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Good Corporate Governance Moderates the Relationship of Company Complexity and Risk Management with Sustainability Performance

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ABSTRACT: This study analyses Corporate Governance Moderates the Relationship between Capital Intensity, and Thin Capitalization with Tax Avoidance. The population in this study are industrial sector companies listed on the IDX for the period 2018-2022. The sampling technique used in this study was purposive sampling, obtained 14 company samples with a period of five years, so that 70 observation data were obtained. The data analysis used in this study used panel data regression. The results of this study can be seen that simultaneously the Corporate Governance variable Moderates the Relationship between Capital Intensity, and Thin Capitalization together with Tax Avoidance. Partially, the Capital Intensity variable has no effect on Tax Avoidance. Partially, the Thin Capitalization variable has a positive effect on Tax Avoidance. As for the Moderation results, it was found that Corporate Governance could not moderate the relationship between capital intensity and tax avoidance and Corporate Governance weakened the relationship between Thin Capitalisation and Tax Avoidance.

KEYWORDS: Capital Intensity; Thin Capitalisation; Corporate Governance; Tax Avoidance

INTRODUCTION

According to Werastuti, D. N. (2022) All UN member states prioritize sustainable development, including Indonesia, which adopted the Sustainable Development Goals (SDGs) in 2015 to ensure prosperity by 2030. All businesses are invited by stakeholders to be more aware of their responsibilities in combating human rights issues and global warming in the context of development. sustainability (Agnolucci & Arvanitopoulos, 2019; Alam et al., 2019; Shahbaz et al., 2020). Stakeholders expect companies to consistently achieve their goals and visions.

Social, economic, and environmental performance that is expected to improve in the long term is called sustainable performance (Formentini & Taticchi, 2016; Hassini et al., 2012). Many domestic and international companies have used GRI as a reporting standard (Fonseca et al., 2014; Hussain et al., 2018). One important component in business is performance measurement. It can not only be used to evaluate the success of the company, but can also be used as a basis for evaluating work results. This means that performance measurement must be done thoroughly so that strategies can be chosen quickly and solutions found. a comprehensive and comprehensive performance measure that considers both financial and non-financial aspects, especially the Balanced Scorecard (Pratama, R. 2023).

Kaplan, R. S. (1992) states that the Balanced Scorecard is a set of tools for measuring performance that requires balanced metrics so that companies and institutions can operate better. There are four indicators in the Balanced Scorecard: financial perspective, customer perspective, internal business process perspective, growth perspective, and learning perspective. Businesses around the world use the Balanced Scorecard to implement their business strategies. Consequently, companies can use it to implement sustainability strategies that link their sustainability goals to their actions and performance. The standard four perspectives can incorporate environmental and social elements. One of the most straightforward ways for businesses that want to emphasize sustainability as their core value is to add additional perspectives to the Balanced Scorecard (Zavodna, 2013).

This study aims to determine corporate governance moderates the relationship between company complexity and risk management with sustainability performance. The factor that affects sustainability performance is company complexity. Company complexity is related to the complexity of transactions in the company. This complexity can come from transactions using foreign currencies, the number of subsidiaries and branches of the company, as well as the existence of business operations abroad (Rukmana, 2017). The complexity of an organization or operation is a result of the formation of departments and division of work that has a focus on a number of different units. Increasingly complex dependencies occur when organizations with various types or numbers of jobs and units cause more complicated organizational problems (Saragih, J., & Gultom, S. J. 2021). Complexity in this study is seen from the business segments in a company.

Another factor in this study that affects sustainability performance is risk management. The purpose of risk management is to create, protect, and increase shareholder value. risk management also includes new methods that allow companies to identify and manage risks (Barton et al., 2002). According to Bertinetti et al. (2013), there is a relationship between firm value and risk management implementation. Other researchers have found that the implementation of risk management affects company performance and can improve performance (Gordon et al., 2009; Holiawati et al., 2020). For risk management to be implemented properly, certain principles must be applied. Businesses will strengthen risk control over their core competencies and their competitive advantage as a result of better risk management implementation. The link between risk management and governance will become stronger, which will result in the long-term improvement of corporate performance (Drew and Kendrick, 2005). Ping and Muthuvelo (2015) also say that good governance is important for implementing risk management.

This study adds a moderating variable, namely corporate governance. According to (Aras, 2008), corporate governance is very important to improve company performance and increase investor confidence, which has an impact on company sustainability. With good governance, companies can generate value. Corporate governance is a system that organizes and supervises the company to create added value for all its stakeholders (Monks, 2003). Governance also ensures that companies make transparent, timely, and accurate disclosures about all the information they produce, including performance, ownership, and stakeholders (Kaihatu, 2006). Major scandals such as Worldcom, London & Empire, Enron, Tyco, and others increased attention to corporate governance. Top management committed fraud, and the failure of the strategy was successfully covered up, so it went undetected for a long time due to the lack of supervision and independence of the company's board (Kaihatu, 2006); (Holiawati et al., 2020).

