Impact of Psychological Wellbeing of Business Leaders on Organizational Outcomes – A Systematic Review

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Abstract

The psychological well–being of business leaders has evolved as a crucial yet underexamined factor influencing business achievements in the complicated, volatile, and dynamic global corporate world. The psychological endurance of leaders impacts national economic performance, innovation potential, and workforce stability, particularly in crises and periods of uncertainty. Despite the increased focus on employee mental health, the impact of business leaders' psychological well–being (PWB) on corporate performance remains inadequately examined. This study provides a novel contribution to the existing knowledge in this context by assessing the influence of mediating and moderating factors on the relationship between psychological wellness of business leaders and key business outcomes, including strategic decision-making, financial performance, and innovation, as well as examining how various leadership styles influence in this relationship. Additionally, although there is an emphasis on psychological competence and emotional intelligence in leadership theories such as transformational and servant leaderships, there is currently insufficient evidence linking leaders' emotional well–being to critical business performance indicators. The objective of this study is to critically synthesize the available literature on the relationship between leaders' psychological well-being and the performance of companies and assess the mechanisms and context-specific elements that influence the relationship. The methodology used in this study is a systematic literature review using a sample of 60 articles published from 2000 to 2024 in this context. The results emphasize consistent theoretical and empirical evidence supporting the positive effects of leaders' psychological well–being on the effectiveness of strategic decision-making, financial outcomes, innovations, and overall organizational success. Essential mediating factors like organizational climate, leader–member exchanges (LMX), and psychological capital alongside

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moderating factors including organizational culture, leadership styles, and organizational support systems are recognized as critical for comprehending this dynamic. This paper offers insights for business leaders and policymakers to prioritize leadership development and training programs that emphasize the psychological well-being of business leaders and establish effective organizational support systems to assist leaders to have better emotional resilience, which leads to high performance outcomes. Finally, the paper provides insights for future scholars to conduct more longitudinal studies to assess the long–term impact of psychological well–being on business performance and conduct context specific research covering high–stressed industries.

Keywords: psychological well-being, organizational performance, business leadership, mental health of leaders, leadership effectiveness

Introduction
Background of the Study

The psychological well-being of business leaders has emerged as a critical aspect influencing organizational performance and long – term viability in current, dynamic business environment. CEOs, entrepreneurs and senior executives are the exemplify business leaders who play vital roles in shaping corporate culture, strategic decision making and overall business performance (Khương et al., 2022). Their psychological conditions including stress management, emotional stability and mental health has a direct impact on their potential for innovation, effective leadership and negotiating tough corporate situations (Oriarewo et al., 2018).

In the contemporary, highly volatile corporate landscape, leaders encounter additional stresses such as market fluctuations, competitiveness, economic constrains and workplace management issues. Prolonged exposure to such stressors without appropriate psychological coping strategies may lead to burnouts, inefficiencies in decision making and diminished organizational effectiveness (Hasin et al., 2023). In contrast, leaders who are psychologically

competent appear to be more durable, emotionally intelligent and cognitively precise, enabling them to establish productive work environment and promote corporate success (Kamil et al., 2024).

While extensive research has been carried out on the relationship between employee well – being and productivity, there is a growing demand to explore how corporate leaders' well-being affects business performance. It is critical for business entities to recognize the significance of psychological well – being at the leadership level, as the financial success, employee engagement, and organizational culture of business entities are shaped by the actions of its executives and managers.

Research Problem

Despite the growing awareness of the importance of mental well–being in business context, the direct influence of business leaders' psychological wellness on business outcomes has received inefficient academic attention. Even though psychological competence and emotional intelligence are emphasized by leadership theories such as transformational and servant leadership, there is currently inadequate empirical data to bridge leaders' emotional wellness to key business performance indicators like innovation, profitability, employee retention, and market competitiveness (Lindert et al., 2023). Furthermore, majority of business leaders perform under the belief that mental toughness and perseverance are built – in characteristics rather than the abilities that need to be developed. This kind of mentality frequently leads to disregard for mental health treatments, which eventually affects company success.

