

# Enhancing Corporate Sustainable Performance: The Role of Director Quality and Corporate Strategies

Wendy Salim Saputra<sup>1</sup>, Juniati Gunawan, Ph.D<sup>2\*</sup>, Dr. Murtanto<sup>3</sup>

<sup>1</sup>Faculty of Economics and Business, Universitas Trisakti, Jakarta, Indonesia. wendy221022014003@std.trisakti.ac.id. ORCID: 0009-0001-5698-1173

<sup>2</sup>Professor, Faculty of Economics and Business, Universitas Trisakti, Jakarta, Indonesia. juniatigunawan@trisakti.ac.id. ORCID: 0000-0001-9827-0866

<sup>3</sup>Faculty of Economics and Business, Universitas Trisakti, Jakarta, Indonesia. murtanto@trisakti.ac.id. ORCID: 0009-0000-5631-9860

\* Corresponding Author Email: juniatigunawan@trisakti.ac.id

---

## Abstract

*Companies in Indonesia are currently facing issues regarding the environmental impact of their operations. This is reflected in data from the Law Enforcement Division of the Ministry of Environment and Forestry, which shows an increase in complaints, inspections, and administrative sanctions related to environmental violations after the COVID-19 pandemic. This reflects a lack of corporate commitment to sustainable business practices. The objective of this research is to empirically investigate how director skills, director characteristics, and corporate strategy influence corporate sustainable performance. The research involved 235 industrial companies listed on the Indonesian Stock Exchange during 2022–2023. Secondary data were used, with purposive sampling employed for sample selection, and the data were analyzed using moderated regression analysis. The results of this study indicate that director characteristics and director skills positively influence corporate sustainability performance. However, corporate strategy moderates this relationship by weakening the effect of both director characteristics and director skills on corporate sustainability performance. Future research could involve collaborative efforts to minimize the subjectivity inherent in content analysis. Additionally, conducting studies in different time periods may help eliminate the potential influence of the COVID-19 pandemic on the results.*

**Keywords:** director characteristics, director skills, corporate strategies, corporate sustainable performance

---

## 1. INTRODUCTION

The world is currently undergoing rapid development in various aspects, including infrastructure and technology. However, this progress is accompanied by growing concerns over environmental degradation, primarily caused by the massive and inefficient exploitation of natural resources, which threatens their long-term availability [1]. As natural resources are increasingly consumed to meet human needs, the environment suffers significant harm [2]. The environmental crisis has deepened alongside the rise of capitalism, where nature is often reduced to merely a resource for industrial use. Due to the limited availability of natural resources and the continuously growing needs of human populations, it is essential to use and preserve these resources responsibly to maintain environmental sustainability. Business actors must begin to pay attention to environmental sustainability and not focus solely on profit [3].

One of the concepts that can be applied to address environmental and sustainability challenges commonly adopted by companies is eco-efficiency, along with the disclosure of corporate sustainable performance. Companies bear responsibility for all aspects related to their operations, including their impact on employees, suppliers, shareholders, consumers, local communities, and the environment. This includes operational concerns such as pollution, waste management, product safety, and employee welfare [4]. Corporate sustainable performance aims to attain economic, social, and environmental sustainability by embedding these aspects into the organization's decision-making framework [5]. Therefore, to minimize the risk of environmental degradation resulting from operational activities, companies must adopt effective management strategies and policies aimed at sustainability. Corporate sustainable performance holds significant importance for all stakeholders, as the expertise, competencies, and insights of management are vital in directing the company's future. One approach to evaluating sustainable performance is by examining the adoption of sustainability-focused practices. In essence, the degree to

which sustainability is embedded in a company's operations and strategic decisions reflects its level of sustainable performance [6].

A crucial element in attaining robust corporate sustainable performance is the role played by the board of directors, who serve as the company's highest governing body [7]. As top-level leadership, the board is tasked with supervising company operations and ensuring overall organizational performance [8]. Strategic decisions made by a company are significantly influenced by the characteristics of the directors responsible for those decisions [9]. This perspective is supported by the Upper Echelon Theory, which posits that organizational outcomes are a reflection of the values and cognitive bases of top executives [9]. In essence, the characteristics of top management shape their decision-making processes, which in turn impact the company's strategic and sustainable performance.

Directors, as individuals within a company, possess diverse characteristics and exhibit different behaviors when responding to various situations, which in turn influence their decision-making processes [10]. Although directors across different companies may share a common goal—to enhance corporate performance—their approaches can vary significantly [11]. For instance, differences can emerge in how they execute coordination functions. Since coordination can be achieved through multiple approaches, each director may fulfill this role differently. There is no universally accepted "best practice" applicable to all companies; rather, different situations necessitate different responses from different directors [12]. Furthermore, a director's personality shapes their behavior within the company, which in turn influences the organizational environment, including employee working conditions and performance. Ultimately, these dynamics influence the company's overall performance more broadly. Previous research has produced inconsistent findings regarding the relationship between directors' characteristics and corporate sustainable performance. Some studies suggest that directors' tenure positively influences corporate sustainable performance [13], whereas others find no significant effect [14]. Gender diversity has been found to enhance the level of sustainability disclosure, with several studies showing that the presence of women on the board contributes positively to such disclosures [7][15][16]. In contrast, other research found no significant impact of gender diversity on sustainability disclosure [17]. Directors' ownership has also yielded inconsistent findings: some studies observed a positive effect [18], while others found no significant effect [19]. Directors' nationality has been found to positively affect sustainable performance [20], yet, however, other studies found no such effect [21][22]. Directors' age has also been a subject of debate, with some studies suggesting a positive impact on sustainability performance [7], while others report no significant association [23]. Finally, while some studies concluded that directors' duality (i.e., holding both CEO and board roles) enhances corporate sustainable performance [24], others reported no significant relationship [25].

