THE INFLUENCE OF GOOD CORPORATE GOVERNANCE AND PROFESSIONAL MANAGEMENT THROUGH SUSTAINABLE BUSINESS ON ORGANIZATIONAL PERFORMANCE

Fika Andari[1], J.E. Sutanto[2]
Master of Management, Ciputra University Surabaya, Indonesia[1, 2]
E-mail: fika-fandari01@magister.ciputra.ac.id

Abstract: Purpose, The aim is to understand the influence of good corporate governance and professional management through sustainable business on organizational performance. Case study in the family business environment of an Indonesian autobus company. Study design/methodology/approach, the population in this research are PO bus company owners in Indonesia who are members of the Indonesian bus owner community. The total population is 180 companies that are members of the PO bus business community in Indonesia. Analyzing data using the SmartsPLS program, it is Partial Least Squares Structural Equation Modeling (PLS-SEM).Findings, the results of hypothesis testing, both direct and indirect effects, first hypothesis, are positive and significant; second hypothesis, positive and significant; the third as a result is negative and not significant; fourth, positive and significant; fifth, positive and significant; sixth, positive and significant; and seventh , positive and significant. Originality/value, it is hoped that the results of this research will increase the amount of literature related to the title of this research and will also be useful for further researchers related to PO bus companies, with a provincial and national level scope. Therefore, the researcher suggests that future researchers use or replace or add other variables that have not been studied.

Keywords: *Good corporate governance; Professional management; Sustainable business; Organization performance*

1. Introduction

Tourism has a significant impact on society, especially those who live in areas that are tourist centers. According to data collected from *Account Satellite Tourism*, Central Statistics Agency (BPS), the tourism sector has economic value and contributes to Indonesia's Gross Domestic Product (GDP). According to BPS, the tourism sector contributes 9% or IDR 946.09 trillion to national GDP, while the foreign exchange it generates reaches IDR 120 trillion and provides employment opportunities for 11 million people (kemenparekraf.go.id, 2019). One important element in the Indonesian tourism industry is transportation facilities. Trains, taxis, buses, airlines, ships and other types of transportation exist in Indonesia, which are included in tourism activities.

Transporting people or goods using a vehicle driven by a machine is called transportation, according to the 2019 KBBI. Movement can occur by land, water or air. Indonesian people really need public transportation. Trains and buses are types of land transportation that people often use to carry out their life activities such as work, school, or just on vacation.

Figure 1. Number of Buses in Indonesia
Source: Ministry of Transportation (2022)

Figure 1 shows a significant decline in the number of buses over the last five years. A report from the Ministry of Transportation (Kemenhub) shows that the number of inter-city inter-provincial (AKAP) buses in Indonesia will be 13,510 units in 2021, up 2.34% from 13,201 units in the previous year.

2. Literature Review

2.1. Family Business

Family business is a business whose management is carried out by a group of individuals who have a genetic relationship to the family. (Ruiz, at al., 20210). According to survey data (Isron, 2021; Madison et, al., 2018), 95% of companies in Indonesia are family *business*. Based on economics, there is an agency theory which suggests that the term "agency relationship" is known before describing family companies. According to Hadi and Harijanti (2019 and Cahyadi (2019), an agency relationship is a contract where an individual or group has the authority to take action on an action that has a positive impact on the development of the company

2.2. Good Corporate Governance

Overall control over business activities including goals, planning, and management structure of the company for the benefit of the company owners is a good definition of *Good Corporate governance* (Putri, 2022). Ramdhaningsih (2020) states that good company management focuses on separating control and ownership, which causes problems between owners and agents due to scattered ownership in modern companies

2.3. Professional Management

To form a professional apparatus, the match between bureaucratic capabilities and task requirements is known as professionalism. Ahlback and Bringselius (2019) said that the skills and knowledge of officers are a way to reflect the path, vision and hopes that are the company's targets in the future.*Professionalism* and defined as an individual's ability, expertise in completing all assigned tasks with high quality, with appropriate timeliness, appropriate procedures, thoroughness and thoroughness, so that it is easy to apply to customers (Putra, 2022)

2.4. Sustainable Business

Sustainability Business defines unity among the economic, environmental and social objectives of business actions that have the ability to improve company value (Naciti, 2019). To achieve long-term benefits, companies implement sustainable activities as part of their strategy. To integrate sustainability principles into business strategy, sustainability performance measurement is necessary. Over the last two decades, researchers have paid attention to measuring

sustainability performance as a strategy to improve company performance (Alizadeh & Ahmadi, 2019; Kumar & Goswami, 2019).

