The Interplay of Organizational Culture and Governance in Enhancing Sustainability Performance

Mohamed Omar Abdulrahim[1], Eko Ganis Sukoharsono[2], Any Setyarini[3], Imam Subekti[4]
[1]Department of Accounting, Misurata University, Misurata, Libya
[2,4]Department of Accounting, University of Brawijaya, Malang, Indonesia
[3]Department of Management, University of Semarang, Semarang, Indonesia

ABSTRACT
It seems that Indonesia still lacks understanding about the disclosure of sustainability. Furthermore, it is believed that socioeconomic, cultural, governance and environmental challenges are crucial to the success of a business. The influence of corporate governance and organizational culture on sustainability performance, with strategic posture acting as a moderating variable, leads to intriguing issues that warrant further analysis. This study's population consists of all companies listed on the Indonesia Stock Exchange. Purposive sampling is used as a technique in this study. The company's website, which includes information from 2009 to 2018, was sourced from www.idx.co.id and other pertinent sources. Data collection was done, and Warp PLS algorithms were employed for the analysis method. After analyzing and debating the data, the following conclusion was reached: corporate governance and organizational culture greatly impact sustainable performance. When examining the impact of corporate governance and organizational culture on sustainability performance, strategic posture may act as a moderating factor.

Keywords*: organizational culture, corporate governance, strategic posture, sustainability performance.*

INTRODUCTION

The company's life, in its setting, cannot be isolated from the public. Management must understand that they can achieve profit alone and that all activities carried out by the organization have social implications for the public. Therefore, the administration of parties has moral demands to pay heed to the public interests. Asian nations have recently started emphasizing sustainability policies and practices, and Asian businesses now routinely report on sustainability issues. Sustainability reports demonstrate the degree to which businesses embed their sustainability communicate their sustainability initiatives after incorporating them into their main business plan (Alawaqleh, 2021). Based on disclosure ratings, which assess the transparency and accountability of companies, Indonesian listed companies recorded the lowest ratings in 2018, highlighting significant areas for improvement.

In contrast, their Malaysian counterparts achieved the highest scores, reflecting a strong commitment to corporate governance and disclosure practices (Lawrence, 2019).

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

In Indonesia, businesses face significant challenges due to low sustainable output, which various circumstances and factors, including lack of funding, power struggles, cultural differences, political concerns, and racial and cultural differences, can cause. The corporate governance system in Indonesia is notably less stringent than that of other countries in East Asia, which raises concerns about the effectiveness of regulatory frameworks and the overall transparency and accountability of companies operating within the region (Wijayati et al., 2019).

According to Sullivan (2019), The Global Reporting Initiative's (GRI) sustainability reporting guidelines are the primary source of sustainability transparency. Performance metrics and the sustainability disclosure process are governed by a framework included in the GRI. This results in disseminating knowledge about corporations' positive and negative effects on governance, economy, and society through a sustainability study. Due to institutional pressure, Indonesian companies' environmental and social reporting quality and sustainability reporting levels are still in their infancy compared to global best practices (Ong et al., 2019). Therefore, it's important to learn about variables other than institutional ones that increase the company's sustainability coverage in Indonesia, a developing country.

In addition to other situations where companies do not have a strong climate effect, Indonesia, as one of the most significant economic forces in the world, has recently had to deal with the issues of air pollution and the misuse of natural resources. Indonesia expects those who are fair in fostering sustainability to participate actively. This situation has made the worldwide market for Indonesian companies to do business more responsibly. Unfortunately, it is still being determined if Indonesian companies are aware of socially and environmentally responsible practices to achieve sustainable results. Sustainable output problems in Indonesia thus remain strongly contested. Social pressure has incentivized these organizations to be more mindful of and responsible for socio-economic issues. Moreover, customers are pressuring businesses to take accountability for creating environmental and social issues due to growing public awareness of how businesses exacerbate sustainability issues. In light of growing pressures and expectations from stakeholders regarding corporate responsibility, businesses are proactively releasing corporate sustainability reports, which serve as compelling evidence of their commitment to transparency and sustainability, ultimately

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

aiming to demonstrate that they are not only acknowledging these challenges but also making substantial progress as reasonably successful performers in the realm of sustainable practices.

Nevertheless, sustainability reporting is optional in many nations, and researchers and practitioners are interested in learning how businesses genuinely treat themselves to support their enhanced public image. These organizations have been inspired by public pressure to be more informed of and concerned with socio-economic issues and to take responsibility for these problems. Indeed, there is increasing demand for businesses to be transparent about handling themselves in these matters.

Some frameworks for stakeholder theory say that increasing transparency and accountability are demanded by internal and external parties and that good corporate governance is becoming a more important component in guaranteeing sustainability success criteria (Abdullah, 2019). Organizations are frequently influenced by stakeholder interests from groups like the government, investors, political parties, clients, vendors, societies, trade unions, and employees to fulfil their commitments to improve sustainable performance. Some points need to be considered when analyzing the relationship between culture and success regarding the relational existence of culture, process, and organizational outcomes. This research line's premise is that, through several moderating factors, organizational culture influences production outcomes (Mahfouz, 2020). According to the contingency framework, an organization's performance depends on several factors, including how well its structure, strategy, and climate align (Thoumrungroje et al., 2019). Venkatraman (2019) described the term fit as a variable of moderating, as "the presence of a significant interference mechanism to strengthen or weaken the relationship between independent and dependent variable."According to the literature, the strategic method may be considered a moderating variable to strengthen the relationship between external factors such as organizational culture and general business success (Iqbal, 2022).

In addition to attempting to analyze the relationship between corporate governance, which consists of board size, board independence, ownership concentration, institutional ownership, audit committee and strategic posture and sustainability performance, this paper will discuss the effects of organizational culture,

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

which consists of clan, adhocracy, hierarchy, and market cultures. To get empirical data on the impact of corporate governance and organizational culture on sustainability performance, the moderating function of strategic stance will also be examined.