In the increasingly fierce business competition, companies must demonstrate their capacity to increase and maintain the value that exists in themselves. One of them is improving business sustainability. One important step towards business sustainability is sustainability reporting. Investors, regulators and other stakeholders are increasingly developing sustainable reporting practices. A focus on transparency and understanding of corporate reporting strategies can drive progress, sustainability and economic growth as well as increase trust and help markets run more efficiently (Fajriyanti, 2021).

According to Epstein et al., (2003); Holiawati et al., (2020) Addressing social, environmental, and economic elements is the goal of overall corporate management performance, particularly corporate sustainability management. Increasing and significant developments and progress cause competition in the business world. As a result, regulators and stakeholders increasingly demand companies to demonstrate their performance to maintain and improve company value (Hanifah et al., 2018). The sustainability of a business determines the success of a business in the long term. Based on Forbes magazine data (Holiawati, 2020), it is assumed that only a few companies have the opportunity to be included in the list of the world's 500 largest companies for more than 15 years, which shows that not all companies are able to maintain their business sustainability for a certain period of time. Failure to maintain sustainability has affected major companies in the world and in Indonesia, including Ford, which has ceased operations in Indonesia since January 26, 2016 because there is no other way to maintain profits. In addition, Ford also decided to close its plant in India due to difficulties in increasing market share. (www.cnbcindonesia.com).

Since August 31, 2009, Sony Chemical's operations in Indonesia have been suspended. The closure was ordered by their headquarters in Japan and as a result of the global financial crisis. It is said that Sony's change in strategy in Japan led to the closure of several factories. Sony is now concentrating on software and entertainment rather than manufacturing. As a result, Sony's factory closures occurred not only in Indonesia, but also in Japan and the United States. At least fifteen factories around the world, including in Indonesia, had to be closed. (www.industri.kontan.co.id).

The first factor that affects sustainability performance is company complexity. This is indicated by the principles of adaptive management for the critical security of complex organizations used in safety management. These concepts are derived from corporate complexity theory. Organizations, which are flexible and complex systems, have concentrated on methods to create new innovations or improve financial effectiveness. Companies must accelerate changes in global demand and interdependence to become more flexible due to complex uncertainties in the global environment as well as the demands of international competition in the areas of innovation, product quality, productivity, customer service and business ethics. Globally operating companies often have complex supply chains spread across multiple countries. This can increase the risk of different environmental and social impacts in each location, making managing sustainability more difficult (Mubarok, M. H. 2018). The results of the study (Agusniwar, I et al., 2017) prove that task complexity has a significant effect on organizational performance. This is because complex tasks often involve more variables, aspects, and interactions that require deeper analysis and understanding. This level of difficulty can affect the organization's ability to achieve goals efficiently.

The second factor that affects sustainability performance is risk management. The success of a company's management in achieving performance is determined by how well they manage the risks associated with all their business activities. Companies that have a strong understanding of risk and are able to manage it well have the potential to attract investors (Nocco and Stulz, 2006; Holiawati et al., 2020). Risk management serves to ensure that organizational goals are achieved and protect stakeholders from the negative consequences that risks can cause (Susilo and Kaho, 2010). Holiawati et al. (2020) show clear evidence that risk management has a positive impact on the company's market performance. One way to maintain relationships with investors is to disclose risk management, which can help investors know the risk profile and management. In addition, it can be used as a tool to detect potential problems and monitor risks to allow investors to take immediate action before problems arise. The results of the study support agency theory. By implementing risk management practices, the conflict of interest in agency theory can be reduced. Better risk management practices improve business sustainability and give investors confidence that they will receive a return on the funds they invest (Holiawati et al., 2020).

Good corporate governance in this study is used as a moderating variable that connects company complexity and green intellectual capital with sustainability performance. Corporate sustainability performance can be influenced by good corporate governance, which can help create an environment that supports efficient and sustainable growth in all areas of business (Siswanti et al, 2017). Corporate governance is considered an important component in achieving company performance growth, which can increase investor confidence, which in turn will have an impact on company sustainability (Aras et al, 2008; Holiawati, 2020). In a study conducted by (Holiawati et al., 2020), found that corporate governance has a positive impact on corporate sustainability performance; these findings indicate that management runs corporate governance, and when management runs it properly, sustainability performance will also be achieved well.