In addition to possessing strong personal characteristics, directors must also be equipped with a comprehensive skill set. These skills play a crucial role in helping companies achieve various objectives, including corporate sustainable performance [26]. Directors' skills refer to the combination of attributes, competencies, and expertise that enable them to manage organizational functions effectively. Well-developed skills among directors can significantly enhance organizational efficiency and overall performance. Consequently, companies tend to appoint directors based on their professional expertise, prior experience, and ability to deliver value to shareholders. The process of selecting directors is critical, given their central role in steering the company's strategic direction and ensuring long-term success [27]. This leadership role has a direct influence not only on operational decision-making but also on the company's broader performance outcomes [28][29][30]. Numerous studies have emphasized the critical role of directors' competencies in enhancing corporate sustainable performance. For instance, several researchers have found that directors' skills positively influence sustainability outcomes and contribute to increasing firm value [26][31]. Other studies have highlighted that higher levels of education, greater expertise, and relevant experience among directors are associated with improved performance and reduced risk, thereby strengthening corporate sustainability efforts [32]. Similarly, evidence suggests that directors' experience has a significant and positive impact on sustainable performance, reinforcing the notion that skilled leadership is a key driver of long-term corporate success [33].

To achieve high corporate sustainable performance, companies must formulate and implement effective strategies. Corporate strategies conceptually represent a set of decision-making patterns designed to guide

organizations toward their objectives, including the pursuit of sustainable performance [34][35]. This research is motivated by the inconsistency of prior research findings. This study will empirically investigate the impact of director characteristics and director skills on corporate sustainable performance, with corporate strategies as a moderating factor. Study used control variables such as company size [36][37], return on assets [38][39] and return on equity [40].

## **2. LITELATURE REVIEW**

### **2.1. Director Characteristics**

Directors' characteristics refer to the personal traits, attributes, and qualities that board members are expected to possess in fulfilling their roles and responsibilities. As the highest-ranking individuals in a company's management structure, directors are accountable for overseeing operations and ensuring the company's overall performance [8]. Several dimensions of director characteristics commonly examined in the literature include the following, (1) Diversity characteristics refer to individual attributes that are different from those of others and that shape perspectives and interactions, including but not limited to gender, race, ethnicity, age, educational background, and cultural origin [41], (2) Stability characteristics refer to enduring attributes of individuals, such as age and tenure, that contribute to consistency in leadership and decision-making within organizations [9].

### **2.2. Director Skills**

Directors' skills, or the skills of the board of directors, refer to the set of abilities, competencies, and attributes possessed by directors that enable them to lead and manage the company effectively. These skills encompass a broad spectrum, including managerial, leadership, strategic, financial, and technical capabilities, all of which are essential for informed decision-making and guiding the company toward its objectives [26]. There are six dimension to measure director skills, (1) Cognitive skills refer to the basic mental capabilities involved in acquiring knowledge and understanding, including aspects such as memory, attention, perception, and reasoning [42], (2) Technical skills are the knowledge and capabilities to perform specialized tasks, especially those related to engineering, IT, finance, and other professional domains [43], (3) Social skills refer to the set of abilities that enable individuals to initiate and maintain positive social relationships, communicate effectively, and behave appropriately in social contexts [44], (4) Methodological skills are essential for managers and directors in making evidence-based decisions, planning strategies, and implementing structured approaches to solve complex problems [45], (5) Agile skills refer to an individual's ability to respond quickly and effectively to change, embrace iterative processes, and continuously learn and adapt in dynamic environments [46], (6) Human resources management skills are the abilities to attract, develop, and retain talent, as well as to build systems that foster employee engagement and organizational effectiveness [47].

### **2.3. Corporate Strategies**

Corporate strategy refers to the overarching patterns of decision-making aimed at achieving a company's objectives [34][48]. It operates across three main levels: corporate-level, business unit-level, and functional-level strategies. At the top, corporate-level strategy is shaped by senior management and focuses on investing in business areas that offer the highest added value. This strategic direction sets the foundation for decision-making at lower levels—guiding both business unit strategies and functional-level strategies—ensuring alignment across the organization. In this study, the corporate strategies used are strategies at the corporate level. Corporate strategies can be divided into 2 types, including, (1) Corporate financial strategy is a structured plan or approach designed to manage a company's financial resources efficiently in order to achieve business objectives, ensure financial stability, and support long-term growth. This strategy typically involves key financial decisions related to capital structure, investment planning, risk management, and cash flow optimization. Implementing an effective corporate financial management strategy is essential for improving a company's financial performance and achieving sustainable outcomes [49]. (2) Sustainability strategies, on the other hand, involve methods that companies use to manage their operations by taking into account social, environmental, and economic factors. These strategies aim to embed sustainability into core business activities, ensuring that current growth and development do not compromise the ability of future generations to meet their own needs [50]. The main goal of sustainability

strategies is to foster long-term value creation while reducing adverse effects on society and the environment.

#### 2.4. Corporate Sustainable Performance

Corporate Sustainable Performance refers to a company's capacity to meet long-term financial goals while simultaneously addressing its social and environmental responsibilities [51]. This concept covers not only the economic value created but also the company's efforts toward social and environmental sustainability, ensuring its activities align with broader sustainability objectives [52][53]. Emphasizing Corporate Sustainable Performance enables companies to establish a holistic approach that balances long-term success across financial, social, and environmental dimensions [51]. One common method for assessing sustainable development performance is the Environmental, Social, and Governance (ESG) framework. ESG measures a company's effects on the environment, society, and its governance practices and has become an important criterion in business and investment decisions focused on long-term sustainability. Investors, consumers, and stakeholders increasingly rely on ESG factors when evaluating a company's risks and opportunities. The ESG framework consists of three main dimensions: (1) Environmental, this dimension assesses how well a company manages its environmental impact, including areas such as climate change mitigation, efficient use of resources, and protection of ecosystems. It uses both quantitative and qualitative indicators to gauge the company's commitment and performance in environmental sustainability. (2) Social, this dimension examines how a company engages with its employees, customers, communities, and society at large, focusing on social responsibility and stakeholder relationships. (3) Governance, this dimension focuses on how a company is managed and overseen, highlighting the need for ethical, transparent, and accountable leadership. This includes factors such as the composition of the board, executive pay, shareholder rights, internal controls, and regulatory compliance. Robust governance structures enable companies to reduce risks associated with corruption, poor management, and unethical behavior, which in turn supports long-term sustainability and builds trust with investors.