THEORETICAL BACKGROUND

Organizational Culture

Elliot Jaques's The Changing Culture of Factory introduced the idea of organizational culture to the field. Relevant research, however, indicates that early attempts to define the theory of organization contain elements of the concept underlying organizational culture. Organizations can be viewed as "socially constructed systems of meaning," and scholars suggest that an OC that takes into account the objectives, values, and beliefs of the organization as well as how those things are reflected in the actions and attitudes of its employees may be associated with positive outcomes. This strategy prioritizes group ideas above all else to promote organizational change (Alawaqleh, 2021).

Corporate Governance

Corporate governance is the primary tool for effectively guiding managers to abstain from self-interested behaviour. It is defined as "the system that directs and manages corporations". Its techniques can be applied to resolve issues with agencies (Shan, 2019) and to mitigate these problems Management's lack of interest due to conflicts with the companies. As a result, corporate governance was cited as one of the key components of contemporary organizations. Sustainability efficiency refers to an organization's practices that affect the social, natural, and physical environments in which they operate. Sustainability reports (sustainability disclosure) will then be used to evaluate the sustainability performance of organizations. The company results, social success, and disclosure of the organization's environmental performance are the main topics of a sustainability report.

Strategic Posture

Ullmann's model's second dimension is a strategic approach. An SP outlines a business's rationale for responding to demands from stakeholders. An SP may be perceived as either active or inactive. To maximize interdependence while effectively engaging in stakeholder approaches that promise the most favourable outcomes for their

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

organization, an assertive strategy-adopting organization is distinguished by its role as a management agency that not only seeks to maintain control but also ensures ongoing oversight of its interactions with key stakeholders, thereby fostering a collaborative environment that enhances mutual benefits and drives sustainable success (Ullmann, 2020).

Sustainability performance

The phrase "corporate social responsibility" (CSR) is no longer as widely used as it once was. Instead, it is more frequently used to describe "business sustainability" or "good business practices." This helps to dispel the myth that the original concept of CSR was restricted to charity events. With a general understanding of the significance of corporate sustainability and SPF and its logical implications, most of this course will concentrate on corporate social responsibility and social success. As stated earlier, the Corporate Social Performance Term is an expansion of corporate social responsibility that focuses more on the outcomes obtained. The performance of a business across all sizes and for all sustainability drivers is referred to as SPF. This goes beyond the confines of a single company and usually covers the production of suppliers both upstream and downstream in the supply chain. The definition of sustainable performance states that it must consider the convergence of the main performance metrics for the environment, society, and economy, also referred to as the "bottom line of three sustainability."

Hypotheses Development

As the logical assumption of the relationship between two or more variables expressed in a test statement, the meaning of the hypothesis can be described as follows (Sekaran & Bougie, 2016). As a result, the null hypothesis and the alternative hypothesis are the two categories of hypotheses used in this study. Typically, the null hypothesis (H0) cannot be defined since there is no valid association between the independent and dependent variables. It is crucial to understand the relationship between an independent and dependent variable. (Sekaran & Bougie, 2016).

The Impact of Organizational Culture on Sustainability Performance

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

Depending on how well the corporate culture and the variety of options the company has fit together, this study applies the crisis management model, based on the theoretical framework of the report, to assist in developing a more refined approach to handling social and environmental issues. Stated differently, this study employs a theory of contingency that holds that the type of organizational culture an organization has will determine how it responds to social issues (corporate social responsiveness). Thus, to set itself apart from competitors, sustainability is considered one of the practices that openly supports the company's favourable image in popular culture, uplifts the self-esteem of its staff (Alves, 2023), and enhances successful involvement. As a result, group leaders share the company's core principles and strengthen its understanding; this would positively affect the company's results. In the end, company culture could be implemented to concentrate more on firm effectiveness in the quest for corporate sustainability performance. There is a positive impact between organizational culture and sustainability performance. Based on the above discussion, the following hypothesis may be set as follows:

H1: Organizational culture affects sustainability performance.

The Impact of Corporate Governance on Sustainability Performance

Companies are under constant pressure these days to maintain sustainability and good governance. Sustainability and Corporate Governance Performance is a new area of study and a contemporary business problem. According to stakeholder theory, strong corporate governance promotes corporate sustainability, strengthening the relationship between the organization and its stakeholders. They view sustainability and good governance as complementary frameworks for managing stakeholders effectively. To align with long-term stakeholder management objectives, they also point out that the theory of stakeholders offers a link between governance frameworks and sustainability initiatives. The goal of recent research in the fields of OC and sustainability is to establish a connection between different cultural types and the integration of sustainability. In their 2017 study, Agyapong (2021) found a link between corporate social responsibility (CSR) and business success using the CVF culture styles. According to a survey of 164 Korean businesses, a company's CSR and financial performance may be positively correlated when market or clan culture is dominant. If an

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

organization is more drawn to a system of adhocracy or hierarchy, however, the positive financial effects of CSR tend to decrease, so the hypothesis is as follows:

H2: Corporate Governance affects sustainability performance.

The Impact of Organizational Culture on Sustainability Performance Moderated by Strategic Posture

Previous research focused on the relationship between organizational culture, sustainability performance and strategic posture (Djalilov, 2022), while others focused on the variables that affect it. According to studies, the fundamental elements influencing a company's strategic stance are technological advancements, market volatility, organizational characteristics like sustainability performance and leadership, organizational structure, and institutional elements like corporate governance and government intervention. It follows that an OC needs to adhere to the strategic position consistently and that organizations should strive to modify their operations to implement the adopted strategy. Building on structural and credibility theories, examined the context and implications of a proactive approach from the standpoint of an external driver. They discovered that the shared OC, SP, and structure needed by both could be one of the reasons why a higher entrepreneurial orientation is more likely to result in adopting a proactive environmental policy.