LITERATURE REVIEW

Freeman (1984) first used the stakeholder concept to explain social performance and corporate behavior (Ghomi and Leung, 2013). To achieve long-term success, it is crucial to consider and manage relationships with various stakeholder groups. This is emphasized in stakeholder theory. If companies can understand the issues and interests faced by each stakeholder, they can make smarter decisions, reduce risks and create value for all concerned. In terms of sustainability performance, Stakehoder theory states that stakeholders have the ability to influence a company's sustainability performance. If the company can build good relationships and meet the needs of stakeholders, it will be easier to gain support and work together to achieve improved sustainability performance. To ensure that all relevant aspects of sustainability have been considered, sustainability performance assessments often involve indicators covering social, environmental and economic aspects. This information can be obtained through discussions and consultations with stakeholders (Holiawati, 2020).

Agency theory is a management and economic theory first created by Jensen and Meckling (1976) and is considered a theory of the inequality of interests between agents and principals. This theory explains relationships and self-interest in business organizations. It addresses the relationship between the delegation of control and the chief agent or director. Therefore, there are two different interests for the company, each seeking to generate the profits they desire. As a result, there is an information imbalance between owners and management, which can provide managers with opportunities (Puspitasari et al., 2023). Assuming that managers (agents) and owners of capital (principals) are rational parties with their own interests, aspects of human behavior are linked in agency theory. People who think logically will definitely maximize their profits. If both parties in the relationship are trying to maximize their utility, the agent may not always act in the best interest of the principal (Triyuwono, 2018).

Holiawati (2020) Agency theory is related to good corporate governance. Good Corporate Governance as the effectiveness of mechanisms aimed at minimizing agency conflicts and is one of the key elements in increasing economic efficiency which includes the relationship between the board of commissioners, company management, and shareholders. Good Corporate Governance is related to how investors believe that managers will provide benefits for them, believe that managers will provide benefits for them, believe that managers will not steal / embezzle or invest in unprofitable projects related to the funds / capital that investors have invested and related to how investors control managers. In other words, Good Corporate Governance is expected to function to reduce or reduce agency costs.

Porter (2010) points out complexity theory and complex adaptive systems are examined as conceptual and empirical frameworks for sustainability and sustainable common interests. (M. Eisenhardt, et al, 2011) Complexity Theory, also called complexity strategy or complex adaptive organization, is a theory that addresses complexity systems in the field of strategic management and organizational studies. M. Eisenhardt, et al (2011) Complexity Theory recognizes that modern companies are complex systems, where internal and external factors are interrelated and influence each other. The complexity of corporate sustainability as a collection of interconnected goals often creates problems, measurement, and communication.

Gassing (2016: 163) suggests that many companies have paid attention to their corporate sustainability performance. Corporate sustainability in question is a business approach taken by the company so that it can create long-term consumer and employee interests that create a green strategy, namely a business strategy that does not only prioritize profit, but also how the business can run in its social, cultural and economic environment in tandem. According to (Haholongan, 2016) Environmental performance is a mechanism for companies to voluntarily integrate environmental concerns into their operations and interactions with stakeholders, which exceeds organizational responsibilities in the legal field. Environmental performance is a measurable result of the environmental management system, which is related to the control of its environmental aspects (Andriana & Panggabean, 2017). According to Kacperczyk (2009) and Holiawati (2020) In addition to financial performance, companies must also pay attention to performance in terms of their impact on the environment and society. This includes how the company manages natural resources, its impact on the environment, as well as its involvement and impact on local communities and society at large. Corporate environmental and social performance can be an important indicator in predicting a company's long-term performance and level of sustainability. Companies that are able to manage environmental and social issues well are likely to create long-term value for stakeholders and achieve better sustainability. Financial performance provides information about a company's financial performance in a given period. However, to understand sustainability and long-term performance, it is necessary to consider environmental and social aspects as well.

Holiawati (2020) managing corporate sustainability involves examining the social and environmental impacts on the company's overall profitability. Business performance assesses the trade-offs that must be made and requires comprehensive information about the relationships and impacts of different functional decisions on business profits. Company management must have a good understanding of how the company's products, services, processes and activities impact the external and internal environment and related stakeholders. This helps in making effective decisions to better manage social and environmental impacts. Sustainability performance reflects the company's ultimate goal of achieving conformity and compliance with set standards in managing social and environmental impacts. It encompasses all dimensions of the company and aims to promote the overall sustainability of the company. Sustainability performance can be defined as a company's performance that covers all dimensions of the company and aims to achieve long-term sustainability of the company. It reflects the company's responsibility to the standards set in managing social and environmental impacts (Schaltegger et al, 2006; Holiawati, 2020).