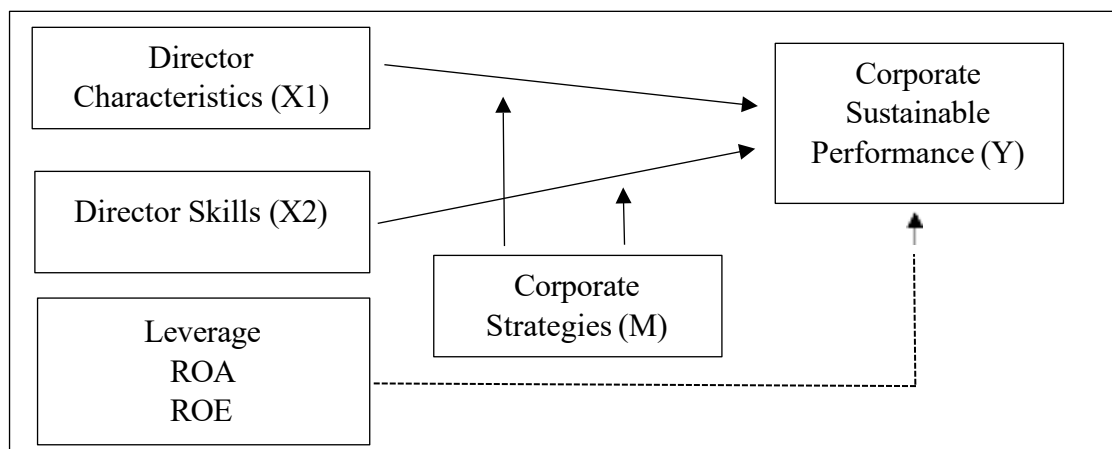


Figure 1 – Critical Thinking Framework

The image above shows that variable X1 is director characteristics with dimensions (1) diversity, (2) stability. Furthermore, variable X2 director skills consists of dimension (1) cognitive, (2) technical, (3) social, (4) methodological, (5) agile, (6) human resource management. Variable M is a moderating variable namely corporate strategies consisting of 2 dimension, (1) financial, (2) sustainability. For variable Y is corporate sustainable performance consist 3 dimension, (1) environment, (2) social, (3) governance. Several research hypotheses that will be presented are as follows:

- H1: director characteristics has a positive effect on corporate sustainable performance.
- H2: director skills has a positive effect on corporate sustainable performance.
- H3: Corporate strategies strengthen the positive relationship between director characteristics and corporate sustainable performance.
- H4: Corporate strategies strengthen the positive relationship between director skills and corporate sustainable performance.

### 3. METHODOLOGY

This research uses quantitative methods through panel data regression analysis. This study uses panel data regression, integrating both time series and cross-sectional data. This research examines the influence of directors characteristics and director skills on corporate sustainable performance, with corporate strategies as a moderating variable. This study use moderated regression analysis (MRA). The population of this study comprises all industrial sector companies listed on the Indonesia Stock Exchange (IDX) in 2022 and 2023. This study employs purposive sampling based on industrial sector criteria. This study will use two regression models; the first model uses directors skills in moderating with agile and human resources management dimensions, the second model uses directors skills with measurements delivered by [26].

### 4. RESULT AND DISCUSSION

#### 4.1. Descriptive Analysis

This study analyses 470 observations using descriptive statistics to characterise the data employed. Descriptive statistical analysis provides minimum values, maximum values, means, and standard deviations.

Tabel 1. Statistic Descriptive

Variabel	Observasi	Min	Max	Mean	Std. Dev
CSP	470	0.1135	0.7459	0.397356	0.115159
DC	470	0.0417	0.7333	0.341865	0.121134
DS	470	0.2692	1	0.736433	0.118704
CS	470	0.1429	1	0.599694	0.238436
DTA	470	0.02	5.5223	0.464864	0.430768
ROA	470	-0.9489	0.6163	0.05194	0.124031
ROE	470	-4.9623	1.4199	0.067264	0.364033

Description: CSP: *corporate sustainable performance*, DC: *director characteristics*, DS: *director skills*, CS: *corporate strategies*, DTA: *leverage*, ROA: *return on assets*, ROE: *return on equity*

Source: data processed using Eviews 13

#### 4.2. Result and Discussion

Tabel 2. Hypothesis Test Result

$$CSP = \alpha + \beta_1 DC + \beta_2 DS + \beta_3 DC * CS + \beta_4 DS * CS + \beta_5 CS + \beta_6 DTA + \beta_7 ROA + \beta_8 ROE + \varepsilon$$

Variable	Predictions	Model 1		Model 2	
		Coefficient	Pvalue	Coefficient	Pvalue
Constant		-0.0693		0.1371	
DC	+	0.2804	0.0017***	0.2912	0.0013***
DS	+	0.3955	0.0000***	0.1074	0.0067***
DC*CS	+	-0.3809	0.0045***	-0.3817	0.0048***
DS*CS	+	-0.4432	0.0021***	-0.0116	0.2007
CS		0.5974	0.0000	0.2788	0.0000
DTA		-0.0022	0.4389	-0.0037	0.3985
ROA		-0.0013	0.4837	0.0001	0.4983
ROE		0.0017	0.4048	0.0004	0.4806
Adjusted R Squared		0.1508		0.1243	
Prob F statistic		0.0000		0.0000	

\*Significance 10%, \*\* significance 5%, \*\*\* significance 1%  
 Description: CSP: *corporate sustainable performance*, DC: *director characteristics*, DS: *director skills*, CS: *corporate strategies*, DTA: *leverage*, ROA: *return on assets*, ROE: *return on equity*

Source: data processed using Eviews 13

Adjusted R squared value are 15.08% for the first model and 12.43% for the second model. The first model has the highest coefficient of determination compared to the other models. The F-test probability value of  $0.000 < 0.05$  indicates that the regression model is statistically significant, thus it can be concluded that the model is fit.