On the other hand, some information is available regarding how OC forms affect SP and how SP acts as a moderator to promote SPF. As a result, this study explains how OC affects SPF and summarises SP's moderating function. The following theory can be formulated with regard to the preceding studies, so the hypothesis is as follows:

H3: Organizational culture affects sustainability performance moderated by strategic posture.

The Impact of Corporate Governance on Sustainability Performance Moderated by Strategic Posture

Corporate governance mechanisms, which include ownership concentration, board size, board independence, and institutional ownership, impact a company's sustainability performance. Consequently, with the impact of a Strategic posture, Corporate Governance is anticipated to have a critical effect on an organization's overall output. Corporate Governance's continuous method also contributes to the execution of

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

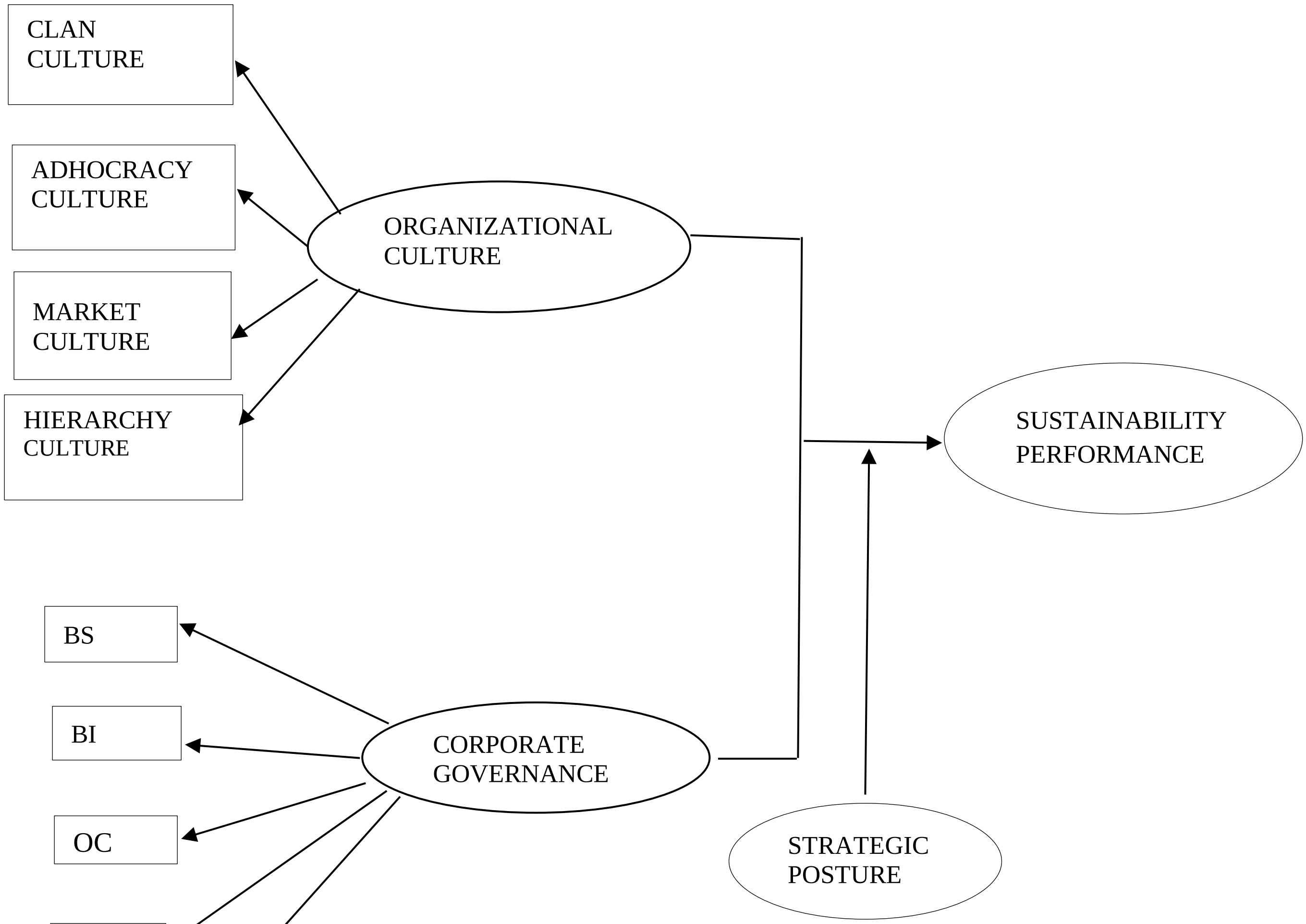
a plan. Accordingly, it is more than a set of laws that businesses can follow. In addition, Nasution (2024) argued that CG's actions affect management, leading management to follow or reject a particular strategy stance.

Similarly, the model Ullman's (1985) Research offers indicates a positive relationship between an SP and environmental coverage. In exchange, a more efficient SP is expected to bring about a higher level of social and environmental security. Therefore, the relationship between CG and sustainability efficiency is predicted to be moderated by Zaid (2020) further. Based on the theory and argument above, the hypothesis is formulated as follows:

H4: Corporate Governance affects sustainability performance moderated by strategic posture

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079



Indicators:
1. BS: Board Size
2. BI: Boar Independence
3. OC: Ownership Concentration
4. IO: Institutional Ownership
5. AC: Audit Committee

Figure 1. Theoretical Framework

METHOD, DATA AND ANALYSIS

Population and Sampling Method

Each company listed on the Indonesia Stock Exchange is included in the population of this research through a selective sampling technique. The methods used to collect samples have the following parameters:

a. Access to and availability of the data and the companies listed in IDX

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

b. Information about the proxies used to gauge the many forms of strategic stance, organizational culture, CG, and SPF is accessible.
c. The business reports its annual results without using the dollar as a unit of account.
d. Businesses have December 31 as the conclusion of their fiscal year.