Research Gaps

Several gaps in the current body of literature can be identified in the context of the relationship between the psychological well-being of business leaders and business outcomes. The majority of the current research presents

generalized findings, with limited exploration on how different variables, including various approaches of leadership, external business factors, team dynamics, and corporate culture moderate and mediate the relationship between diverse business outcomes and psychological wellness of leaders. Moreover, a critical analysis that highlights both positive and negative psychological traits of business leaders and their influence on various corporate outcomes remains insufficiently explored.

Significance of the Study

This systematic review is significant in numerous respects. It brings the attention to the often-overlooked aspect of leadership well–being and its impact on corporate success, thereby contributing effectively to the existing literature on leadership and corporate behavior. Furthermore, the study provides insights that can aid HR specialists, policymakers, and business leaders in developing successful mental wellness strategies for leadership. Along with that, by identifying fundamental well–being attributes that impact business success, this research may assist firms in establishing long–term sustainability in working environments.

Additionally, this paper has applications in promoting executive–level mental health awareness. Moreover, the emphasis on the distinct link between organizational results and leadership well–being may convince companies to fund psychological well–being initiatives, which will eventually boost output, employee engagement and competitiveness.

Research Objectives
- To critically analyze the existing literature on the relationship between psychological well-being of business leaders and business outcomes

- To identify and assess the mediating and moderating factors through which psychological well-being influences corporate performance.
- To assess how different leadership approaches influence the psychological well-being of business leaders.

Literature Review

Psychological health of company leaders is becoming increasingly acknowledged as a crucial component in determining the success of the organizations. According to the existing research mental condition of business leaders directly impact on employee engagement, economic success, innovation and strategic decision making (Astuti et al., 2024). While employee wellness has been widely examined in existing research, little is known about the connection between leaders' psychology health and business performance. This section of the study critically examines the body of literature on the relationship between psychological well – being, leadership effectiveness and corporate outcomes, highlighting gaps, key themes and theoretical viewpoints.

The concept of psychological well – being in leadership

Psychological well – being (PWB) is a complex idea that includes resilience, life satisfaction, mental stability and stress management skills (Sardiko et al., 2021). The concept of psychological well - being in leadership is widely recognized as a critical element in enhancing organizational results and creating productive workplace. A variety of emotional and mental health factors that affect leaders, their subordinates and the efficiency of the organization as a whole are included in psychological wellness (Y. Li et al., 2016). Existing publications emphasize the significance of leaders' mental health, demonstrating how their emotional states can influence workplace culture, employee engagement and the sustainability of the organization as a whole (Montaño et al., 2016).

Previous literature mention that different leadership styles emphasize various aspects of psychological well – being. According to research, transformational leadership, which is illustrated by supportive and inspiring behaviors, tend to improve employees' psychological durability, which in turn lead to enhance organizational performance (Ausat et al., 2024). For example, Peng and Terry demonstrated that, by creating supportive business settings and fostering creativity, transformational leaders greatly improve organizational resilience at the times of uncertainties (Peng & Terry, 2023). Similarly, Caniëls and Stynen stress that leaders' role in establishing psychological wealth among team members as they explore the ways in which resilient employee behavior result from effective leadership approaches (Caniëls & Stynen, 2022). Despite the contribution of transformational leadership approach to high level of mental well-being, studies have demonstrated that transformational leaders may potentially increase the burnout and stress among employees (Liyanage, 2020). Moreover, by encouraging their teams to follow high standards of quality and push against comfort boundaries transformational leaders frequently create situations where team members experience employment overload and pressure possibly leading to burnout (Khan et al., 2020).

In contrast, transactional leadership approaches may increase the levels of stress of both leaders and followers as a result of the emphasis on strict performance requirements, regulated process and rewards (Pishgooie et al., 2018). Some research has identified that burnout can result from continuous pressure to perform up to the expectations the absence of growth and development opportunities, particularly for leaders who are always monitoring and stepping in to improve the performance of their teams (Dong, 2023). Additionally, it is revealed that transactional leadership may develop a culture of mistrust and disengagement as they believe that they are just carrying out the orders rather than being a member of a team with power to engage in decision making. This may ultimately result in

stressed and dissatisfied workforce and leadership in organizations (Vanesa, 2021). However, some studies present contradictory findings in this context. Research has identified that in particular cases, transactional leaders may enhance job engagement and reduce job insecurity by setting clear expectations, rewarding, and establishing stability and predictability, thereby increasing overall psychological wellness of both leaders and subordinates (Handayani et al., 2022).

