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THE INFLUENCE OF BUSINESS STRATEGY AND GOOD CORPORATE GOVERNANCE ON CORPORATE SUSTAINABILITY PERFORMANCE: COAL MINING LISTED ON THE INDONESIA STOCK EXCHANGE

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ABSTRACT

The coal mining industry plays an important role in the Indonesian economy, but also faces major challenges related to environmental and social sustainability. Thus, with increasing awareness of environmental and social issues, mining companies are expected to implement sustainable business strategies and good corporate governance (GCG) practices. The purpose of this study is to analyze the influence of business strategy and good corporate governance on the sustainability performance of coal mining companies. This type of research is descriptive research with a quantitative approach. Data collection techniques in this study are questionnaires and annual reports. The collected data were then analyzed using regression analysis. The results of the study indicate that business strategy and good corporate governance have an effect on the corporate sustainability of coal mining companies listed on the Indonesia Stock Exchange (IDX).

KEYWORDS *Business Strategy, Corporate Sustainability Performance, Indonesia Stock Exchange, Sustainable Performance, and Company Performance Analysis*

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INTRODUCTION

Indonesia is one of the countries with abundant mineral reserves, including mining activities such as coal, oil and gas, tin ore, copper, gold, and various other minerals (Winanto & Hanantijo, 2023). Revenue from mining commodities has become an important pillar of state revenue, especially after the impact of the global economic downturn due to the pandemic. In 2021, the mineral and coal mining (Minerba) sector contributed IDR 124.4 trillion to the state, which includes taxes, export duties, and Non-Tax State Revenue (PNBP). Until September 2022, the Ministry of Energy and Mineral Resources (ESDM) reported that PNBP from the Minerba sector had increased to IDR 130 trillion (Syahputra, 2022).

The coal mining industry plays an important role in the Indonesian economy, especially as one of the main contributors to state revenue and a provider of employment. However, behind its significant economic contribution, this industry also faces major challenges related to environmental and social sustainability. Intensive exploitation of natural resources can have negative impacts, such as environmental degradation, ecosystem changes, and social problems in communities around mining sites. So with the increasing awareness of environmental and social issues, the demands on mining companies to be sustainably responsible are also increasing.

Companies are expected to not only focus on economic profit, but also be able to manage their environmental impacts and prioritize the welfare of local communities. Therefore, the implementation of a sustainable business strategy is a must that aims to integrate economic, social, and environmental aspects in operational activities. Business strategy is a step taken by a company to establish policies that aim to build competitive advantage in the market. The main objective of this strategy is to achieve the company's vision, mission, and business targets. Thus, the company can set a clear direction and identify various challenges, such as market problems and competition. In addition, this strategy also allows various departments to collaborate effectively to support the overall success of the company (Anggreani, 2021).

The implementation of Good Corporate Governance (GCG) practices is also an important key for coal mining companies. GCG is a set of rules that govern the relationship between shareholders, company management, creditors, government, employees, and other stakeholders, related to their respective rights and obligations. In other words, it is a system that manages the company to create added value for all interested parties (Novitasari et al., 2020). Efforts to implement business strategies and GCG are expected to improve corporate sustainability performance (CSP). Corporate sustainability performance or CSP is a leadership approach taken by a company to grow profitably, while simultaneously generating positive impacts in the social, environmental, and economic fields (Amanah, 2019). This study provides a new contribution to understanding the relationship between business strategy and Good Corporate Governance (GCG) on Corporate Sustainability Performance (CSP) in the coal mining industry listed on the Indonesia Stock Exchange (IDX). The study identifies how these two important factors simultaneously affect the sustainability performance of companies, especially in industries that are full of environmental and social challenges such as coal mining. The novelty lies in the combination of these two strategic dimensions, which are rarely studied simultaneously in the mining industry in emerging markets such as Indonesia.

This study contributes to the literature on corporate sustainability by linking two important factors of business strategy and GCG to sustainability performance. The findings expand the theoretical understanding of how managerial strategy and corporate governance can affect sustainability in the context of heavy industries such as mining. The purpose of this study is to analyze the influence of business strategy and good corporate governance on the sustainability performance of coal mining companies. Based on the description, the formulation of the problem in this study is "How do business strategy and good corporate governance affect the company's sustainability performance?".

RESEARCH METHOD

This type of research is descriptive research with a quantitative approach. Descriptive research aims to provide a clear and systematic picture of the phenomenon being studied without manipulating or intervening in the existing variables. Meanwhile, the qualitative approach makes it easier for researchers to identify patterns, relationships, or trends in the data, so that they can present more in-depth and reliable findings. The data collection technique in this study was a questionnaire and annual report. The population in this study was a coal mining company listed on the Indonesia Stock Exchange. The sampling technique in this study was purposive sampling with the inclusion criteria of companies publishing annual reports on the Indonesia Stock Exchange (IDX) website for the period 2020-2023. The data that had been collected was then analyzed using regression analysis using the help of the Smart PLS program.

RESULT AND DISCUSSION

Measurement Model (Outer Model)

Outer Model, or known as measurement model, is used to describe the relationship between latent variables and their indicators.