Data Collections

Secondary sources, such as the corporate website and annual reports, provided the data for this analysis if one was conducted. This examination provides an objective assessment of the consistency of the available knowledge due to the lack of an individual database website where one can obtain all the necessary information to enable the individual extraction of data and the fact that the organization's actual SPF data is unavailable for the self-reported details' quality test. Documentation is the data-gathering tool. During the years 2009–2018, the company's website, along with other pertinent sources, yielded the statistics.

Operational definition and measurement variables

This analysis includes several variables with various proxies, measuring scales, and measuring kinds. These variables include OC and CG as independent variables, SPF as dependent variables, and SP as moderating variables.

Organizational culture

An organization's unique social and psychological climate is shaped by its values and behaviours. Common attitudes, ideas, traditions, and written and unwritten standards that have evolved and are regarded as legitimate form the foundation of the organization's business practices (to the extent that independence is necessary for decision-making) (Cameron & Quinn, 2011; Wahid ElKelish et al., 2014).

1. Clan Culture

With high stability and morale, the organization stresses the long-term advantage of individual development (Cameron, Quinn, 1998). Fiordelisi and others. (2014) further observed that clan culture emphasizes internal structure, especially the workers, and frequently seeks to advance their expertise in human resources. Wahid ElKelish and Kamal Hassan (2014) and Dwianika et al. (2019), As members of the clan's community, all used the scale ratio of total employee

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

remuneration divided by total operating expenses. The same scale will be used in this study as well:

$$\text{CLAN} = \frac{\text{The total compensation paid to employees}}{\text{Operating expenses}}$$

2. Adhocracy Culture

Additionally, using more risky measures to accomplish predetermined goals sets apart the adhocracy culture from other organizational cultures. The agent accounts for variations in the activity's earnings. (1999, Cameron and Quinn). This factor, which is determined by dividing Operating Profit t by Operating Profit t-1, has therefore been surrogate-valued by the variation in operating profit, which shows how management is more likely to consider the likelihood of changes in financial measures. Thus, the following scale will be applied in this analysis:

$$\text{Adhocracy} = \frac{\text{Operating income}_{t} - \text{Operating income}_{t-1}}{\text{Operating income}}$$

3. Hierarchy Culture

Comparatively, the total transaction costs have been utilized by Dwianika and Murwaningsari (2019) and Wahid ElKelish and Kamal Hassan (2014) to gauge the adhocracy worldview. The same scale would be used in this analysis as well as:

$$\text{Hierarchy} = \frac{\text{Total transaction costs}}{\text{Net Income}}$$

4. Market Culture (Market Share-MS)

According to Abu-Jarad et al. (2010) and Gallagher et al. (2008), this metric is often used to calculate consumer culture and gives a basic indication of a company's size about its competitors. (Total business revenue / Total business sales).

$$\text{MS} = \frac{\text{Company's Revenue}}{\text{Entire Market Revenue}}$$

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly
P-ISSN: 2580-6084, E-ISSN: 2580-8079

Corporate Governance

This analysis uses several indicators, including member board size, board independence, ownership concentration, and institutional ownership, to examine the board's ownership concentration and composition. As this article's later sections demonstrate, the calculation for these indicators will likewise drop by an analytical factor of one.

1. Board Size of Commissioners

Following the association's articles of association, the Board of Commissioners is the body in charge of general and special monitoring and member recommendations. The board of directors consists of each company's whole board membership.

Number of Commissioners = Number of Commissioners

2. Board independence

The proportion of members of Independence to the total members.

$$\text{Board independence} = \frac{\text{Independence Member}}{\text{Total Member}}$$

3. Ownership Concentration

This study distinguishes between two scenarios, based on ownership concentration as an internal form of governance: high proprietary dispersion (low ownership concentration) and high ownership concentration (low ownership dispersal). The CG approach determines these variations in ownership concentration (or dispersal). The largest shareholders, who possess more than 55 per cent of the total shares, are the ones who hold the majority of the shares, and this is how ownership concentration is calculated:

$$55\% \leq \text{per cent of shares owned by the largest shareholder of} \leq$$

4. Institutional Ownership

Except for the corporation's directors and commissioners, institutional control includes non-profit members like banks, insurance providers, and the

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly
P-ISSN: 2580-6084, E-ISSN: 2580-8079

administration of other corporations or public businesses. According to Chen et al. (2012), the previous analysis made with this equation is:

$$\boxed{\text{Institutional ownership} = \%\ \text{Institutional ownership}}$$

5. Audit Comite

An audit committee consists of three or more people. At least one member must be an independent external party with experience in accounting, and the other must be a company-independent commissioner who is also designated as the committee chair.

$$\boxed{\text{Audit committee} = \sum \text{Audit committee member}}$$

Strategic Posture

A corporate environmental committee, including environmental issues in the company's vision and goal statements, and ISO14001 certification are examples of dummy variables used in the annual report business by the mathematical model for strategic posture.

Sustainability Performance

This inquiry will be assessed using GRI metrics (Montiel et al., 2014). The GRI version used in this research is GRI G4.

Method of Analysis

Descriptive Statistics

The data from the mean, median, standard deviation, minimum value, and maximum value were explained using descriptive statistics. The purpose of this test is to help people comprehend the factors that were employed in the investigation.

Hypothesis testing

The effect of independent variables on dependent variables is examined using the t-test in hypothesis testing in this study. These are the requirements:

If sig. (p-value) < 0.05, so the hypothesis is accepted.