2.5. Organizational Performance

Performance is a description of the level of achievement in the implementation of tasks in an organization, in an effort to realize the goals, objectives, mission, and vision of the organization (Muis et al., 2018). According to Putra and Candana (2020) *organizational performance* has a concept as the totality of work achieved by an organization. Achieving organizational goals means that the performance of an organization can be seen from the level to which the organization can achieve goals based on previously implemented goals (Mujiasih, 2015).

3. Research Method

The sample in this study was determined using non-probability sampling and was specified in purposive sampling. The population consists of a number of elements consisting of human groups, events, and elements of interest to researchers. Sekaran and Bougie (2016) state that population is defined as the entire group of people, events, or activities that are of interest to researchers to conduct research. Thus, Bungin (2015) states that population is a group of research objects. The population in this study are the owners of PO bus companies in Indonesia who are members of the Indonesian bus owner community. Total population: 180 companies that are members of the PO bus entrepreneur community in Indonesia. Meanwhile. According to Sekaran and Bougie (2016), the sample is part of the population that has been taken with a sample size of 142 respondents.

4. Results and Discussion

On This research uses tools PLS-SEM is due to the relatively complex structural model. PLS-SEM can help analyze the entire connectivity simultaneously. The use of PLS- SEM can be used to confirm theories and be used with the aim of explaining whether or not there is a relationship between latent variables. In addition, because the research requires latent variable scores for analysis, it uses PLS-SEM (Hair et al., 2019)

4.1 Results

Outer model evaluation in partial least square analysis is a measurement model to assess the validity and reliability of a model. Assess the validity and reliability of a model. Outer model evaluation in the measurement model measurement model is useful for testing validity and reliability through the estimation results of the literacy algorithm. Literacy algorithm. The following are the results of the partial least square model estimation algorithm:
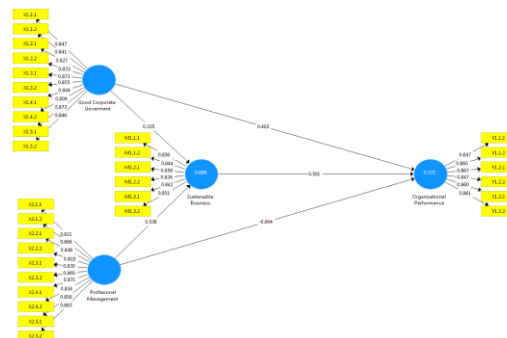
Outer Model

Figure 2 Outer Model
Source: Data processed by researchers, 2023

a. *Convergent Validity*

Hair et al. (2017) argue that convergent validity is the extent to which a measure is positively correlated with alternative measures of the same construct. The correlation value between the indicator score and the latent variable is said to be valid if it meets the AVE value > 0.5. Sekaran and Bougie (2016) state that convergent validity can be created when there is a high level of correlation between two different sources responding to the same measure.

