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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 significantly contributes to Indonesia's economic development, yet it continues to face complex challenges in achieving sustainability from environmental, social, and governance (ESG) perspectives. This research investigates the influence of business strategy and good corporate governance (GCG) on corporate sustainability performance (CSP) among coal mining companies listed on the Indonesia Stock Exchange (IDX). This study uses a quantitative research design to draw on secondary data from company annual reports, sustainability reports, and GCG disclosures published on the IDX official website. The analysis employs multiple linear regression to test the proposed hypotheses. The findings indicate that both business strategy and good corporate governance significantly positively affect the sustainability performance of the coal mining sector. These results suggest that aligning strategic business orientation with ESG principles and reinforcing governance structures are crucial for achieving sustainable performance. This study provides empirical evidence supporting the integration of sustainability practices within corporate strategy, and it emphasizes the importance of transparent governance in resource-intensive industries. The implications of this research are relevant for corporate leaders, policymakers, and sustainability advocates seeking to advance responsible business practices in the extractive industry.

**KEYWORDS** *Business Strategy, Good Corporate Governance, Corporate Sustainability*



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## INTRODUCTION

The coal industry is one of the essential resources for Indonesia, with a significant contribution to state revenue every year (Baskoro et al., 2021). Revenue from this sector is the main support, especially when the global economy weakens due to the pandemic (Alabdullah et al., 2020). In 2021, state revenue from the mineral and coal mining sector (Minerba) reached Rp 124.4 trillion, including taxes, export duties, and Non-Tax State Revenue (PNBP), which had a positive impact on the national economy (Syahputra, 2022). This industry also encourages employment growth and regional development, especially in coal-producing areas, thereby improving the welfare of local communities. However, it is also important to pay attention to the environmental impact caused and ensure the company's sustainability in its management (Epstein, 2018; Oláh et al., 2020).

Corporate sustainability performance (CSP) refers to the leadership approach adopted by companies to achieve profitable growth while still having a positive impact on social, environmental, and economic aspects (Alshehhi et al., 2018; DiSegni et al., 2015; Jha & Rangarajan, 2020). This approach ensures that the company focuses on financial gain and considers sustainability in its operations to fulfill its responsibilities to society and the environment. The coal industry strives to improve its sustainability performance by implementing CSP. One of the main steps taken to achieve this goal is to implement a business strategy that focuses on innovation and efficiency (Fu et al., 2022).

Business strategy refers to the ability of an entrepreneur or company to analyze the external and internal environment, formulate strategies, implement plans that have been prepared to achieve the company's goals, and conduct evaluations to get feedback to develop future strategies. This variable is measured through three dimensions, namely: differentiation, low-cost strategy, and focus strategy (Mubarok, 2017)Implementing good corporate governance (GCG) is an important element of achieving CSP, in addition to business strategy.

Good Corporate Governance (GCG) focuses more on the company's regulation and control system. GCG is aimed at ensuring that the actions of company executives do not harm stakeholders, because GCG includes aspects of morality, work ethics, and sound work principles. There are various definitions of GCG given by several parties, both from a narrow and broad perspective (Isfandayani, 2018). Through GCG, the company ensures that every policy and decision is based on morality, work ethics, and strict transparency. GCG prevents violations or abuse and strengthens the company's relationships with stakeholders, including the government, investors, and the community.

Previous research by Hendrani (2022) shows that (1) business strategy positively affects sustainability performance. (2) business strategy does not affect tax avoidance. (3) sustainability performance has a negative effect on tax avoidance. (4) sustainability performance can mediate the influence of business strategy on tax avoidance. These results are consistent across several measures of tax avoidance. These findings can enrich theories in the fields of strategic management, corporate governance, and corporate sustainability, as well as provide insights into how the mining sector, especially coal as a fossil energy, tends to experience declining reserves and potentially depletes, which raises an urgent need for efficiency and effectiveness in the management of these resources. Therefore, applying Environmental, Social, and Governance (ESG) principles is crucial to ensure the mining industry's sustainability. ESG principles can help reduce the environmental impact of mining activities, improve relationships with the surrounding community, and improve corporate governance. This study aims to analyze the influence of business strategy on Corporate Sustainability Performance in coal mining companies listed on the IDX.

## RESEARCH METHOD

This study uses a quantitative method. Quantitative methods are often referred to as traditional methods because they have been used in research for a long time and have become a habit. This method is also known as the positivistic method because it is based on the philosophy of positivism. As a scientific method, this method fulfills scientific principles such as concrete or empirical, objective, measurable, rational, and systematic. In addition, this method is also called the discovery method because it is able to discover and develop various new knowledge and technologies. It is called the quantitative method because the data used is in the form of numbers, and the analysis uses statistics (Abdullah et al., 2022). The data used in this study are secondary data obtained from annual reports, sustainability reports, and GCG reports published by the company on the IDX's official website. The population in this study is coal mining companies listed on the IDX. The sample was selected using a purposive sampling technique, with the inclusion criteria of having an annual report, a sustainability report, and a complete GCG report on the IDX website in 2021-2022. The data analysis technique used in this study is multiple linear regression analysis.