If sig. (p-value) > 0.05, so the hypothesis was rejected.

Regression Analysis

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

Moderated Regression Analysis (MRA) is a technique employed in this study to analyze regression data. Analyzing a variable's effect on another variable is one goal of regression analysis. The dependent variable in a regression analysis is the one that is impacted, and the variables that affect it are referred to as the independent and dependent variables, respectively. Regression analysis equation as it is expressed here:

SPF = a + b1Clan + b2Adhocrary+ b3Hierarcy + b4MC +b5BS+ b6BI+ b7OC+ b8IO + b9AC+b10SP + b11Clan.SP+ b12Adhocracy.SP + b13Hierarcy.SP+b14MC.SP +b15BS.SP+ b16BI.SP+ b17 OC.SP + b18IO.SP + b19AC.SP+e

SPF = Sustainability Performance
a = content
b1-b19 = coefficient beta
BS = Board Size
BI = Board Independent
OC = Ownership Concentration
IO = Institutional ownership
AC = Audit Committee
SP = Strategies Posture
e = error
Clan.SP = Interaction between Clan culture and Strategic Posture
Adhocracy.SP = Interaction between Adhocracy culture and Strategic Posture
Hierarchy.SP = Interaction between Hierarchy culture and Strategic Posture
MC.SP = Interaction between Market culture and Strategic Posture
BS.SP = Interaction between board size and Strategic Posture
BI.SP = Interaction between board independent and Strategic Posture
OC.SP = Interaction between ownership concentration and Strategic Posture
IO.SP = Interaction between institutional ownership and Strategic Posture
AC.SP = Interaction between the audit committee and Strategic Posture

RESULTS

Descriptive Statistic

Table 1. Descriptive Research Results

	CLAN	ADH	HIE	MC	BS	BI	OC	IO	AC	SP	SPF
Mean	0.145958	0.426582	0.785563	0.252964	4.368541	0.628604	15.085416	38.254816	2.593	0.269812	0.682548
Median	0.083514	0.218243	0.196385	0.169527	4.584713	0.641868	0.152852	41.152982	2.485	0.268513	1.632812
Maximum	2.725605	12.162813	16.492512	9.295821	10.00000	0.922176	99.862518	98.254862	1.152	0.100000	1.054851
Minimum	4.581278	-3.832538	-28.39514	0.058842	2.000000	0.226854	0.1866210	0.126284	4.071	0.000000	0.182405
Std. Dev.	0.592841	0.963218	2.395842	-0.52954	1.958248	0.196541	30.628413	32.665842	0.365	0.185413	0.385170
Skewness	0.268216	6.485921	-1.689248	13.79392	0.759241	1.158413	1.628241	0.236858	0.396	1.658241	-0.58912
Kurtosis	22.182406	71.368249	49.789628	258.8928	3.536488	4.175862	3.628412	1.798524	2.390	13.196524	1.265841
Observations								969			

Source: Secondary Data Processed (2020)

Table 1 illustrates the mean value (0.45958) and lowest (4.58178), as well as the maximum (2.725605) and standard deviation (0.592841) for the Clan culture variable.

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

The data has a considerable variance, as evidenced by the standard deviation being larger than the mean value. Adhocracy is calculated as follows: the maximum value is 12.162813, the minimum value is -3.832538, and the standard deviation is 0.963218. It can be inferred that the data show substantial variance because the standard deviation is higher than the mean value. Hierarchy variable: -28.39514 is the lowest value, with a standard deviation of 2.395842; the greatest value is 0.785563; the mean, or average, is 0.562400. Since the standard deviation is greater than the mean, the data has a high degree of variety.

The Market Share (MS) variable's standard deviation is -0.52954, the minimum value is 0.058842, the maximum value is 9.295821, and the mean, or average, is 0.252964. Since the standard deviation is smaller than the mean value, the data are thought to exhibit little fluctuation. According to the board size data, the typical sample size for this research is 4-5 board members in a company, with a minimum value of 2 and a maximum value of 10, with a mean of 4.368541. The value of the Board Independence variable is 0.628604 on average, 0.922176 at maximum, 0.226854 at lowest, and 0.196541 at standard deviation. The data has less variance, as demonstrated by the lower standard deviation compared to the mean value. From all of the board commissioners of the company, the mean indicated that the average board independence of the corporations in this research is 62,86%. A 30.628413 standard deviation is associated with the ownership concentration mean, or average, of 15.085416, the maximum value of 99.862518, and the minimum value of 0.1866210. It can be inferred that the data show substantial variance because the standard deviation is higher than the mean value.

Regarding institutional ownership, the mean, or average, is 38.254816, with a standard deviation of 32.665842. The maximum value is 98.254862, and the minimum is 0.126284. The data has less variance, as demonstrated by the lower standard deviation compared to the mean value. According to the research's mean, 38,25% of the 969 companies under observation had institutional or outside ownership. The standard deviation is 0.365, and the means for the audit committee variable is 2.593. It was evident from the data's high variation that the mean was larger than the standard deviation.