Table 1 Factor Loading Values

	Good Corporate Government	Organizational Performance	Professional Management	Sustainable Business
M1.1.1				0.856
M1.1.2				0.844
M1.2.1				0.859
M1.2.2				0.834
M1.3.1				0.842
M1.3.2				0.851
X1.1.1	0.847			
X1.1.2	0.841			
X1.2.1	0.827			
X1.2.2	0.833			
X1.3.1	0.873			
X1.3.2	0.855			
X1.4.1	0.846			
X1.4.2	0.809			
X1.5.1	0.873			
X1.5.2	0.846			
X2.1.1			0.821	
X2.1.2			0.866	
X2.2.1			0.848	
X2.2.2			0.819	
X2.3.1			0.830	
X2.3.2			0.860	
X2.4.1			0.871	
X2.4.2			0.834	
X2.5.1			0.850	
X2.5.2			0.863	
Y1.1.1		0.847		
Y1.1.2		0.860		
Y1.2.1		0.867		
Y1.2.2		0.847		
Y1.3.1		0.860		
Y1.3.2		0.861		

Source: Data processed by researchers, 2023

b. *Discriminant Validity*

Based on the opinion of Hair et al. (2017), discriminant validity is the extent to which a construct is truly different from other constructs. How much of the construct has a relationship with other constructs and how many indicators only represent one construct. Sekaran & Bougie (2016) argue that discriminant validity can be established when two very different concepts are unrelated.Ghozali.(2018) States that discriminant *validity* is aimed at seeing the magnitude of the discriminant validity value of cross *loading*. The root AVE value must be higher than the latent variable correlation value.

Table 2 Cross Values Loading
Cross Loadings Test

	Good Corporate Government	Organizational Performance	Professional Management	Sustainable Business
M1.1.1	0.671	0.684	0.678	**0.856**
M1.1.2	0.643	0.656	0.679	**0.844**
M1.2.1	0.685	0.696	0.688	**0.859**
M1.2.2	0.628	0.663	0.696	**0.834**
M1.3.1	0.628	0.716	0.676	**0.842**
M1.3.2	0.703	0.708	0.722	**0.851**
X1.1.1	**0.847**	0.713	0.718	0.645
X1.1.2	**0.841**	0.603	0.692	0.648
X1.2.1	**0.827**	0.633	0.661	0.644
X1.2.2	**0.833**	0.621	0.629	0.643
X1.3.1	**0.873**	0.690	0.726	0.674
X1.3.2	**0.855**	0.688	0.701	0.682
X1.4.1	**0.846**	0.702	0.713	0.654
X1.4.2	**0.809**	0.641	0.679	0.655
X1.5.1	**0.873**	0.694	0.736	0.674
X1.5.2	**0.846**	0.677	0.708	0.659
X2.1.1	0.695	0.636	**0.821**	0.655
X2.1.2	0.717	0.612	**0.866**	0.720
X2.2.1	0.734	0.641	**0.848**	0.692
X2.2.2	0.691	0.624	**0.819**	0.650
X2.3.1	0.695	0.599	**0.830**	0.723
X2.3.2	0.687	0.598	**0.860**	0.704
X2.4.1	0.670	0.632	**0.871**	0.670
X2.4.2	0.680	0.641	**0.834**	0.680
X2.5.1	0.675	0.623	**0.850**	0.669
X2.5.2	0.732	0.621	**0.863**	0.722
Y1.1.1	0.616	**0.847**	0.630	0.672
Y1.1.2	0.666	**0.860**	0.581	0.708
Y1.2.1	0.677	**0.867**	0.651	0.705
Y1.2.2	0.708	**0.847**	0.662	0.711
Y1.3.1	0.719	**0.860**	0.651	0.708

Y1.3.2	0.669	0.861	0.607	0.665

Source: Data processed by researchers, 2023

Wijaya (2019:103) states that discriminant validity aims to see the magnitude of the discriminant validity value of the cross loading

c. *Composite Reliability*

Based on the opinion of Hair et al. (2/017), a measure of internal consistency reliability that assumes equal indicator loadings. PLS-SEM Context Composite *reliability* considered a more appropriate criterion. However,*cronbach's alpha* still represents a conservative measure of internal consistency reliability. Hair et al., (2019) stated that*Cronbach's alpha* is a technique used to measure the consistency of indicators in a latent construct. Hair et al., (2019) argue that*Cronbach's alpha* measures the lower limit of the reliability value of a construct. Mark*Cronbach's alpha* above 0.60 means good.