#### **4.2.1. The Effect of Director Characteristics on Corporate Sustainable Performance**

The findings from the first hypothesis indicate that director characteristics has a significant positive impact on corporate sustainable performance [7][54][55], which indicates that director characteristics positively impacts the corporate sustainable performance. Director characteristics refer to the personal traits and qualities that board members are expected to possess in carrying out their roles and responsibilities. These characteristics influence the behavior and decision-making of the board, which in turn shapes the overall corporate environment. According to upper echelon theory the board's behavior can significantly impact the company's internal climate, including the working environment for employees, employee performance, and ultimately the overall performance of the company [9].

Director characteristics refer to the personal and professional attributes of board members, including age, gender, citizenship, tenure, share ownership, and concurrent positions. These characteristics can influence their perspectives, values, and approaches in making strategic decisions for the company. Each attribute carries specific implications for how directors perceive and respond to environmental, social, and governance (ESG) issues. Older directors tend to possess greater experience and a long-term perspective, which can enhance their ability to manage sustainability-related risks [38]. Gender diversity on the board, particularly the presence of female directors, has been shown to promote greater attention to ethical values, social responsibility, and environmental protection [56]. Foreign directors bring international perspectives and familiarity with global standards, enriching the company's sustainability practices [57]. Longer board tenure allows directors to develop a deeper understanding of internal company dynamics; however, excessively long tenure may hinder innovation and lead to resistance to change [58]. Director share ownership aligns personal financial interests with the long-term value of the firm, motivating decisions that support sustainable growth [59]. The absence of multiple directorships among board members has a positive impact on corporate sustainable performance. Directors who focus solely on one company tend to have more time and energy to effectively perform their monitoring functions, especially regarding environmental, social, and governance (ESG) aspects. This focus allows them to be more involved in formulating and evaluating sustainability strategies and to respond to sustainability issues more promptly and accurately. Moreover, the absence of multiple directorships reduces potential conflicts of interest, increases objectivity in decision-making, and strengthens accountability and transparency in sustainability programs [60]. Therefore, an optimal combination of director characteristics can strengthen a company's commitment to sustainability principles and serve as a key determinant in achieving superior corporate sustainable performance.

#### **4.2.2. The Effect of Director Skills on Corporate Sustainable Performance**

The results of second hypothesis show that director skills significantly increase the corporate sustainable performance. The results of this study align with research conducted by researchers who found that director skills positively affect corporate sustainable performance [26][61][33]. The board of directors occupies the highest position in the corporate management hierarchy and holds the critical responsibility of guiding the formulation and implementation of strategic decisions that determine the company's overall direction and success [62]. According to upper echelon theory, the values, experiences, and capabilities of top executives, including board members, significantly influence their strategic choices, which in turn shape the behavior and performance of the entire organization [9]. In this context, directors who possess specialized knowledge and skills in governance and sustainability are better positioned to develop comprehensive strategies and policies that not only drive financial performance but also enhance environmental and social outcomes, thereby improving corporate sustainable performance.

The relevance of governance expertise lies in ensuring compliance with regulatory standards, fostering transparency, and strengthening accountability mechanisms within the company [63]. Similarly, sustainability knowledge enables directors to integrate environmental, social, and governance (ESG) factors into corporate strategy, encouraging long-term value creation beyond short-term financial gains [64]. Furthermore, competencies in risk management help directors anticipate and mitigate potential sustainability risks, while expertise in accounting and finance ensures accurate measurement and reporting of sustainability performance. Strategic planning skills facilitate the alignment of sustainability goals with broader corporate objectives, ensuring cohesive and effective implementation [65].

Empirical evidence from the research sample supports this theoretical framework, revealing that most directors possessed diverse capabilities in governance, sustainability, risk management, accounting and finance, and strategic planning [66][67]. These competencies collectively serve as vital resources or “human capital” that empower directors to lead their companies towards improved corporate sustainable performance. Consequently, the presence of such capabilities within the board is essential for fostering a culture of sustainability and driving sustainable business practices, which ultimately contribute to the long-term resilience and competitiveness of the organization.

#### **4.2.3. Corporate Strategies Moderates The Effect of Director Characteristics on Corporate Sustainable Performance**

Third hypothesis is that corporate strategies strengthen the influence of director characteristics on corporate sustainable performance, the result show that corporate strategies weakens the influence of director characteristics on corporate sustainable performance. A strong or dominant corporate strategy can create a highly structured framework for decision-making and policy implementation, including in the area of sustainability. In this context, although directors may have diverse characteristics (such as age, gender, nationality, tenure, and share ownership), their influence on corporate sustainable performance tends to be limited by the predetermined strategic direction of the company. Corporate strategies, such as differentiation, cost leadership, or innovation, typically come with clear goals and operational policies, which make the decision-making process more centralized and standardized [68]. This reduces the managerial discretion of board members to apply their personal values or perspectives in strategic decision-making [69]. In other words, corporate strategy may act as a negative moderating factor that weakens the relationship between director characteristics and corporate sustainable performance [70].