On the other hand, high levels of leader satisfaction and reduced burnout rates have been associated with servant leadership, which places the well – being of employees and other managerial levels at first place (Winston, 2020). Studies suggest that servant leaders establish an environment where employees may voice their thoughts, accept opportunities and make errors without concerning about the repercussion. This promotes an environment of open communication and trust, both of which are critical for psychological wellness (Ogunbukola, 2024). Furthermore, Servan leaders may mitigate workplace stress and burnout, which are significant causes for poor psychological well – being, by creating a supportive and inspiring environment (Mahon, 2024).

Moderating and mediating factors for psychological well – being of Business leaders

Recognizing how the psychological well – being of business executives' impact on business outcomes demands consideration of moderating and mediating factors. These variables clarify the circumstances under which PWB promotes leadership efficacy, strategic decision-making and organizational performance.

A major mediating factor in the correlation between leadership behaviors and psychological wellness is the organizational culture and environment. Research explains that empowered cultural workplace in which leaders uplift their subordinates, may account for high level of emotional

well-being among both the employees and business executives (Ausat et al., 2024). This highlights the need for leaders to comprehend the different dynamics within their organizations, since these aspects may significantly impact on how transformational concepts generate psychological benefits for employees. Furthermore, studies elaborate that leadership behavior does not influence on employee well – being alone, instead the setting developed by leadership activities is crucial in shaping the appearance of these benefits. The climate not only represents the collective impressions of employees but also determines the emotional and psychological atmosphere, which may eventually influence on the well – being of leaders (Muhonen et al., 2013). However, the critiques argue that the mediating role of organizational climate is challenging to isolate, as it is impacted by various elements like policies, peer conduct and external expectations (Kim et al., 2024).

Furthermore, research by Montaño et al emphasizes that psychological outcomes act as mediators between leadership styles such as transformational leaderships, and work performance (Montaño et al., 2016). Studies also indicate that leaders who foster mental wellness of their followers are likely to observe higher overall performance indicators (Azila-Gbettor et al., 2024). These findings from existing literature highlights the significance of including mental well – being as a crucial component in leadership development programs. Through this, leaders will be able to enhance their own well–being with parallel to that of their subordinates, resulting a mutual development of psychological health and business performance (Baig et al., 2019).

Moreover, the connection between ethical leadership and psychological well – being experiences of employees underline the complex mediation process involved. Studies show that ethical leadership stimulate trust and improves employees' sense of support, which eventually creates more accommodating workplace setting (Bedi et al., 2015). This mediation demonstrates that leaders who exhibits ethical

standards may considerably improve their own mental well – being and their subordinates' wellness, reinforcing the notion that leadership behaviors directly influence the firm's emotional atmosphere (Rantika & Yustina, 2017). However, ethical leadership is subjected to criticism despite its significance in fostering well–being. Studies argued that employees may experience significant psychological pressure when adhering to the ethical standards established by leaders, and also leaders themselves may feel the pressure of societal judgement or adverse consequences of they fail to comply to those standards (Inocêncio et al., 2024).

On the other hand, moderating variables significantly affect the dynamics of psychological well – being of leadership settings. Studies have discovered that the leaders' emotional intelligence as a crucial moderator in understanding the effects of leadership styles on their own and followers' well–being (Sonnentag & Schiffner, 2019). Leaders with improved emotional intelligence can effectively navigate the intricate emotional conditions of their teams, promoting increased emotional distance during stressful times and thereby strengthening their psychological resilience (Sakunthala Rathnakara, 2020).

Moreover, social support networks serve as a crucial moderating factor as highlighted by Nielsen and Daniels, who argue that leaders endurance in facing challenges can be enhanced by sufficient support systems (Nielsen & Daniels, 2012). In this circumstances, studies have identified that robust managerial support mechanisms lessen the stress, enabling leaders to sustain the optimum psychological conditions during organizational transformations (Sawang, 2010). Consequently, it is understandable that social support not just raise the leader well – being directly, but also affects the efficacy and long-term viability of leadership activities designed to elevate team engagement (Tai, 2012). However, critiques argue that social support systems can sometimes be counterproductive as excessive support form various systems may hinder the individual's ability to cope independently and

unintentional stigma can be created as seeking support is viewed as a weakness or incompetence (Jolly et al., 2020).