Table 3. *Composite Reliability*

	Cronbach's Alpha	Composite Reliability
Good Corporate_Govermant	0.956	0.962
Organixational_Performance	0.928	0.943
Profesional_Management	0.956	0.962
Sustainaible_Business	0.922	0.939

Source: Data processed by researchers, 2023

Based on Table 3, it states that the value composite *reliability* and cronbach's *alpha* all variables of price, service quality, customer trust, customer satisfaction and customer loyalty are above 0.7

Inner Model

I*nner model used* with the aim of seeing the correlation relationship between latent variables. The relationship between these variables can explain what has been prepared and tested. Testing*inner model is divided* into three stages, namely$R - square, F - square,$ and$Q - square$ (Hair, et al.*,* 2019). The following are the test result sinner *model* on research:

a. Test*R-Square*

Table 4. Test *R-Square*

	R Square
Organixational_Performance	0.721
Sustainaible_Business	0.699

Source: Data processed by researchers, 2023

Wijaya (2019:101) states that the R square value is the coefficient of determination on endogenous constructs. The value can be said to be substantially strong > 0.75.

b. Uji Q-Square

$$Q^2 = 1 - (1 - R^2\ ON) \times (1 - R^2\ SB)$$
$$= 1 - (1 - 0{,}712) \times (1 - 0{,}699)$$
$$= 1 - (0{,}279) \times (0{,}301)$$
$$= 1 – 0{,}916021 = 0{,}083979$$

The Q-square result is 0.084, meaning it can be interpreted that the model's predictive *relevance is* not good because it has a value far from 1.

5. Conclusion

Based on the results of research and discussion, the following conclusions can be drawn: first, good corporate governance has a positive and significant effect on Sustainable Business; second, Professional Management has a positive and significant effect on sustainable business; third, sustainable business has a positive and significant effect on organizational performance; fourth, good corporate government has a positive and significant effect on organizational performance; fifth, the influence of professional management on organizational performance; sixth, sustainable business acts as a mediation that affects organizational performance and professional management; seventh, sustainable business acts as a mediation that affects organizational performance on good corporate governance relationships. For further research, we from the researchers can conduct further research using the same variables. In addition, it can use different fields or add other variables in further research.

References

Ahlbäck, Öberg, S., & Bringselius, L. (2019). Professionalism and organizational performance in the wake of new managerialism. *European Political Science Review*, *7*(4), 499–523. https://doi.org/10.1017/S1755773914000307

Ahmad, R., & Pratama, A. (2021). Studi Literatur Manajemen Sumberdaya Manusia), *2*(5), 699–709. Retrieved from https://doi.org/10.31933/jimt.v2i5.

Alizadeh, F., dan Ahmadi, F. (2019). Computation of environmental managementwith regards to the relationship between quality management and firm performance. *Journal of Computational and Theoretical Nanoscience, 16*(1), 168-176.

Bungin, Burhan. (2015). *Metodologi penelitian kualitatif*. Jakarta : Rajawali Pers.

Cahyadi, R. E. (2019). Analisis seksesi perusahaan keluarga di Kota Bandung. *Jurnal Administrasi Bisnis*, *15*(2), 141–155.

Chaudhuri, A., dan Jayaram, J. (2019). A socio-technical view of performanceimpact of integrated quality and sustainability strategies. *InternationalJournal of Production Research, 57*(5), 1478-1496

De, Debashree; Chowdhury; Soumyadeb; Dey; Kumar. P., & Kumar,G., S. (2020). "Impact of lean and sustainability oriented innovation on sustainability performance of small and medium sized enterprises: a data envelopment analysis-based framework," *International Journal of Production Economics, Elsevie*r, 219(C),416 - 430

Ghozali. (2018). *Aplikasi Analisis Multivariate dengan program IBM SPSS 25*. Jakarta: Rajawali Pers

Hair, Joseph F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. European Business Review, 31(1), 2–24. https://doi.org/10.1108/EBR-11-2018-0203

Hair Jr, J. F., Matthews, L. M., Matthews, R. L., & Sarstedt, M. (2017). PLS-SEM or CB-SEM: updated guidelines on which methods to use. *Int. J. Multivariate Data Analysis , 1* (2), 107-123.