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

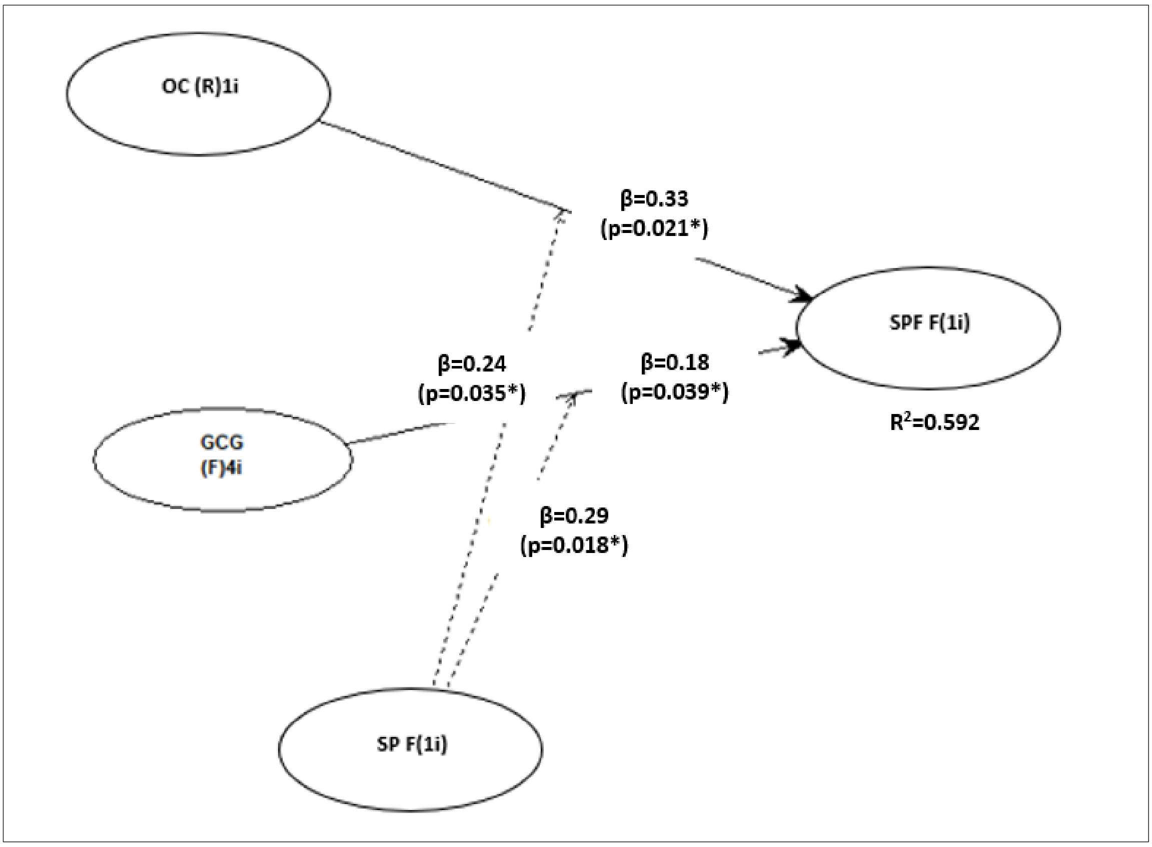
P-ISSN: 2580-6084, E-ISSN: 2580-8079

Regarding the sustainability performance variable, the highest value is 1.000000, the minimum value is 0.000000, and the standard deviation is 0.185413. The mean value, or average, for this variable is 0.269812. The data has less variance, as demonstrated by the lower standard deviation compared to the mean value. This research's mean value indicates that, on average, 969 organizations disclosed their sustainability performance at a rate of 26,98%.

Hypothesis testing Result

Table 2. Hypothesis Testing Results

Variables	β	p-value	Conclusion
OC → SPF	0.33	0.021	Accepted
GCG → SPF	0.18	0.039	Accepted
OC.SP → SPF	0.24	0.035	Accepted
CGC.SP → SPF	0.29	0.018	Accepted



Source: Secondary Data processed (2020) with Warp PLS

With a p-value of 0.021 < 0.05 and an accepted hypothesis, the following table suggests that organizational culture, which includes elements of clan,

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

adhocracy, hierarchy, and market cultures, substantially impacts sustainability performance.

As a result, the hypothesis H2 was accepted with a p-value of $0.039 < 0.05$. Corporate governance characteristics, including board size, independence, ownership concentration, institutional ownership, and audit committee, impact sustainability performance.

Organizational culture influences sustainability performance, which is moderated by strategic posture. The moderating variable is SP (Strategic posture), and with a p-value of $0.035 < 0.05$, H3 was accepted.

Strategic posture (SP) is the moderating variable. With a p-value of $0.018 < 0.05$, H4 was accepted, indicating that Strategic posture moderates the effect of Corporate Governance on sustainability performance.

Coefficient Determination (R-Square)

Table 3. R-Square

Variables	R-Square
SPF	0.592
SP	0.416

Q-Square

Furthermore, the test will proceed by calculating the Q-Square value according to the formula proposed by Henseler (2011); the formula is:

$Q^2 = 1 - (1 – R_1^2)\ (1 – R_1^2)$

$Q^2 = 1 - (1 – 0.592^2)\ (1 – 0.416^2)$

$Q^2 = 1 - (1 – 0.351)\ (1 – 0.173)$

$Q^2 = 1 - (0.649)\ (0.827)$

$Q^2 = 1 - (0.537)$

$Q^2 = 0.463$

The moderating variable, strategic posture (SP), has a p-value of $0.018 < 0.05$, indicating that H4 is accepted. This suggests that corporate governance influences sustainability performance, which is influenced by strategic posture. According to the calculation formula above, the study model has a rather good goodness of fit, which is =

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

0.463 or 46.3%. The Q-Square value of larger than 0 indicates that the study model has predictive relevance and can be widely accepted, as stated by Henseler (2011), and this value confirms his claim.

DISCUSSION

The Impact of Organizational Culture on Sustainability Performance

The outcome showed that H1 was accepted. This suggested that organizational culture has a beneficial effect on sustainability performance. Thus, based on the results, we can conclude that an organization's culture significantly affects sustainability efficiency. Compared to traditional bureaucratic control mechanisms, clan culture provides a more effective control mechanism in highly unpredictable or dramatically evolving environments. Society regarded the clan as a means of social control, focusing on the mutual reference structures and socialization processes that make it an essential component of corporate culture. Clan culture strongly emphasises the development of common values, beliefs, and objectives within the group. It aims to eliminate any discrepancies in the members' priorities for their goals. Clan leaders are viewed as members of a larger family, which makes them ideal for making business-related strategic decisions. Clan culture is inward-looking and focused on principles that foster unity. Collectivist ideals tend to be representative of Clan cultural values, and cooperation depends heavily on apparent conduct.