**Table 1. List of Mining Sector Companies Listed on the Indonesia Stock Exchange in 2019-2022**

| No | Code | Company Name |
|---|---|---|
| 1 | DAY IS | Adaro Energy Indonesia Tbk. |
| 2 | ACCRA | AKR Corporindo Tbk. |
| 3 | ANTM | Aneka Tambang Tbk. |
| 4 | APEX | Apexindo Pratama Duta Tbk. |
| 5 | BEDD | Batulicin Nusantara Maritim Tbk. |
| 6 | BRMS | Bumi Resources Minerals Tbk. |
| 7 | BSSR | Baramuti Suksessarana Tbk. |
| 8 | BYAN | Bayan Resources Tbk. |
| 9 | APPOINTMENT | Cita mineral investing tbk. |
| 10 | GOD | Darma Henwa Tbk. |
| 11 | ENRG | Energi Mega Persada Tbk. |
| 12 | GEMS | Golden Energy Mines Tbk. |
| 13 | HRUM | Harum Energy Tbk. |
| 14 | IFSH | Ifishdeco Tbk. |
| 15 | ITMG | Indo Tambangraya Megah Tbk. |
| 16 | COFFEE | Mitra Energi Persada Tbk. |
| 17 | MBAP | Mitrabara Adiperdan Tbk. |
| 18 | MDKA | Merdeka Copper Gold Tbk. |
| 19 | MYOH | Samindo Resoures Tbk. |
| 20 | PSAB | J Resources Asia Pacific Tbk. |
| 21 | PTBA | Bukit Asam Tbk. |
| 22 | PTRO | Petrosea Tbk. |
| 23 | NOISE | Radiant Utama Interinsco Tbk. |
| 24 | SGER | Sumber Energy Global Tbk. |
| 25 | TOBA | TBS Energi Utama Tbk. |
| 26 | ZINC | Kapuas Prima Coal Tbk. |

## RESULT AND DISCUSSION

**Validity Test**

Validity testing is a process used to measure the extent to which a measuring tool or method can produce valid results.

**Table 2. Validity Test Results**

| Correlations | | | | |
|---|---|---|---|---|
| | | X1 | X2 | And |
| X1 | Pearson Correlation | 1 | .513** | .443** |
| | Sig. (2-tailed) | | <.001 | <.001 |
| | N | 100 | 100 | 100 |
| X2 | Pearson Correlation | .513** | 1 | .536** |
| | Sig. (2-tailed) | <.001 | | <.001 |
| | N | 100 | 100 | 100 |
| And | Pearson Correlation | .443** | .536** | 1 |
| | Sig. (2-tailed) | <.001 | <.001 | |
| | N | 100 | 100 | 100 |

**. Correlation is significant at the 0.01 level (2-tailed).

Based on the results of the study, it was found that the significance value was <0.001 in the three variables, so the three variables were declared valid.

**Reliability Test**

Reliability testing is a process to evaluate the consistency or stability of the results produced by a measuring instrument.

**Table 3. Reliability Test Results**

| Reliability Statistics | |
|---|---|
| Cronbach's Alpha | N of Items |
| .745 | 3 |

Based on the reliability test results, Cronbach's Alpha value of 0.745 was greater than 0.600, so it was concluded that the data was reliable and could be further researched.

**Normality Test**

The normality test is a statistical procedure used to determine whether the distribution of data in a sample follows the normal distribution.

**Table 4. Normality Test Results**

| Tests of Normality | | | | | | |
|---|---|---|---|---|---|---|
| | Kolmogorov-Smirnova | | | Shapiro-Wilk | | |
| | Statistic | df | Mr. | Statistic | df | Mr. |
| X1 | .177 | 100 | <.001 | .912 | 100 | <.001 |
| X2 | .137 | 100 | <.001 | .953 | 100 | .001 |
| And | .115 | 100 | .002 | .964 | 100 | .008 |

a. Lilliefors Significance Correction

Based on the table above, the significance value of X1 (business strategy) is <0.001, X2 (Good Corporate Governance) is 0.001, and for Y (Corporate Sustainability Performance) is 0.008, so that all three variables are normally distributed.

**Regression Test**

Regression testing is a statistical method used to analyze the relationship between dependent and independent variables.

**Table 5. Regression Test Results**

| Coefficientsa | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Mr. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 7.285 | 2.226 | | 3.273 | .001 |
| | X1 | .266 | .113 | .229 | 2.356 | .020 |
| | X2 | .374 | .087 | .418 | 4.309 | <.001 |
| a. Dependent Variable: Y | | | | | | |

Based on Table 5, the significance value for X1 (business strategy) is <0.020, and X2 (Good Corporate Governance) is <0.001, so it can be concluded that business strategy and good corporate governance have an effect on corporate sustainability performance.

***Business Strategy Affects Corporate Sustainability Performance***

Based on the research results, it was found that business strategy significantly influences the company's corporate sustainability performance. The strategic approaches and decisions taken by the company, such as resource management, product innovation, and social responsibility, directly affect the company's ability to survive and grow sustainably in the long term. This shows that the right planning and execution of strategies increases profitability and supports the company's environmental and social sustainability. This result is supported by research conducted by Hendrani et al., (2022) which states that business strategy has a positive influence on corporate sustainability performance. The better the strategy used, the better the corporate sustainability performance will be.