Hadi, T. W., & Harjanti, D. (2019). Analisis proses suksesi dan dampaknya terhadap kinerja perusahaan di PT Lestari Purnama Perkasa. *Agora*, *2*(2), 1557–1564.

Isron, M. A. A. (2021). Pengaruh perencanaan suksesi, hubungan antar keluarga, dan kepercayaan terhadap keberhasilan suksesi bisnis di Komunitas Family Business Universitas Ciputra. *Performa*. https://doi.org/10.37715/jp.v6i2.1916

Kumar, G., & Goswami, M. (2019). Sustainable Supply Chain Performance, Its Practice and Impact on Barriers to Collaboration. International Journal of Productivity and Performance Management, 68, 1434-1456.https://doi.org/10.1108/IJPPM-12-2018-0425

Madison, K., Daspit, J. J., Turner, K., & Kellermanns, F. W. (2018). Family firm human resource practices: Investigating the effects of professionalization and bifurcation bias on performance. *Journal of Business Research*, *84*(March), 327–336. https://doi.org/10.1016/j.jbusres.2017.06.021

Muis, M. R., Jufrizen, J., & Fahmi, M. (2018). Pengaruh budaya organisasi dan komitmen organisasi terhadap kinerja karyawan. *Jesya (Jurnal Ekonomi dan Ekonomi Syariah)*, *1*(1), 9-25.

Mujiasih, E. (2015). Hubungan antara persepsi dukungan organisasi (perceived organizational support) dengan keterikatan karyawan (employee engagement). *Jurnal Psikologi Undip*, *14*(1), 40-51.

Naciti, V. (2019). Corporate governance and board of directors: the effect of a board composition on firm sustainability performance. *Journal of Cleaner Production ,237* ,11772 . https://doi.org/10.1016/j.jclepro.2019.117727

Putra, K. (2022). Pengaruh profesionalisme dan iklim kerja terhadap kinerja karyawan pada PT. Bank Tabungan Negara Kantor Cabang Malang. *JAMIN : Jurnal Aplikasi Manajemen Dan Inovasi Bisnis*, *1*(1), 61. https://doi.org/10.47201/jamin.v1i1.6

Putri, M. U. (2022). Pengaruh corporate social responsibility dan good corporate governance terhadap kinerja keuangan perusahaan.*Measurement Jurnal Akuntansi*, *10*(2), 52–66. https://doi.org/10.33373/mja.v16i2.4586

Putra, R. A., & Candana, D. M. (2020). Pengaruh motivasi organisasi dan komitmen terhadap kinerja karyawan dengan organizational citizenhip behavior (OCB) sebagai variabel intervening pada karyawan rumah sakit umum daerah (RSUD) Dr. Muhammad Zein Painan. *Jurnal Ekonomi Manajemen Sistem Informasi*, *2*(1), 107-116.

Ramdhaningsih, A., & Utama, I. M. K. (2020). Pengaruh indikator good corporate governance dan profitabilitas pada pengungkapan corporate social responsibility. *E-Jurnal Akuntansi*, *3*(2), 368–386. Retrieved from https://ojs.unud.ac.id/index.php/akuntansi/article/view/5515

Ruiz, M., Arisah, N., Sasmita, F. A., Miranda, M., Putri, A. A., & Pattisina, C. D. (2021). Perilaku berwirausaha generasi milenial di era pandemi covid-19. *Jurnal Pendidikan Ekonomi Undiksha*, *13*(1), 224. https://doi.org/10.23887/jjpe.v13i1.34551

Sekaran & Bougie, (2016). Research methods for business : A skill building approach seventh Edition. United States of America : Wiley

Sugiyono. (2017). *Metode penelitian kuantitatif, kuliatatif, R &D*. Bandung:Alfabeta