadership and compensation fairness on corporate sustainability, mediated by organizational commitment and organizational agility. The key findings are presented as follows.

First, management's collaborative labor-management leadership and compensation fairness were found to significantly influence organizational commitment. This implies that management's cooperative leadership and fair compensation systems strengthen members' emotional attachment and dedication to the organization. These findings align with opinions by Kochan and Osterman (1994) [60] that cooperative labor-management relations and management's strategic choices significantly influence members' attitudes and behaviors. They also resonate with the research of Dirks and Ferrin (2002) [55], which emphasized that fairness and trust within an organization are key factors shaping members' organizational commitment. Thus, it is evident that cooperative leadership and fair compensation systems contribute to building trust among members and mitigating conflict, ultimately serving as a crucial foundation for inducing voluntary commitment among organizational members.

Second, management's labor-management leadership and compensation fairness were also found to significantly influence organizational agility. This suggests that cooperative labor-management relations and fair compensation systems enhance an organization's dynamic capabilities, enabling swift and flexible responses to environmental changes. These findings align with the research by Tallon and Pinsonneault (2011) [45], which proposed that an organization's strategic choices and management practices enhance organizational agility and lead to enhanced corporate performance. It is evident that

management's labor-management leadership and compensation fairness do not merely influence employee attitudes but also serve as a foundation for strengthening the adaptability and innovation capabilities of the entire organization.

Third, both organizational commitment and organizational agility were found to significantly impact corporate sustainability. Notably, the influence of organizational agility was greater, confirming that an organization's dynamic capabilities play a crucial role in securing sustainability within rapidly changing business environments. These findings align with discussions [58] that organizational strategic agility or organizational-level agility can contribute to securing long-term competitiveness through innovation and performance. They also show a consistent trend with the research results of Meyer et al. (2002) [43] and Riketta (2002) [56], which indicate that organizational commitment enhances organizational performance and organizational effectiveness, thereby contributing to long-term stability and sustainability.

Fourth, organizational commitment and organizational agility were found to partially mediate the relationship between management's labor-management leadership and compensation fairness and corporate sustainability. This implies that cooperative labor-management relations and fair compensation systems directly influence corporate sustainability while also indirectly affecting it through internal psychological and dynamic mechanisms. These findings align with the research of Colquitt et al. (2001) [22] and Dirks and Ferrin (2002) [55], which showed that labor-management leadership and organizational fairness lead to enhanced organizational performance through trust and organizational commitment. They also mirror the results of Alrub and Sánchez-Cañizares (2025) [57], who demonstrated that an organization's dynamic capabilities enhance sustainability through corporate competitiveness and performance.

CONCLUSION

Research Implications

This research indicates labor-management leadership and a fair compensation system can serve as important factors in securing a company's long-term sustainability, and labor-management leadership and compensation fairness can work to enhance members' organizational commitment and organizational agility. Based on these research results, the following academic and practical implications are suggested. First, regarding the academic implications of this study, its significance lies in moving beyond existing labor-management strategy research which has focused on aspects like corporate performance or resolving labor-management issues, to examine the impact on corporate sustainability. Regarding practical implications, first, this study suggests that management should perceive labor-management relations not merely as

a cost or conflict management issue, but as a strategic asset for securing the company's long-term sustainability. Furthermore, it demonstrates that management's labor-management leadership enhances employee engagement and organizational agility, ultimately increasing corporate sustainability. Therefore, companies should recognize labor-management relations not merely as an object of conflict management but as a strategic element that creates core organizational competitiveness, and should make various efforts to build cooperative labor-management relations. A particularly actionable implication emerges from the differential effect sizes of the two mediating variables on corporate sustainability. Organizational agility demonstrates a substantially stronger direct effect ($\beta = 0.545$) compared to organizational commitment ($\beta = 0.386$), suggesting that an organization's capacity to sense and respond to environmental change is a more powerful proximate driver of sustainability outcomes than employee loyalty alone. This finding conveys a concrete strategic message for practitioners. While cultivating employee commitment remains important—and continues to be supported by both cooperative leadership and fair compensation—managerial investments that specifically enhance organizational responsiveness, adaptive capacity, and rapid decision-making architecture may yield disproportionately higher sustainability returns. In practical terms, organizations should move beyond HR policies aimed solely at enhancing employee satisfaction or reducing turnover. Instead, they should adopt deliberate organizational design choices that accelerate cross-functional information flow, decentralize decision-making authority, and institutionalize mechanisms for rapid resource redeployment.