By analyzing the findings from the existing studies, it is identified that there is an interplay between moderating and mediating variables. Certain factors can act as both moderators and mediators, depending upon the employed model. Workplace culture can influence leader well – being in transition climates and also moderate the impact of leaders' wellness in their behaviors. Likewise, various leadership styles may mitigate the impact of well – being via interpersonal behavior and jointly moderate the expression of psychological wellbeing.

Psychological wellbeing of leaders and Business Outcomes
Decision making and Strategic Effectiveness

Psychological wellness implies a favorable condition of mental health, incorporating emotional, social and psychological characteristics. Leaders who possess higher level of psychological states typically exhibit superior cognitive ability, enhanced problem solving skills and strong emotional regulations, which are essential aspects for decision making and strategic effectiveness (Shabbir et al., 2022). A study by Khatoon et al. emphasizes that empowered and emotionally fit leaders more likely to share knowledge and incorporate their teams in decision-making, hence generating collective efficacy and enhancing the overall effectiveness of strategic decisions (Khatoon et al., 2022). On the other hand, leaders whose mental weariness or discomfort distract them and encounter obscurity or even lack of attention thus producing inefficient decisions in achieving organisational objectives, either individually or collectively (Pyc et al., 2016). The concepts of transformational leadership and authentic leadership are found to be relevant in this context. Studies reveal that both leadership styles encourage psychological empowerment and foster conditions that enhance well-being, hence driving innovative and effective strategic decision making (Alhalal et al., 2024; Ausat et al., 2024). For instance, Ausat et al. contend that

business leaders who value their personal wellness can create psychological safety and trust among their subordinates, allowing open communication and collaboration, which is necessary for high–quality decision making (Ausat et al., 2024). This emphasizes the fact that the state of leaders' mental health positions directly relates to their ability to be effective leaders.

However, some studies have mentioned that leadership approaches like laissez-faire (delegative), autocratic leadership often lack empathy, emotional intelligence and mental capacity, may result in unsatisfactory and inefficient decision making by obstructing team inputs, limiting creativity and disregarding the demands of the workforce under them (Kaur, 2024). For example, autocratic leaders who possess tough mentality, can suppress innovation and creativity of employee engagement, potentially resulting inadequate decisions owing to shortage of multifaceted viewpoints although they can be effective in crisis situations (C & P., 2018).

Despite the fact that the majority of the studies suggest that high levels of leader's psychological well-being impact positively on strategic decision making, some research argues that the connection between excessive positivity or overconfidence and high well-being of business leaders causes detrimental effects on decision-making because it results in reduced critical assessment of alternative options and potential risks (Zhang, 2024).

It is understood that that psychological well – being directly impacts on strategic decision making. However, some studies have identified that various moderating factors to amplify of diminish its influence. A crucial moderating factor is organizational support systems. Digby et al. emphasizes that accurate communication and clarity over business direction can reduce decision-making stress among employees, allowing leaders to concentrate more effectively on strategy (Digby et al., 2020). On the contrary, an insufficient level of support may cause stress and uncertainty among the leaders who will also find it difficult to make the

efficient strategic decisions (Yunita et al., 2023). Furthermore, leaders who embraced authenticity raised their psychological well-being and create an environment where people feel valued and empowered to contribute significantly in strategic conversations (Alshaar, 2023).