Corporate Sustainability Performance is a measure of a company's performance in carrying out responsible and sustainable business practices, which includes three main aspects: economic, social, and environmental (Djali et al., 2023). The importance of Corporate Sustainability Performance lies in its ability to help companies balance economic, social, and environmental goals, all of which contribute to long-term success. The existence of Corporate Sustainability Performance can ensure that they are not only financially profitable but also socially responsible and environmentally friendly. This helps the company build a good reputation, increase stakeholder trust, and reduce risks related to sustainability issues, ultimately supporting the company's future growth and competitiveness (Iznillah et al., 2024).

A business strategy is a plan or approach designed to achieve a company's long-term goals and improve its position in the market, which includes a series of actions and decisions taken by management to achieve competitive advantage, take advantage of opportunities, and overcome the challenges facing the company (Anggreani, 2021). Strategy is essential for any business because it represents a long-term plan that integrates the company's main goals, helping the company to focus on achieving goals and facing challenges in a planned way (Aman et al., 2022). With a clear strategy, companies can align all activities and resources to support their vision and mission, ensuring that every step taken supports long-term goals. Strategy allows companies to determine the right direction, identify opportunities and threats in the market, and formulate the best way to achieve competitive advantage. Without a good strategy, companies may lose their way, face difficulties in managing resources, and find it challenging to achieve sustainable success.

Effective business strategies play a crucial role in improving corporate sustainability performance. By integrating sustainability principles in business models, companies can optimize resource use, reduce environmental impact, and increase social responsibility. A strategy focusing on innovation, operational efficiency, and stakeholder engagement will strengthen the company's reputation and increase its competitiveness in the market. This supports long-term economic goals and positively contributes to social and environmental welfare.

**Good Corporate Governance Affects Corporate Sustainability Performance**

Based on the results of the study, it was found that the implementation of Good Corporate Governance (GCG) significantly influences the company's sustainability performance (Corporate Sustainability Performance). Companies implementing GCG principles, such as transparency, accountability, responsibility, independence, and fairness, tend to perform better in sustainability aspects. The better corporate governance is carried out, the stronger the company's ability to maintain sustainable long-term performance in terms of economic, social, and environmental factors. This result is supported by research by Carvalho & Hersugondo (2024) which states that corporate governance has a significant effect on sustainable performance. Corporate governance helps various business activities achieve good sustainability performance.

Good Corporate Governance (GCG) is a system and structure that regulates how a company is run and controlled. The main goal of GCG is to ensure that companies operate in a transparent, accountable, and responsible manner, as well as to protect the rights of shareholders and other stakeholders (Tjahjadi et al., 2021). According to Hussain & Loureiro (2022) the basic principles of GCG include:

1. Transparency: The company must disclose relevant and accurate information to all stakeholders.
2. Accountability: Every party in the company must be held accountable for their actions and decisions, and a precise mechanism must be in place to ensure accountability.
3. Responsibility: The Company must operate by applicable laws, regulations, and ethical norms and consider the interests of all related parties.
4. Fairness: The company must ensure fair treatment for all stakeholders, including shareholders, employees, customers, and the general public.
5. Ethical Leadership: Company leaders must set a good example regarding integrity and ethics.

Good Corporate Governance is very important because it increases investor trust, protects the rights of stakeholders, and minimizes the risk of fraud and corruption. Exemplary GCG implementation helps companies comply with laws and regulations, improve operational efficiency, and improve overall performance, thereby supporting a positive reputation and better access to financing. With a clear management structure and strong ethical principles, GCG encourages growth and innovation, contributing to healthy and sustainable economic development (Goud, 2022).

Good Corporate Governance (GCG) significantly impacts corporate sustainability performance. Implementing GCG principles, such as transparency, accountability, and responsibility, encourages companies to manage risks and resources more effectively and ensure compliance with sustainability standards. By implementing good GCG, companies can increase stakeholder trust, reduce corrupt practices, and optimize strategic decisions focused on long-term sustainability, thereby improving overall corporate sustainability performance.

## CONCLUSION

The study results show that business strategy and implementing good corporate governance (GCG) significantly affect the corporate sustainability performance of coal mining companies listed on the Indonesia Stock Exchange. Companies that implement sustainability-oriented business strategies, such as operational efficiency, technological innovation, and environmental risk management, tend to have better sustainability performance. In addition, implementing GCG, which includes transparency, accountability, and effective risk management, also contributes positively to Corporate Sustainability Performance. Overall, combining the right business strategy and implementing strong GCG strengthens the company's ability to face economic, social, and environmental challenges and enhances its competitiveness in the mining industry. As a fossil energy source, the coal mining industry faces threats from limited reserves and significant environmental impacts. To ensure sustainability, it is important to apply Environmental, Social, and Governance (ESG) principles focusing on effectiveness and efficiency. This helps reduce environmental and social impacts and supports the transition to cleaner energy.

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