Adhocracy culture emphasizes addressing external issues with a focus on fundamental principles like adaptability, creativity, and risk-taking. It focuses on creating new products and services and being flexible enough to adjust to extremely complex situations to be ready for the future. The primary long-term management goals include expedited development, new sources, and the capacity to produce unique, exclusive goods and services. They stated that hierarchy culture is the most significant aspect of organizational culture that affects strategy. The Hierarchy can be seen as a prevalent culture in the industry, and the response to approaches relating to sustainability will generally be positive. Business culture focuses more on strategic behaviour, meeting goals and objectives, increasing market share and consumer penetration, improving the competitive role in the sector and economic climate, competitive advantage and market position. The organization's changing existence with

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

the characteristics is very strong. Based on the findings of this analysis, organizational culture has been shown to affect sustainability performance positively. The outcome of this study shows that business culture affects sustainability performance. This was also backed by earlier research by Mwaura (2017). This finding is also supported by previous studies by Benn et al. (2018).

The Impact of Corporate Governance on Sustainability Performance

From the findings and review, it is found that the GCG (Corporate Governance) has a substantial influence on sustainability performance. This also correlates with the results of Kusumawardani (2021) and Lusmeida (2023), which found a link between corporate governance and sustainability performance. Larger boards are thought to provide improved performance and inexpensive access to various resources. Furthermore, a board of directors' decisions significantly impact how voluntary transparency is about sustainable performance. According to Engel (2019), there is a significant correlation between the size of the board and the level of voluntary disclosure regarding sustainable outcomes. Large corporations have large boards, and those companies wish to improve their sustainability reporting.

Similarly, major Baroroh (2022) claim that boards have a bigger influence on sustainability-related issues. However, with this consistency between our results and preceding studies, the existence of a direct impact between board size and sustainability performance indicates that other potential factors can also explain this relationship. Taufik (2021) stated that the board of Commissioners has an important function as a monitoring system for efforts to enhance sustainability performance. The latest literature regarding the relationship between board independence and sustainability disclosure is inconsistent and inconclusive. Meanwhile, a Significant association was found between the independent director and sustainability performance. Our performance in Indonesia supports the previous study by Trireksani et al. (2020) that concluded a significant positive relationship between the size of the board of directors and sustainability performance. Because of this, firms would increase the proportion of independent directors in light of the managers' sustainable success model. The performance of sustainability is significantly improved by ownership concentration. As such, ownership must be centred around sustainable performance. This outcome agrees

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

with the conclusions of Alves (2023), who discovered parallels between these two ideas. According to Tanui (2022), businesses with a distributed ownership structure should be more involved in community, social, and environmental projects because openness is a key concern for these companies. Better corporate governance will positively impact the sustainability performance of the company.

The Impact of Organizational Culture on Sustainability Performance Moderated by Strategic Posture

An agreement with the third hypothesis was also demonstrated by another result, which indicated that the strategic posture could be a variable adjustment of the interaction between an organizational culture, which includes hierarchy, adhocracy, clan culture and market culture about sustainability success. This implied that when the strategic stance was stronger, the effectiveness of the corporate culture would likewise impact sustainability. Better company culture and sustainability performance are positively correlated, as suggested by this. Additionally, Menguc et al.'s earlier work (2010) was validated by this conclusion.

The Impact of Corporate Governance on Sustainability Performance Moderated by Strategic Posture

The fourth hypothesis of this study is supported by the p-value of less than 0.05 for the strategic posture variable moderating feature of the Warp PLS test. Therefore, a moderated military approach affects the audit committee, ownership concentration and institutional ownership, board independence, and sustainability of board size. Additionally, the results showed that a proactive focus on social and environmental issues may improve sustainability performance. Elijido-Ten (2019) examined the factors influencing environmental reporting in a study. The study indicated that implementing corporate governance will impact better sustainability performance moderated by strategic posture. As such, this study expands the findings of Kusumawardhani (2021) by integrating managers' strategic posture, which is one of the potential reasons for the influence of board size on the sustainability efficiency level of businesses. This finding underscores the value of providing a large board size that prioritises sustainability productivity for shareholders. In theory, this study brings insight into the literature by exploring the moderating influence of managers' strategic posture, which may also help researchers understand the nature of the relationships between those variables.

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

In comparison, the findings of this research would benefit from an administrative perspective, as company managers understand certain corporate governance structures that are critical in improving their sustainability performance. The findings also affect how corporate decision-makers should formulate sustainable management policies and incorporate sustainability into their strategic agendas. This focuses on businesses that are unlikely to report sufficiently on sustainability issues arising from their business activities because they have smaller boards, less independent management, and fewer significant institutional shareholders. Furthermore, these results supplement earlier research that focused solely on the direct effect of corporate governance structures on sustainability performance.

CONCLUSIONS

Finally, using strategic posture as a moderating variable, this study examined the effects of organizational culture and corporate governance traits on sustainable performance. The primary objective of the research was to examine how the strategic stance can reinforce the connection between corporate governance traits and organizational culture. The results demonstrated how the strategic stance of managers attenuated the effects of corporate governance, which includes audit committees, ownership concentration, board size, and board independence, on sustainability performance. In addition, corporate governance and organizational culture, which include board independence, size, and ownership concentration, influence how well a corporation performs regarding sustainability. As far as researchers are aware, this study is among the first to assess the significance of corporate governance characteristics at the level of sustainability performance in Asian nations. This investigation also clarified some of the discrepancies that other investigations had discovered. Nevertheless, further research is necessary to comprehend the minimal impact of corporate culture on managers' perceptions before demanding sustainable practices. Researchers suggest that other potential modifications, such as earnings management, can better explain the influence of corporate governance characteristics on corporate sustainability performance, even though managers' strategic posture has effectively moderated the relationship between corporate governance and sustainability performance. Further

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

research may investigate additional potential moderators. Finally, the listed firm was regarded as required to provide sustainability reports in this study, much like in Indonesian, but only for companies listed on Bursa Indonesia. Consequently, when businesses are listed on the Indonesian Stock Exchange, the culture of transparency regarding sustainability results starts.