Financial Performance and Innovation
Financial Performance

Majority of the analysis shows a positive correlation between leaders' psychological well – being and financial performance, Studies illustrate that leaders who prioritize their own mental well – being normally achieve higher performance outcomes by improving results through effective procedures and establishing an environment which people feel recognized and engaged (Kerns, 2024). Research has shown that business leaders with higher emotional intelligence have frequently shown a higher level in effectiveness in decision making regarding long – term viability of companies and employees (Wang et al., 2019a). Furthermore, studies illustrate that such leaders significantly enhance employee satisfaction, which is directly associated with improved financial performance in organizations, because of the decreased turnover rates and enhanced engagement levels (X. Q. Li et al., 2024). Nevertheless, some studies have elaborated that leaders with elevated emotional well-being tend to disregard aggressive business approaches accompanied by risky opportunities that may drive businesses for better financial performances in fiercely competitive marketplace dynamics (Griffith et al., 2015). Additionally, the image of management and employees has a huge effect on resource allocation and organisational efficacy, emphasizing the need for leaders to cultivate positive and resilient image by managing their mental well – being (Skålsvik et al., 2016). It is clear that leaders that emphasize psychological wellness encourage confidence and trust in their team members, thus increasing productivity while contributing to the overall financial achievements in

the organizations. In addition to that, studies have also emphasized that negative psychological conditions of leaders including toxic leadership behaviors, ego and self – focused behaviors may significantly damage company profitability by diminishing employee engagement, productivity and satisfaction at work, which ultimately result in high turnover and lowered financial performance (Wolor et al., 2022).

Innovation

Previous research has identified that transformational leadership which is frequently focused on psychological wellness of the leaders, has been proven to contribute to establishing a culture conductive to innovation (Afsar & Umrani, 2019). Studies elaborate that leaders possessing greater emotional health generally exhibit versatile leadership behaviors, effectively manage experimental and exploiting actions which are crucial for innovation (Ahmad et al., 2022). Those type of leaders are establishing workplace settings where innovation can be flourished, encouraging employees towards innovative ideas without being hesitant about failures. Furthermore, mental well – being of leaders can foster a motivational atmosphere inside teams, supporting risk – taking and innovative problem – solving, which are essential for innovation (Yang et al., 2020). Studies demonstrate that psychological well – being of business leaders becomes crucial not only in promoting their own behavior but also influencing towards the innovative outcomes of their subordinates (Afsar & Umrani, 2019).

Studies have also shown that leaders with hazardous behaviors such as inappropriate supervision and abusive management along with low emotional intelligence or viewed as arrogant, can adversely affect innovation by establishing hostile work setting that suppress creativity and emotional safety (Choi et al., 2022). Additionally, studies suggest that low emotionally intelligent leaders are unable to cope with their own and team members' emotions which

results in conflict and the absence of psychological safety is a key factor that hinders innovation in business firms (Wang et al., 2019).

The sophisticated interaction between psychological well – being of business leaders and financial and innovation outcomes of organizations are also mediated by various factors. The standard of leader – member exchange (LMX) has been identified to boost the beneficial impact of leaders' psychological well-being on workforce innovative behaviors (Schuh et al., 2017). It suggests that when business managers cultivate robust connections with their employees it produces an atmosphere of trust and collaboration which leads to enhance innovation.

Furthermore, the perception of organizational support serves as a vital mediator in the correlation between psychological wellness of leaders, innovation and financial performance. Existing literature suggests that leaders with higher attitudes on organizational support improves innovative abilities of employees (Sehgal et al., 2021). Additionally, employees who receive support from leaders are likely to exhibit raised satisfaction in work and organizational commitment, which directly impact their innovative behaviors and in addition, the financial performance of the firm (Kuang et al., 2023).

However, research also demonstrates that unfavorable psychological traits of leaders such as narcissism can hinder this positive progression. Research emphasizes that narcissistic leadership adversely affects the innovative thinking of the team members, addressing that psychological disposition of leaders has potential downsides that require proper management (Yang et al., 2020).

Methodology

The methodology of this study is systematic literature review that uses a sample of 60 most pertinent publications published from 2000 - 2024 in the context of psychological well – being of business leaders and how it impacts on various business outcomes. The sample of