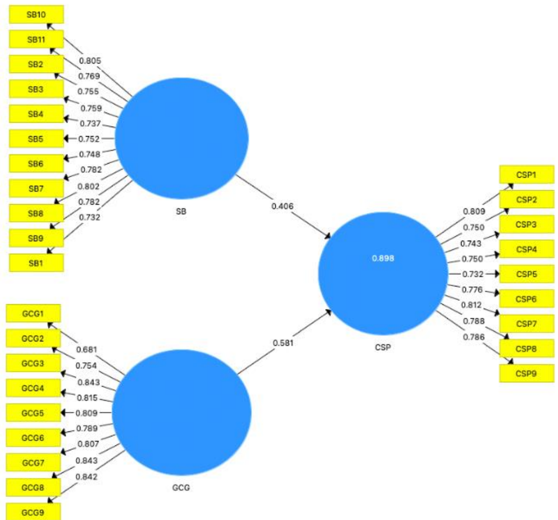

Figure 1. Outer Model

Based on the results of the outer model analysis in Figure 1, the following details of the outer loading values were obtained:

Table 1. Outer Loading

	CSP	GCG	SB
CSP1	0,809		
CSP2	0,750		
CSP3	0,743		
CSP4	0,750		
CSP5	0,732		
CSP6	0,776		
CSP7	0,812		
CSP8	0,788		
CSP9	0,786		
GCG1		0,681	
GCG2		0,754	
GCG3		0,843	
GCG4		0,815	
GCG5		0,809	
GCG6		0,789	
GCG7		0,807	
GCG8		0,843	
GCG9		0,842	
SB10			0,805
SB11			0,769

SB2	0,755
SB3	0,759
SB4	0,737
SB5	0,752
SB6	0,748
SB7	0,782
SB8	0,802
SB9	0,782
SB1	0,732

Table 1 shows that the outer loadings values for all indicators on each variable have exceeded the critical limit, which is more than 0.5. High loading factors indicate a strong relationship between these indicators and the measured latent variables.

Table 2. Average Variances Extracted

	Average Variance Extracted (AVE)
CSP	,597
GCG	,639
SB	,587

In table 2, the AVE value is above 0.5, and the cross loading value shows that the correlation between the construct and the indicator on the measurement variable is greater than the correlation between the construct and other indicators. Therefore, it can be concluded that all indicators used in this study have met the criteria for discriminant and convergent validity, so they are declared valid.

Table 3. Discriminant Validity

	CSP	**GCG**	**SB**
CSP	,772		
GCG	,921	,800	
SB	,892	,836	,766

Based on table 3 above, it can be seen that all indicators that form each variable in this study have met the criteria for discriminant validity. This can be seen from the cross-loading value which shows that the correlation between the construct and its indicators is higher than the correlation between the construct and other indicators.

Table 4. Composite Reliability

	Cronbach's Alpha	**rho_A**	**Composite Reliability**
CSP	,915	,916	,930
GCG	,929	,931	,941
SB	,930	,930	,940

Based on the calculation results in table 4, it is known that all Cronbach's Alpha values are more than 0.60 (CA> 0.60) and the Composite Reliability value also exceeds 0.70 (CR> 0.70). Therefore, it can be concluded that all constructs in this study have a good level of reliability and are declared reliable.

Structural Model (Inner Model)

The structural model (inner model) is a model used to predict causal relationships between latent variables or to test hypotheses.

Table 5. R-Square

	R Square	R Square Adjusted
CSP	,898	,896

Based on the results of the R-Square calculation shown in Table 5, it is known that business strategy and good corporate governance have an influence on the corporate sustainability performance variable of 89.8%. Meanwhile, the rest is influenced by other variables not included in this study.

Table 6. Path Coefficients

	Original Sample (O)	Sample Mean	STDEV	T Statistics	P Values
GCG -> CSP	,581	,582	,065	8,917	**,000**
SB -> CSP	,406	,404	,062	6,567	**,000**

Path Coefficients test is used as a reference to conduct hypothesis testing in this study, with the criteria that the hypothesis is accepted if the P value <0.05, and the hypothesis is rejected if the value in the P column> 0.05. The results of testing the hypothesis in this study indicate that:

1. Business strategy has an effect on corporate sustainability performance in the coal mining industry listed on the IDX with a t-statistic value of 6.567 and a P value of 0.000, which means P <0.05. Therefore, the hypothesis is accepted.
2. Good Corporate Governance has an effect on corporate sustainability performance in the coal mining industry listed on the IDX with a t-statistic value of 8.917 and a P value of 0.000, which means P <0.05. Therefore, the hypothesis is accepted.

Discussion

Business strategy influences corporate sustainability performance

The results of the study show that business strategy influences corporate sustainability performance in the coal mining industry listed on the IDX. Business strategies implemented by mining companies can cover various aspects, such as resource management, technological innovation, efficient operational practices, and sustainable product and service development.