Second, as demonstrated by findings that compensation fairness positively impacts corporate sustainability, the importance of establishing and managing a fair compensation system must be emphasized. Therefore, companies need to build institutional foundations not only to ensure the appropriateness of compensation levels but also to guarantee the fairness and transparency of the compensation decision-making process. They must clarify performance evaluation criteria and procedures, maintaining consistency and objectivity throughout the evaluation process to ensure employees' trust on the compensation outcomes. Furthermore, in compensation-related decision-making processes, it is necessary to reflect employee opinions and provide sufficient explanation and communication to enhance interactional fairness.

Third, in terms of actual labor-management relations management, companies must recognize that managing these relations is a strategic factor determining corporate sustainability, transcending mere regulatory compliance, and devote concrete and systematic management to it. As this is closely linked to corporate governance policies, management must incorporate labor-management issues as key elements in major business decisions and systematically manage labor-related risks and opportunities. It is necessary to establish stable labor-management relations by

institutionalizing communication channels and operating a permanent management system for conflict prevention and cooperation enhancement. Furthermore, incorporating labor relations indicators into sustainability reporting will increase management transparency, strengthen stakeholder trust, elevate corporate governance standards, and contribute to securing long-term sustainability and competitiveness.

Research Limitations and Future Research

Several limitations of this study and related future research directions are presented as follows.

First, this study's sample was drawn exclusively from Korean companies. Firms with fewer than 300 employees comprised 74.3% of respondents, while non-unionized workplaces accounted for 71.3%. Although this composition reflects the structural reality of the Korean corporate landscape—where small and medium-sized enterprises and non-unionized workplaces predominate—it introduces important boundary conditions regarding the generalizability of the findings. In smaller, non-unionized firms, labor-management relations often operate through informal and discretionary mechanisms, which may amplify the perceived influence of individual managerial behavior on outcomes such as organizational commitment and agility. Accordingly, the effect sizes reported in this study—particularly the relatively strong path coefficients from labor-management leadership to organizational agility ($\beta = 0.605$) and organizational commitment ($\beta = 0.531$)—may reflect a context in which managerial discretion is unusually high and formal institutional counterweights are limited. Conversely, in larger or unionized organizations, where labor relations are more formalized and constrained by collective agreements, the independent influence of management leadership style may be attenuated relative to what is observed here. Therefore, future research should examine whether these structural relationships replicate in samples with greater representation of large enterprises and unionized workplaces. Moreover, organizational size and union presence should be explicitly tested as moderating variables to delineate the boundary conditions of the proposed model. Beyond organizational size and union presence, caution is warranted when extrapolating the findings to institutional and cultural contexts outside Korea. Accordingly, cross-national comparative studies incorporating diverse institutional and cultural contexts are required to further establish the model's boundary conditions.

Second, this study relies on cross-sectional, self-reported survey data collected from a single source at a single point in time, raising two key methodological concerns. The first is common method bias: when predictor and criterion variables are measured using the same instrument from the same respondents simultaneously, shared method variance may artificially inflate observed correlations. Although Harman's single-factor test yielded a first-factor explanatory power of 16.968%, which is well

below the 50% threshold commonly used as a conservative benchmark, this test is generally considered a necessary but insufficient check. Future research should employ more robust remedies; such as the procedural separation of predictor and criterion measurements across time points, the use of marker variables, or confirmatory factor analysis-based approaches to estimate method variance. The second concern is related to causal inferences. A cross-sectional design cannot establish the temporal precedence required to confirm that labor-management leadership and compensation fairness causally produce the observed mediating and outcome effects. Therefore, the structural paths identified in this study should be interpreted as evidence of theoretically grounded associational relationships consistent with the hypothesized causal model, rather than as proof of causation. Future longitudinal studies—particularly those employing panel data with at least two or three waves of measurements—are necessary to establish the direction and stability of these relationships more definitively over time.

Finally, this study addressed labor-management leadership and compensation fairness as key variables influencing labor-management strategic management. However, it should be possible to examine a wider range of labor-management strategic factors affecting sustainability. Furthermore, in discussions of corporate sustainability, developmental research on deeper relational variables concerning labor-management issues and corporate governance aspects should be considered.

DATA AVAILABILITY

The dataset from the study is not available because data are not publicly available due to the privacy of respondents. The survey was agreed upon by the participants; the study was conducted according to The GDPR (Regulation 2016/679) is a regulation in EU law.

AUTHOR CONTRIBUTIONS

Conceptualization, EC and BK; methodology, EC; software, EC; validation, BK; formal analysis, EC; investigation, BK; resources, EC; data curation, EC; writing—original draft preparation, EC; writing—review and editing, BK; visualization, BK; supervision, BK; project administration, BK; funding acquisition, EC.

CONFLICTS OF INTEREST

The authors declare that they have no conflicts of interest.

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