publications are critically appraised and synthesized quantitative findings. The systematic approach guarantees accurate literature coverage meeting with rigorous guidelines and reduction of bias.
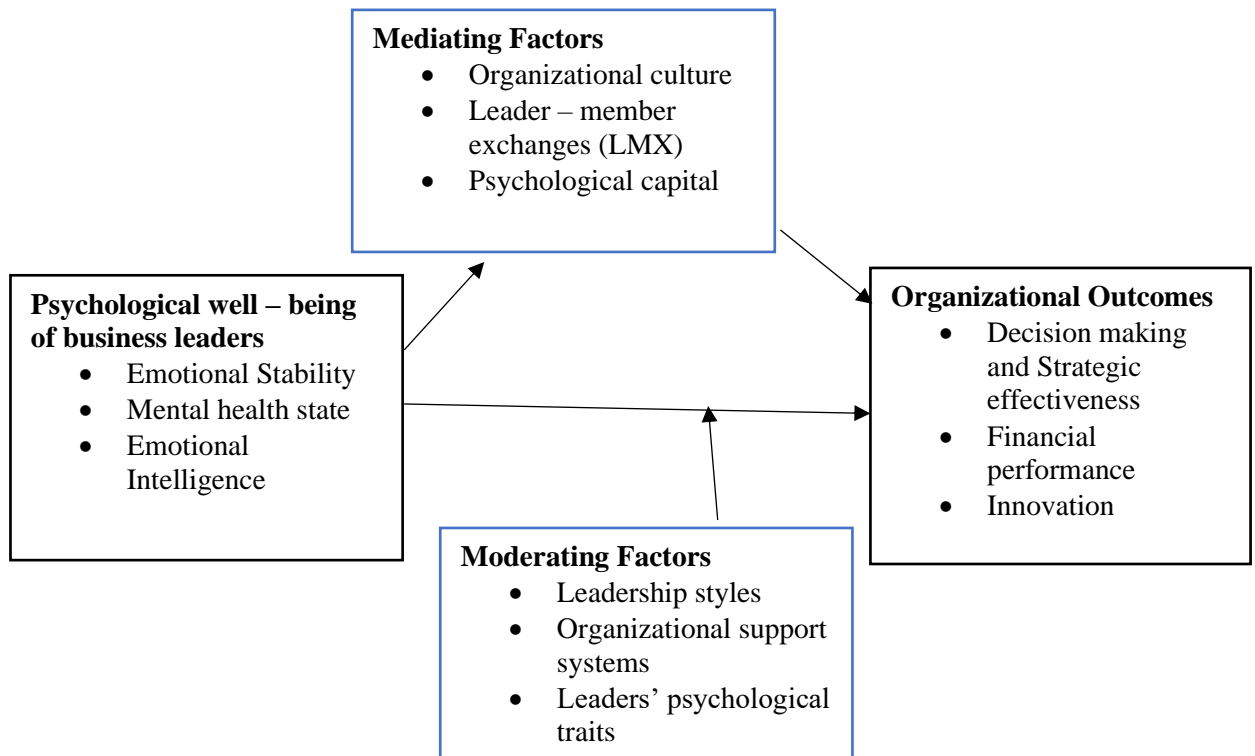
Figure 1: Conceptual Framework

Search Strategy and Databases

The research process included a comprehensive and systematic search to locate peer-reviewed articles together with conference papers and high-quality academic publications. The search strategy uses a combination of key words including,

- "Psychological well-being" and "business leaders"

- "Leader mental health" and "organizational performance"
- "Leadership styles" and "psychological status"
- "Leadership effectiveness" and "business outcomes"
- "Psychological resilience" and "firm performance"

The study uses databases such as Google Scholar, Emarald Insights, ScienceDirect, and Scopus to retrieval of literature as they provide comprehensive coverage multidisciplinary research in psychology, business, and organizational behavior.

Inclusion Criteria
- Studies that emphasize leadership approaches, psychological well-being of business leaders and business outcomes
- Peer-reviewed journal articles (Empirical studies, review papers and concept papers)

Exclusion Criteria
- Studies that aren't directly addressing the impact of psychological well-being on business outcomes, non-English articles and unpublished work.
- Opinion pieces, blog posts and non-academic work.

Data Extraction and Analysis
A systematic data extraction process was conducted after choosing relevant studies, focusing on the following key elements.
- **Author(s) and Year of Publication**
- **Study Design:** Varius types of studies such as empirical research, case studies and meta-analysis
- **Findings:** Main findings relevant to business leaders' psychological wellness and their influence on strategic decision making, financial performance and innovation.

- **Mediators and Moderators:** Different variables that account for the relationship between leaders' psychological well-being and business outcomes.