Furthermore, corporate strategies that focus excessively on economic objectives may create tensions between business goals and sustainability efforts, often relegating social and environmental aspects to a secondary position in strategic decision-making [71]. Under such conditions, the diversity of board characteristics—which could otherwise foster more sustainability-oriented decisions—becomes less impactful, as the final decisions are primarily shaped by the dominant strategic framework of the organization. Moreover, the fact that the research period was still affected by the COVID-19 pandemic led many companies to adopt more centralized, risk-averse, and survival-oriented strategies, which further constrained the influence of individual director characteristics on corporate sustainable performance. Facing high levels of uncertainty and economic disruption, firms shifted their strategic focus toward short-term financial resilience, cost efficiency, and operational continuity. These crisis-driven strategies often emphasized rapid decision-making, standardized procedures, and top-down control, thereby reducing managerial discretion and limiting the extent to which board diversity and individual values could influence sustainability-related decisions [68] [69]

#### **4.2.4. Corporate Strategies Moderates The Effect of Director skills on Corporate Sustainable Performance**

Fourth hypothesis is that corporate strategies strengthen the influence of director skills on corporate sustainable performance, the result show that the first model show that corporate strategies weakens the influence of director characteristics on corporate sustainable performance, while the second model show that corporate strategies cannot moderate the influence of director characteristics on corporate sustainable performance. Corporate strategies can weaken the relationship between director skills and corporate sustainable performance (CSP) due to their tendency to constrain individual influence within a rigid strategic framework. When companies adopt highly structured or short-term oriented strategies—especially those focused on cost efficiency or financial recovery—there is often limited room for board members to exercise their individual expertise, including sustainability-related skills. This is particularly evident in top-down strategic environments where decisions are centralized, standardized, and heavily guided by corporate priorities, leaving little discretion for directors to introduce or act on sustainability initiatives [68] [69]. Even when directors possess strong skills in areas such as ESG, innovation, or stakeholder engagement, their ability to apply these competencies becomes restricted when strategic direction is narrowly focused on immediate operational or financial outcomes [70]. Furthermore, during periods of crisis such as the COVID-19 pandemic, many firms shifted toward defensive strategies that prioritized organizational survival, cost control, and operational continuity. These crisis-driven strategies

reinforced hierarchical decision-making structures and reduced the scope for directors to contribute beyond the strategic status quo. As a result, the potential positive impact of director skills on CSP may be diminished not due to a lack of capability, but because the strategic environment does not support or require the application of such skills. Additionally, tensions between economic imperatives and long-term sustainability goals can further suppress the influence of sustainability-oriented competencies at the board level [71].

However, the results of testing the second model, namely the regression model using the director skills model [26] did not find corporate strategies as a moderator of the influence of director skills on earning information. Corporate strategies do not always moderate the relationship between director skills and corporate sustainable performance (CSP) because director skills often represent core capabilities that exert a direct and independent influence on sustainability outcomes. These skills—such as technical expertise, experience, and understanding of ESG principles—can be effectively applied across various strategic contexts, making their impact relatively stable regardless of the specific corporate strategy in place [72]. Moreover, some firms implement flexible strategies that accommodate input and innovation from directors, allowing the exercise of their skills to enhance sustainability initiatives without being constrained by rigid strategic frameworks [73].

Additionally, director skills frequently encompass cross-functional competencies, including risk management and leadership, which are relevant to sustainability performance irrespective of strategic direction. As such, their influence on CSP tends to be consistent and less contingent on the firm's strategic orientation [74]. In many cases, corporate strategy serves as a general guideline rather than a strict control mechanism, enabling directors to utilize their expertise in decision-making related to sustainability effectively. Consequently, the moderating effect of corporate strategies may be insignificant because the impact of director skills operates directly and independently [9].

## 5. CONCLUSION

Corporate strategies from 2022 to 2023 was directly impacted by the COVID-19 pandemic, leading to uncertainty and economic instability in Indonesia. The findings of this study indicate that director characteristics positively influenced corporate sustainable performance. The second hypothesis also found consistent results that director skills positively influenced corporate sustainable performance. Meanwhile, the results of corporate strategies moderating director characteristics on corporate sustainable performance find consistent results. The first and second models found that corporate strategies weakened the influence of director characteristics on corporate sustainable performance. Likewise, the results of corporate strategies moderated director skills for corporate sustainable performance. In the first model, the results were obtained that corporate strategies weakened the influence of director skills on corporate sustainable performance. Meanwhile, the second model did not find that corporate strategies strengthened the influence of director skills on corporate sustainable performance.

This study contributes to the development of Upper Echelon Theory by extending our understanding of how director characteristics and director skills influence corporate governance and decision-making processes to achieve optimal corporate sustainable performance (CSP). According to Upper Echelon Theory, organizations are reflections of the values, experiences, and characteristics of their top executives. The findings of this study support this notion by demonstrating that both demographic characteristics (e.g., age, gender, nationality, tenure) and functional competencies of board members significantly affect corporate sustainability outcomes. Furthermore, this research advances theoretical insights by examining the role of corporate strategies as a moderating variable that can either strengthen or weaken the influence of director characteristics and skills on CSP. In this context, corporate strategy is not merely viewed as a directional plan but also as a structural framework that shapes the scope and constraints of strategic decisions at the board level. Therefore, the study highlights that the relationship between individual director attributes and sustainable performance does not occur in isolation but is embedded within the firm's strategic environment. Empirically, this research provides evidence of the direct effects of director characteristics and director skills on corporate sustainable performance, and how corporate strategies moderate these relationships. These findings enrich the literature on strategic leadership, corporate governance, and sustainability, and offer a more holistic perspective by incorporating both internal

(board-level) and external (strategic context) dimensions in explaining variations in sustainability performance.

This study is subject to several limitations that should be acknowledged. First, the use of content analysis as the primary method for data tabulation involves a scoring process that is inherently influenced by the subjective interpretation of the coders. Although consistency checks and clear coding guidelines were applied, the risk of evaluator bias remains, potentially affecting the objectivity and reliability of the findings. Second, the research was conducted using data from the year 2022 and 2023, a period still affected by the COVID-19 pandemic and Russia-Ukraine conflict. During this time, many companies prioritized short-term financial resilience and operational survival over long-term sustainability goals. Consequently, the strategic decisions and sustainability performance observed during this period may not fully reflect behavior under normal economic conditions, thereby limiting the broader generalizability of the results.