The implementation of an effective business strategy can improve the company's sustainability performance by optimizing the use of natural resources, reducing the environmental impact of mining activities, and meeting stakeholder expectations. For example, companies that adopt environmentally friendly technology in the production process can not only reduce carbon emissions and waste but also increase operational efficiency which ultimately contributes to profitability.

A business strategy that focuses on sustainability can improve the company's image in the eyes of the public and stakeholders. When companies demonstrate a commitment to sustainable practices, they tend to attract more investors and customers who care about environmental and social issues. This not only supports financial performance but also strengthens the company's position in facing the challenges and risks associated with the mining industry.

Previous research by (Hendrani et al., 2022) concluded that business strategy has a positive effect on sustainability performance. Another study by (Amanati et al., 2023) showed that business strategy has a significant positive relationship with environmental performance and social performance but does not affect governance performance and sustainability performance. Similar research by (da Conceiçäo Soares, 2023) showed that there is a positive effect of business strategy on business performance, meaning that the more appropriate a business strategy is, the higher the performance of small and medium enterprises, the influence of business strategy and government policy as moderating variables on business work shows a positive effect on environmental dynamics as a pseudo moderating variable. This means that the more appropriate the implementation of a business strategy that is in accordance with the environment, the stronger the drive to improve business performance.

Companies need to implement a sustainability-oriented business strategy to achieve stable performance in the long term. This can help companies reduce environmental and social risks, while increasing operational efficiency. A business strategy that focuses on sustainability can improve a company's reputation in the eyes of stakeholders, including investors, consumers, and regulators. Companies that demonstrate a commitment to sustainability tend to be more attractive to investors who care about environmental and social responsibility (ESG), increasing their competitiveness in the market.

Good Corporate Governance has an effect on corporate sustainability performance

The results of the study show that Good Corporate Governance has an effect on corporate sustainability performance in the coal mining industry listed on the IDX. GCG includes practices that prioritize transparency, accountability, responsibility, and ethics in company management. So by implementing GCG principles, companies can ensure that decisions taken are in line with the interests of all stakeholders, including shareholders, employees, the community, and the environment.

In the coal mining sector, good GCG implementation can reduce environmental and social risks that are often associated with mining activities. For example, companies with good governance are more likely to comply with environmental regulations, closely monitor the impacts of their operations, and commit to sustainable practices. This not only helps maintain the company's reputation but also creates long-term value for all stakeholders.

In addition, effective GCG can improve the company's financial performance. When companies implement transparency and accountability in financial and operational reports, investors and other stakeholders are more likely to provide support and investment, which in turn can improve the company's sustainability performance. Thus, by focusing on sustainability, coal mining companies can optimize resource use, reduce waste, and increase social responsibility, thereby contributing to the achievement of sustainable development goals.

Previous research by (Safitri & Theresia, 2022) showed that GCG has a positive effect on financial performance, internal business process performance, growth and learning performance. GCG does not have a positive effect on customer performance, social and environmental performance. Differentiation has a positive effect on financial performance, internal business process performance, growth and learning performance, social and environmental performance. Differentiation does not affect customer performance. Another study by (Ningsih & Sukmawati, 2023) showed that the Board of Commissioners and Board of Directors have a significant positive effect on sustainability report disclosure, while the audit committee and profitability do not have a significant effect on sustainability report disclosure.

Good GCG can increase transparency, accountability, and investor confidence. Investors tend to be more interested in companies that implement good governance, because this shows responsible management and effective risk management, including in environmental and social aspects. Strong GCG implementation helps companies maintain a positive reputation in the eyes of the public, regulators, and other stakeholders. A good reputation for transparent and ethical governance will strengthen a company's position in the face of social criticism and increase the legitimacy of their operations, especially in environmentally sensitive sectors such as mining. So with good governance, companies are able to identify, manage, and mitigate key risks, both financial, environmental, and social. This helps companies anticipate and overcome challenges that can affect the sustainability of their operations, such as regulatory changes, environmental issues, and changes in stakeholder preferences.

CONCLUSION

The results of the study indicate that business strategy and good corporate governance have a significant influence on corporate sustainability in the coal mining sector listed on the Indonesia Stock Exchange (IDX). This shows that the implementation of effective business strategies and good corporate governance practices not only contribute to financial performance, but also support the achievement of corporate sustainability goals. Thus, by implementing the principles of good corporate governance, companies can improve transparency, accountability, and ethics in their operations, which in turn will strengthen their position in facing environmental and social challenges. These findings underline the importance of integration between business strategy and good governance to ensure sustainable growth in the coal mining industry in Indonesia.

In an effort to improve sustainability performance, coal mining companies need to implement the following suggestions: 1. Companies must develop and implement business strategies that focus on innovation and sustainability, such as adopting environmentally friendly technologies and efficient operational practices. This can not only reduce negative impacts on the environment, but also increase efficiency and reduce operational costs. 2. Companies must improve training and skills development for employees so that they better understand the importance of sustainability and are able to contribute to the implementation of more responsible strategies. In addition, investment in sustainable CSR (Corporate Social Responsibility) programs will help companies build good relationships with surrounding communities and improve the company's reputation.

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