All extracted data were organized into a structured database format for conducting multiple study comparisons. Qualitative and quantitative results were analysed to detect major concepts and identify inconsistencies and deficiencies in previously published research.

Results and Discussion

This systematic literature review examines the impact of psychological well – being of business leaders on various business outcomes, with specific focus on effective strategic decision – making, financial performance and innovation capabilities. The literature reveals complex relationships between leaders' emotional wellness and their decision-making ability, and the overall efficacy of their organizations.

The analysis begins with conceptualizing psychological well – being in leadership which serves as an essential framework for efficient and effective organizational administration. Previous studies in this context suggest that leaders who focus on their mental well – being tend to grow up the relationships with their subordinates and positively impact on business environments (Yemiscigil et al., 2022). According to the results, this well–being emerges as a proactive investment in employee growth and promotion of healthy workplace settings, underlining the link between leadership styles, employee motivation, and job performance (Nielsen & Daniels, 2012). Furthermore, findings from numerous studies suggest that transformational leadership approaches are closely related to the psychological well – being of both business leaders and employees (Shabbir et al., 2022). Such leaders often create empowering work setting that encourage employees to make decisions and promote autonomy, establishing a culture where each and every individual feel recognized and appreciated (Iqbal et al.,

2019).However, findings of contradictory studies demonstrate that transformational and transactional leadership approaches not always impact positively to the well-being of both employees and leaders as in some cases high expectations, standards and improper punishment and reward systems may deteriorate the emotional well-being of both parties (Kyambade & Namatovu, 2025). Considering these findings, the value of including psychological well-being in leadership development frameworks receives much emphasis in this collaborative partnership as an attempt to attain individual and organizational benefits.

According to the findings, psychological wellness of business leaders greatly impacts the effectiveness of strategic decision–making abilities. Research indicates that well-adjusted leaders prefer to confront challenging situations with clarity and open mindedness, promoting environments with corporations that provide high quality results (Jeong et al., 2022). On the other hand, as a result of emotional exhaustion, effective decision making can be prevented in terms of decision-making paralysis or inadequate and inefficient decisions (Wirtz et al., 2017). He also proposed that leaders' emotional state can directly affect work engagement, and therefore, the mental health management is crucial during situations of key decisions making.

Furthermore, studies demonstrate that there is a strong correlation between leaders' psychological wellness and financial development results. Psychological well – being may boost emotional intelligence which is crucial for making key financial decisions that drives company profitability (Wang et al., 2019). It is examined that leaders who are high in well-being tend to have teams more influenced by confidence and loyalty which results in less turnover rates and enhanced commitment to their work, which in return positively impacts financial metrics (Kerns, 2024). However, researchers argue that leader well-being alongside other traits are buffered through organizational teamwork and corporate systems or broad oversight, particularly in larger companies. Thus, it is mentioned that

financial performance is not always significantly impacted by the personal psychological condition of business leaders (Flanigan et al., 2017; Katsaros et al., 2020).

Then the study examines the relationship between psychological well-being of business leaders and innovation with reference to existing literature. Studies suggest that emotionally healthy leaders typically welcome transformative approaches that promote innovative behaviors within the workforce (Prabowo et al., 2018). The previous literature also highlights that these leaders foster an atmosphere of exploration and risk – taking, which are vital efforts for innovation in businesses (Bibi & Afsar, 2018). According to the results it is clear that well-adjusted leaders essentially create cultures for innovative problem solving and flexible working solutions.

In contrast, various research has identified that the impact of psychological well-being of business leaders on business outcomes is neither linear nor uniform. Existing literature identifies several variables that mediate or moderate this correlation. Positive organizational climate which serves as a mediating factor, mitigate the detrimental impacts of stress on leaders (Shymko & Babadzhanova, 2025). Additionally, strong leader – member exchange (LMX) enhances communication and trust, allowing leaders to utilize numerous viewpoints for informed decision making, consequently strengthening the strategic process (Sobral & Furtado, 2024). According to the findings, it is suggested that psychological well – being of leaders positively associated with successful decision making and there is a need for firms to promote leadership engagement, thereby establishing supportive environments that are conducive for the psychological well-being of leaders.