## REFERENCES

- [1] E. Ariwidodo, *Filsafat Lingkungan Dan Kajian Lingkungan Hidup Strategis*, vol. 01. 2023.
- [2] Abdurrahman, *Pengantar Hukum Lingkungan Indonesia*. 2005.
- [3] G. Das Prena, "Pengaruh Penerapan Green Accounting dan Kinerja Lingkungan Terhadap Kinerja Keuangan Pada Perusahaan Manufaktur Di Bursa Efek Indonesia," *J. Akun Nabelo J. Akunt. Netral, Akuntabel, Objekt.*, vol. 3, no. 2, 2021.
- [4] R. Dwicahyanti and H. Priono, "Pengaruh Penerapan Akuntansi Lingkungan dan Ukuran Perusahaan terhadap Profitabilitas Serta Pengungkapan Informasi Lingkungan sebagai Variabel Intervening," *J. Syntax Transform.*, 2021, doi: 10.46799/jst.v2i6.295.
- [5] S. Aksoylu and B. Tasdemir, "Kurumsal Sustainability performance evaluation: A study in BIST sustainability index," *Ömer Halisdemir Üniversitesi İktisadi ve İdari Bilim. Fakültesi Derg.*, vol. 13, no. 1, pp. 95–106, 2020, doi: 10.25287/ohuiibf.642675.
- [6] S. Ates, "Membership of sustainability index in an emerging market: Implications for sustainability," *J. Clean. Prod.*, 2020, doi: 10.1016/j.jclepro.2019.119465.
- [7] A. Marrone, V. Pontrelli, and L. Oliva, "Boards of Directors and High-Tech Sectors Affect ESG Disclosure Quality: An Empirical Analysis of Global Firms," *Int. J. Bus. Manag.*, 2023, doi: 10.5539/ijbm.v18n6p97.
- [8] I. Harymawan, M. Nasih, M. C. Ratri, and J. Nowland, "CEO busyness and firm performance: evidence from Indonesia," *Heliyon*, 2019, doi: 10.1016/j.heliyon.2019.e01601.
- [9] D. C. Hambrick and P. A. Mason, "Upper Echelons: The Organization as a Reflection of Its Top Managers," *Acad. Manag. Rev.*, 1984, doi: 10.2307/258434.
- [10] G. Cardillo, E. Onali, and G. Torluccio, "Does gender diversity on banks' boards matter? Evidence from public bailouts," *J. Corp. Financ.*, 2021, doi: 10.1016/j.jcorpfin.2020.101560.
- [11] H. Bassyouny, T. Abdelfattah, and L. Tao, "Beyond narrative disclosure tone: The upper echelons theory perspective," *Int. Rev. Financ. Anal.*, 2020, doi: 10.1016/j.irfa.2020.101499.
- [12] O. Bandiera, A. Prat, S. Hansen, and R. Sadun, "CEO behavior and firm performance," *J. Polit. Econ.*, 2020, doi: 10.1086/705331.
- [13] L. R. Lestiananda, Y. W. Nugrahanti, and G. Theotama, "Board Diversity and Corporate Social Responsibility Disclosures," *Jrak*, vol. 15, no. 2, pp. 186–197, 2023.
- [14] F. Y. Bukarim and W. Widarjo, "Do Diversity in Board Drive Environmental, Social and Governance Disclosure? ASEAN Banking Sector Evidence," *J. Econ. Financ. Manag. Stud.*, vol. 07, no. 08, 2024.
- [15] S. Wasiuzzaman and W. M. Wan Mohammad, "Board gender diversity and transparency of environmental, social and governance disclosure: Evidence from Malaysia," *Manag. Decis. Econ.*, 2020, doi: 10.1002/mde.3099.
- [16] G. Dicuozzo, M. Palmaccio, and M. Shini, "ESG, governance variables and Fintech: An empirical analysis," *Res. Int. Bus. Financ.*, 2024, doi: 10.1016/j.ribaf.2023.102205.
- [17] B. W. Husted and J. M. de Sousa-Filho, "Board structure and environmental, social, and governance disclosure in Latin America," *J. Bus. Res.*, 2019, doi: 10.1016/j.jbusres.2018.01.017.
- [18] E. F. Tyasa and S. Taqwa, "Pengaruh Kepemilikan Manajerial, Media Visibility dan Umur Perusahaan terhadap Pengungkapan Sustainability Report pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Tahun 2018 – 2022," *J. Nuansa Karya Akunt.*, 2024, doi: 10.24036/jnka.v1i3.41.
- [19] P. Justin and P. T. B. Hadiprajito, "Pengaruh Struktur Dewan Direksi Terhadap Pengungkapan Laporan Keberlanjutan Perusahaan," *Diponegoro J. Account.*, vol. 8, no. 3, pp. 1–9, 2019.
- [20] F. E. Lahyani, "Corporate board diversity and carbon disclosure: evidence from France," *Account. Res. J.*, 2022, doi: 10.1108/ARJ-12-2021-0350.
- [21] A. Khalil and I. Ben Slimene, "Financial soundness of Islamic banks: does the structure of the board of directors matter?," *Corp. Gov.*, 2021, doi: 10.1108/CG-06-2020-0237.
- [22] R. Rukmana Cakti and Y. Anni Aryani, "Do Characteristics of Board Affect Sustainable Finance Disclosure? Evidence: Asean Banking Industry," *J. Akunt. dan Keuang. Indones.*, vol. 20, no. 2, pp. 142–163, 2023, doi: 10.21002/jaki.2023.08.
- [23] N. B. Bangun, "PENGARUH DIVERSITAS DEWAN DIREKSI TERHADAP PENGUNGKAPAN SUSTAINABILITY REPORT DAN NILAI PERUSAHAAN (Studi Empiris Pada Perusahaan Industri Perbankan yang Terdaftar di Bursa Efek