REFERENCES

Agyapong, C. (2021). Does Executive Compensation Dispersion Affect Firm Performance: The Moderating Role of Technology Intensity. *Accounting Journal.* Volume 1(2).

Alabdullah, T. (2019). Effect of Board Size and Duality on Corporate Social Responsibility: What Has Improved Corporate Governance in Asia? *JAS*. Volume 3(2).

Alawaqleh, Q. (2021). The Effect of Board of Directors and CEO on Audit Quality: Evidence from Listed Manufacturing Firms in Jordan. *The Journal of Asian Finance, Economics and Business*, 8(2), 243-253.

Alves, S. (2023). Gender diversity on corporate boards and earnings management: Evidence for European Union listed firms. *Cogent Business & Management*. Volume 10(1).

Baroroh, N. (2022). The Influence of Company Activities, Growth, and Independent Commissioners on Sustainability Reports With the Type of Industry as a Moderating Variable. *Accounting Dynamic Journal*. Volume 14(2).

Djalilov, K. (2022). A Contingent Resource-Based Perspective on Corporate Social Responsibility and Competitive Advantage: A Focus on Transition Countries. *Business Ethics and Leadership*. Volume 6, Issue 1.

Elijido-Ten, E. (2019). *Determinants of environmental disclosures in a developing country: applying the stakeholder theory*. Paper presented at the Fourth Asia Pacific Interdisciplinary Research in Accounting Conference.

Engel, P. (2019). Voluntary disclosure of individual supervisory board compensation in public family firms. *Journal of Business Research*. Volume 101, 362-374.

Henseler, J. R., & Sarstedt, M. (2020). *I use partial least squares path modelling in advertising research: Basic concepts and recent issues*. In Handbook of research on international advertising. Northampton: Edward Elgar.

Iqbal, U. (2022). Environmental innovation and firm value: The moderating role of organizational capital. *Journal of Environmental Management*. Volume 316(15).

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

Kusumawardani, A. (2021). Board Structure and Disclosure Of Intellectual Capital: An Empirical Study In An Emerging Market. *Journal of Governance and Regulation*. Volume 10, Issue 3.

Lawrence, L. T., Thomas. (2019). *Sustainability Reporting in ASEAN Countries* (Indonesia, Malaysia, Philippines, Singapore and Thailand) (pp. 1-56).

Lusmeida, H. (2023). The Corporate Governance Moderates Determinants Affecting Sustainability Report Disclosure. *Accounting Journal*. Volume 27(3).

Mahfouz, M. (2020). Linking organizational culture with firm financial performance: A literature review. *Bussecon Review of Social Sciences*. Volume 2(1).

Nasution, A. (2024). The Effect Of Corporate Board And Ownership Structure On Financial Performance. *Accounting Journal*. Volume 1(2).

Ong, T. S., Teh, B. H., & Lee, A. S. (2019). Contingent Factors and Sustainable Performance Measurement (SPM) Practices of Malaysian Electronics and Electrical Companies. *Sustainability*, 11(4), 1058.

Shan, G. (2019). R*elated party disclosures in China: influences of factors identified from agency, legitimacy, and signalling theories*. Paper presented at the Symposium SA, Adelaide. http://www. symposiums. org/Shan% 20_2008_.

Sullivan, K. (2019). *Sustainability Disclosure: Getting Ahead of the Curve*. Deloitte, Development LLC.

Tanui, P. (2022). Ownership Structure and Corporate Sustainability Disclosure in Kenya: Interaction Effect of Board Gender Diversity. *International Journal of Finance Research*. Volume 3(4).

Taufik, M. (2021). The Influence of the BOD`s characteristics toward corporate social responsibility: Study non-financial and financial firms in Indonesia. *Accounting and Journal Auditing*. Volume 25(2).

Thoumrungroje, A., & Tansuhaj, P. (2019). Entrepreneurial strategic posture, international diversification, and firm performance. *Multinational Business Review*, 13(1), 55-73.

Trireksani, T., & Djajadikerta, H. G. (2020). Corporate governance and environmental disclosure in the Indonesian mining industry. *Journal Economic*. Volume 1(3)

Ullmann, A. A. (2020). Data searching for a theory: A critical examination of the relationships among social performance, social disclosure, and economic performance of US firms. *Academy of Management Review*, 10(3), 540-557.

Venkatraman, N. (2019). The concept of fit in strategy research: Toward verbal and statistical correspondence. *Academy of Management Review*, 14(3), 423-444.

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079

Wijayati, N., Hermes, N., & Holzhacker, R. (2019). *Chapter 10: Corporate Governance and Corruption: A Comparative Study of Southeast Asia*. USA, New York Springer International Publishing Switzerland

Zaid, M. (2020). Ownership structure, stakeholder engagement, and corporate social responsibility policies: The moderating effect of board independence. *Corporate Social Responsibility and Environmental Management*. Volume 27, Issue 3 p. 1344-1360.

[1]Email: m.abdulrahim@misuratau.edu.ly
[2]*Corresponden Author, Email: m.abdulrahim@misuratau.edu.ly

P-ISSN: 2580-6084, E-ISSN: 2580-8079