Moreover, according to the studies organizational support systems mediates this relationship via the development of a constructive company culture and heightened employee engagement, which eventually lead to better financial performance (Masyhuri et al., 2021). Research finds that leadership with high levels of employee

morale and team performing well leads to higher productivity and profitability, emphasizing the significance of leaders emotional well - being to the firms' financial results. Moreover, the moderating role of elements like psychological capital is critical in this context. The findings support the result of the research by Kundi et al. who highlights good leadership which promotes psychological capital boosts financial performance by enabling individuals, which leads to enhanced job performance and corporate efficiency (Kundi et al., 2020).

Conclusion

This review paper explores the substantial impact of psychological well – being of business leaders on fundamental business outcomes such as strategic decision making, financial performance and innovation. Majority of the evidence suggest that leaders who safeguard their emotional health and psychological well – being exhibit greater effectiveness in their roles, ultimately resulting in enhanced performance indicators within their organizations. The psychological wellness of business leaders is a significant aspect that influence on organizational culture, since it establishes a culture where employees feel valued and empowered. Transformational leadership is particularly important in enhancing psychological well-being of both leaders and subordinates, resulting in raised job satisfaction and organizational commitment. In addition, these leadership styles are related to better strategic decision making as mentally strong leaders show greater emotional intelligence and clearer, hence improving overall performance of the organization.

According to the findings from the studies, there is a robust relationship between psychological wellness of business leaders and financial performance. Leaders with higher psychological well – being often promote trust and engagement within the teams, thus reducing employee turnover and raising staff productivity which eventually result in improved financial outcomes. Furthermore, in the

context of innovation, psychologically string and healthy leaders promote atmospheres where creativity takes place and hence is the best way to drive innovative practices as they allow exploration and risk taking as they foster.

This linkage is influenced by several mediating and moderating factors. The quality of leader – member exchange (LMX) is essential in understanding the way that psychological wellness of leaders can foster innovation among subordinates and in addition to that, how psychological wellness of leaders impacts on the effectiveness of strategic decision making by more viewpoints from subordinates and informed decision making. Additionally, psychological capital emerges as a significant mediator that strengthen the correlation between leadership well – being and both financial and innovative outcomes.

Recommendations

Based on the findings, the study yields numerous recommendations and insights for firms, business leaders, policymakers and futures scholars in the context of enhancing the psychological well-being of business leaders, subsequently to improve the business outcomes.

Organizations are recommended to prioritize training initiatives which aim to create transformational leadership attributes in both existing and upcoming leaders, highlighting psychological empowerment may create an environment that promotes the well-being of both leaders and employees. Additionally, implementation of quality support systems that demonstrate emotional health can greatly enhance leaders' psychological well – being. This is needed to comprise the access to development tools, mental health assistance and ongoing assessment leaders' workload and stress levels. Furthermore, in order to organizations to flourish, leaders and employees should be psychologically capitalised. Resilient, hopeful, self-efficacious, and optimistically trained people can dramatically improve psychological well-being and by extension organizational performance. Policymakers are recommended to employ interventions like executive

coaching, mindfulness training and work – life balance policies and rules that are frequently aimed at employees but should be similarly focused for leaders. Moreover, integrating psychological well-being as an essential performance metric in leadership assessments might motivate and encourage business executives to prioritize their mental health and foster constructive working environment.

Limitations and Future research Directions

While this study offers a comprehensive synthesis of the correlation between psychological well-being of business leaders and organizational outcomes, it is subjected to several limitations as well. One of the major limitations is that psychological well-being lacks standardization in definition during analysis of published literature. Research approaches PWB from two different angles by defining it as mental health with emotional resilience or by studying life satisfaction and psychological capital. Furthermore, few studies have elaborated the mediating and moderating variables through which leaders' well-being affects business performance while most of the publications illustrate the direct correlation of PWB with business outcomes, not considering these variables. Moreover, research currently uses cross-sectional designs by limiting the ability to prove the cause-effect relationship between leader wellbeing and business results.

Finally, future academics are provided with insights to conduct future research on more longitudinal studies to understand the long – term impact on leaders' well – being on business outcomes and they are recommended to conduct research with reference to the business leader in emerging markets, SMEs and high stressed industries like healthcare, manufacturing and technological firms.

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