- Indonesia Periode 2016-2018),” *FIRM J. Manag. Stud.*, 2021, doi: 10.33021/firm.v6i1.1281.
- [24] C. L. Voinea, F. Rauf, K. Naveed, and C. Fratostiteanu, “The Impact of CEO Duality and Financial Performance on CSR Disclosure: Empirical Evidence from State-Owned Enterprises in China,” *J. Risk Financ. Manag.*, 2022, doi: 10.3390/jrfm15010037.
- [25] G. Michelon and A. Parbonetti, “The effect of corporate governance on sustainability disclosure,” *J. Manag. Gov.*, vol. 16, no. 3, pp. 477–509, 2012, doi: 10.1007/s10997-010-9160-3.
- [26] R. B. Adams, A. C. Akyol, and P. Verwijmeren, “Director skill sets,” *J. financ. econ.*, 2018, doi: 10.1016/j.jfineco.2018.04.010.
- [27] M. Rianty N and S. Rani, “PENGARUH NARSISME CEO TERHADAP KUALITAS LABA DALAM LAPORAN KEUANGAN DENGAN VARIABEL KONTROL SIZE DAN EDUC,” *Balanc. J. Akunt. dan Bisnis*, 2021, doi: 10.32502/jab.v6i2.3870.
- [28] M. Bertrand and A. Schoar, “Managing with style: The effect of managers on firm policies,” *Q. J. Econ.*, 2003, doi: 10.1162/003355303322552775.
- [29] M. Bennedsen, K. M. Nielsen, F. Perez-Gonzalez, and D. Wolfenzon, “Inside the family firm: The role of families in succession decisions and performance,” *Q. J. Econ.*, 2007, doi: 10.1162/qjec.122.2.647.
- [30] S. N. Kaplan and M. Sorensen, “Are CEOs Different? Characteristics of Top Managers,” *SSRN Electron. J.*, 2016, doi: 10.2139/ssrn.2747691.
- [31] J. Kehinde and H. B. Akinlabi, “Impact of leadership skill and strategies on banking sector performance: A survey of selected consolidated banks in Nigeria,” *Int. Trader Acad. Res. Conf.*, 2012.
- [32] M. A. Hakim and J. H. Liu, “Development, Construct Validity, and Measurement Invariance of the Parasocial Relationship With Political Figures (PSR-P) Scale,” *Int. Perspect. Psychol.*, 2021, doi: 10.1027/2157-3891/a000002.
- [33] S. Sang, A. Yan, and M. Ahmad, “CEO Experience and Enterprise Environment, Social and Governance Performance: Evidence from China,” *Sustain.*, vol. 16, no. 11, 2024, doi: 10.3390/su16114403.
- [34] A. Budi Sulistiyo, Bunga Maharani, Bayu Aprillianto, Novi Wulandari Widiyanti, and Muhammad Miqdad, “EXPLANATION STUDY OF AGRO-INDUSTRIAL FIRM FINANCIAL PERFORMANCE BASED ON CAPITAL STRUCTURE AND FIRM STRATEGY IN THE COVID-19 PANDEMIC,” *J. Ris. Akunt. Dan Bisnis Airlangga*, 2022, doi: 10.20473/jraba.v7i2.39888.
- [35] E. Hernandez and A. Menon, “CORPORATE STRATEGY and NETWORK CHANGE,” *Acad. Manag. Rev.*, 2021, doi: 10.5465/AMR.2018.0013.
- [36] P. J. Gallo and L. J. Christensen, “Firm size matters: An empirical investigation of organizational size and ownership on sustainability-related behaviors,” *Bus. Soc.*, 2011, doi: 10.1177/0007650311398784.
- [37] M. V. López, A. Garcia, and L. Rodriguez, “Sustainable development and corporate performance: A study based on the Dow Jones sustainability index,” *J. Bus. Ethics*, 2007, doi: 10.1007/s10551-006-9253-8.
- [38] J. Q. Zhang, H. Zhu, and H. bin Ding, “Board Composition and Corporate Social Responsibility: An Empirical Investigation in the Post Sarbanes-Oxley Era,” *J. Bus. Ethics*, 2013, doi: 10.1007/s10551-012-1352-0.
- [39] A. Buallay, “Is sustainability reporting (ESG) associated with performance? Evidence from the European banking sector,” *Manag. Environ. Qual. An Int. J.*, 2019, doi: 10.1108/MEQ-12-2017-0149.
- [40] M. Kansal, M. Joshi, and G. S. Batra, “Determinants of corporate social responsibility disclosures: Evidence from India,” *Adv. Account.*, 2014, doi: 10.1016/j.adiac.2014.03.009.
- [41] F. J. Milliken and L. L. Martins, “Searching for common threads: Understanding the multiple effects of diversity in organizational groups,” *Acad. Manag. Rev.*, 1996, doi: 10.5465/AMR.1996.9605060217.
- [42] U. Neisser *et al.*, “Intelligence: Knowns and Unknowns,” *Am. Psychol.*, 1996, doi: 10.1037/0003-066X.51.2.77.
- [43] S. P. Robbins and M. Coulter, *Management (Global Edition)*. 2018.
- [44] F. M. Gresham, S. N. Elliott, M. J. Vance, and C. R. Cook, “Comparability of the Social Skills Rating System to the Social Skills Improvement System: Content and Psychometric Comparisons Across Elementary and Secondary Age Levels,” *Sch. Psychol. Q.*, 2011, doi: 10.1037/a0022662.
- [45] R. E. Boyatzis, “The competent manager : a model for effective performance,” *Rev. Hugh Gunz Source Strateg. Manag. J.*, 1982.
- [46] S. Denning, “Understanding the three laws of Agile,” *Strateg. Leadersh.*, 2016, doi: 10.1108/SL-09-2016-0074.
- [47] M. Armstrong, *Armstrong’s handbook of human resource management practice. 14th edition*. 2017.
- [48] S. U. Rehman, A. Bhatti, S. Kraus, and J. J. M. Ferreira, “The role of environmental management control systems for ecological sustainability and sustainable performance,” *Manag. Decis.*, 2020, doi: 10.1108/MD-06-2020-0800.
- [49] R. Munte and D. P. Ompusungu, “Strategi Pengelolaan Keuangan Perusahaan Untuk Meningkatkan Kinerja Keuangan (Literature Review Manajemen Keuangan),” *Adv. Soc. Humanit. Res.*, vol. 1, no. 2, pp. 67–72, 2023.
- [50] R. Wardhani and Y. Rahadian, “Sustainability strategy of Indonesian and Malaysian palm oil industry: a qualitative analysis,” *Sustain. Accounting, Manag. Policy J.*, 2021, doi: 10.1108/SAMPJ-07-2020-0259.
- [51] A. Carvalho and Hersugondo, “Pengaruh Corporate Governance Terhadap Corporate Sustainability Performance Dengan Financial Performance Sebagai Variabel Mediasi (Studi Kasus Pada Perusahaan Yang Terdaftar Di Bursa Efek Indonesia Periode 2018-2022),” *Manaj. Bus. Innov. Conf.*, vol. 7, no. 1, pp. 90–105, 2024, [Online]. Available: <https://jurnal.untan.ac.id/index.php/MBIC/index>
- [52] N. M. P. Bocken, S. W. Short, P. Rana, and S. Evans, “A literature and practice review to develop sustainable business model archetypes,” *Journal of Cleaner Production*. 2014. doi: 10.1016/j.jclepro.2013.11.039.
- [53] S. Schaltegger, F. Lüdeke-Freund, and E. G. Hansen, “Business cases for sustainability: The role of business model innovation for corporate sustainability,” *Int. J. Innov. Sustain. Dev.*, 2012, doi: 10.1504/IJISD.2012.046944.
- [54] D. V. Nguyen, N. H. K. Nguyen, and T. T. Dinh, “CEO attributes and firm performance: Evidence from companies listed

- on Ho Chi Minh Stock Exchange,” *Cogent Econ. Financ.*, 2023, doi: 10.1080/23322039.2023.2282838.
- [55]I. Sofiati and A. F. Mita, “The Role Of Gender Diversity In Increasing ESG Performance Through Intellectual Capital,” *J. Akunt.*, 2024, doi: 10.24912/ja.v28i1.1861.
- [56]W. Ben-Amar, M. Chang, and P. McKenny, “Board Gender Diversity and Corporate Response to Sustainability Initiatives: Evidence from the Carbon Disclosure Project,” *J. Bus. Ethics*, 2017, doi: 10.1007/s10551-015-2759-1.
- [57]R. M. Haniffa and T. E. Cooke, “The impact of culture and governance on corporate social reporting,” *J. Account. Public Policy*, 2005, doi: 10.1016/j.jaccpubpol.2005.06.001.
- [58]S. Huang and G. Hilary, “Zombie Board: Board Tenure and Firm Performance,” *J. Account. Res.*, 2018, doi: 10.1111/1475-679X.12209.
- [59]W. Y. Oh, Y. K. Chang, and A. Martynov, “The Effect of Ownership Structure on Corporate Social Responsibility: Empirical Evidence from Korea,” *J. Bus. Ethics*, 2011, doi: 10.1007/s10551-011-0912-z.
- [60]M. Jizi, “The Influence of Board Composition on Sustainable Development Disclosure,” *Bus. Strateg. Environ.*, 2017, doi: 10.1002/bse.1943.
- [61]A. Grigorescu, M. M. Maer-Matei, C. Mocanu, and A. M. Zamfir, “Key drivers and skills needed for innovative companies focused on sustainability,” *Sustain.*, 2020, doi: 10.3390/SU12010102.
- [62]A. Ahmadi, N. Nakaa, and A. Bouri, “Chief Executive Officer attributes, board structures, gender diversity and firm performance among French CAC 40 listed firms,” *Res. Int. Bus. Financ.*, 2018, doi: 10.1016/j.ribaf.2017.07.083.
- [63]R. V. Aguilera, D. E. Rupp, C. A. Williams, and J. Ganapathi, “Putting the s back in corporate social responsibility: A multilevel theory of social change in organizations,” *Academy of Management Review*. 2007. doi: 10.5465/AMR.2007.25275678.
- [64]R. G. Eccles, I. Ioannou, and G. Serafeim, “The impact of corporate sustainability on organizational processes and performance,” *Manage. Sci.*, 2014, doi: 10.1287/mnsc.2014.1984.
- [65]P. Bansal and K. Roth, “Why companies go green: A model of ecological responsiveness,” *Acad. Manag. J.*, 2000, doi: 10.2307/1556363.
- [66]A. McWilliams and D. Siegel, “Corporate social responsibility: A theory of the firm perspective,” *Academy of Management Review*. 2001. doi: 10.5465/AMR.2001.4011987.
- [67]C. Post, N. Rahman, and E. Rubow, “Green governance: Boards of directors’ composition and environmental corporate social responsibility,” *Bus. Soc.*, 2011, doi: 10.1177/0007650310394642.
- [68]R. Simons, “Levers of Control: How Managers Use Innovative Control Systems to Drive Strategic Renewal,” *Acad. Manag. Exec.*, 1995.
- [69]D. C. Hambrick, “Upper Echelons Theory: An Update The Academy of Management Review UPPER ECHELONS THEORY: AN UPDATE,” *Source Acad. Manag. Rev.*, 2007.
- [70]R. K. Reger, S. Finkelstein, and D. C. Hambrick, “Strategic Leadership: Top Executives and Their Effects on Organizations,” *Acad. Manag. Rev.*, 1997, doi: 10.2307/259414.
- [71]T. Hahn, J. Pinkse, L. Preuss, and F. Figge, “Tensions in Corporate Sustainability: Towards an Integrative Framework,” *J. Bus. Ethics*, 2015, doi: 10.1007/s10551-014-2047-5.
- [72]J. Barney, “Firm Resources and Sustained Competitive Advantage,” *J. Manage.*, 1991, doi: 10.1177/014920639101700108.
- [73]K. M. Eisenhardt and J. A. Martin, “Dynamic capabilities: What are they?,” *Strateg. Manag. J.*, 2000, doi: 10.1002/1097-0266(200010/11)21:10/11<1105::AID-SMJ133>3.0.CO;2-E.
- [74]D. A. Carter, B. J. Simkins, and W. G. Simpson, “Corporate governance, board diversity, and firm value,” *Financ. Rev.*, 2003, doi: 10.1111/1540-6288.00034.