Rukmana et al. (2017) Company complexity is related to the complexity of transactions in the company. Can come from transactions that use foreign currencies, the number of subsidiaries, company branches and the existence of business operations abroad. Company complexity is part of the auditor's consideration before conducting an examination. The more complex the company's structure and transactions, the more complicated and in-depth the examination that must be carried out by the auditor to ensure the reliability and accuracy of the company's financial statements. Expansion of the company's business by establishing a subsidiary is one form of growth that can cause the company's complexity to increase. Establishing subsidiaries allows companies to operate in various locations and different businesses, but also brings challenges in coordinating and managing the activities and decisions of these various subsidiaries (Rukmana et al. 2017).

Triyanti, D. I. (2019) Company complexity can be seen from various aspects, one of which is business segment. Business segments refer to parts or operational units within a company that have different characteristics and business activities. If a company has many diverse business segments and operates in various industries or sectors, the complexity of the company will increase. Some factors that can cause company complexity from the aspect of business segments include:

1. Business Diversification: Companies that have a broad and diverse business portfolio may have many different business segments. This business diversification can include various industry sectors or different types of services.
2. Subsidiaries and Branches: Companies that have many subsidiaries and branches can have many separate business segments and operate in various locations.
3. Global Business: Companies that operate on a global scale tend to have different business segments in different countries or regions, which can increase the complexity of the company.
4. Acquisitions and Mergers: If a company makes acquisitions or mergers with other companies, this can lead to additional business segments that must be integrated into the corporate structure.
5. Diverse Products and Services: If the company offers a wide range of different products and services, this can lead to the company having multiple business segments.

Companies that have high complexity in terms of business segments need to manage and monitor each segment carefully in order to operate efficiently and effectively. In making strategic decisions and allocating resources, management must consider the unique characteristics of each business segment and how they contribute to the company's overall performance and objectives. The use of information technology and good management systems can also help integrate and monitor the various business segments in a complex enterprise.

Risk is the potential loss due to the occurrence of a certain event. Meanwhile, risk management is a series of methodologies and procedures used to identify, measure, monitor and control risks arising from all business activities. Risk management is one of the tasks of the board and top management to determine an integrated and future-oriented risk management concept. In the case of governance, the board is responsible for determining the objectives of the risk strategy and for ensuring that operational risk management is carried out at the managerial level. According to the Financial Services Authority Regulation No. 18/POJK.03/2016 concerning the implementation of risk management for commercial banks. Enterprise Risk Management (ERM) is a popular topic recently. This is related to the increasing number of uncertainties, both caused by economic and global conditions. Investors not only require a high rate of return, but also a guarantee of the safety of the funds provided. (Muthohirin et al., 2012) reported that ERM strikes are generally influenced by internal companies. According to agency theory, the ERM mechanism is taken to provide assurance of existing risks that may arise in the future for funds deposited by the principal. The existence of ERM means that agents have guidelines for implementing future company operations so that ERM optimization can affect the improvement of the company's financial performance (Hanafi: 2010) in (Linda Agustina, 2016).

Good Corporate Governance Moderates the Relationship of Company Complexity and Risk Management with Sustainability Performance

Risk management is a new approach for companies to think of new ways that allow companies to identify and manage risks, even the goal of risk management is to create, protect, and increase shareholder value (Barton et al. 2002). Bertinetti et al, (2013) state that there is an effect of risk management on firm value. Other researchers say the implementation of risk management has a significant effect on company performance and can improve performance (Gordon et al, 2009; Hoyt & Liebenberg, 2009; COSO, 2004; Nocco & Stulz, 2006; Bartonnet al, 2002; Stulz, 1996, Ping & muthuvelo, 2015). The implementation of risk management needs to be maintained with certain principles, so that it goes hand in hand with the implementation of effective governance. When the implementation of risk management improves, the company will add risk control to core competencies and competitive advantages, the relationship between risk management and governance will be stronger which will affect the company's sustainability performance (Drew and Kendrick, 2005).

Puspitasari, R, et al (2023) Good Corporate Governance is defined as a company's internal control system that has its business objectives through securing company assets and increasing the value of shareholder investment in the long term. (Trihandayani, 2016) Corporate governance is a principle that directs and controls the company in order to achieve a balance between the company's power and balance in providing accountability to stakeholders and shareholders. It is intended that good corporate governance is needed so that stakeholders such as shareholders can be confident in the company that the professionalism of the company will bring benefits to these shareholders. Good company value is needed, one way is through corporate governance. Corporate governance helps protect the rights of shareholders and ensures that directors and management act in accordance with the interests of investors. As a safety tool for shareholders, corporate governance also includes mechanisms to resolve conflicts of interest between management and shareholders, thus ensuring that company decisions and actions are taken based on objective considerations and pay attention to the long-term interests of the company. With good corporate governance, companies have a better chance of achieving sustainable growth and gaining the trust of shareholders, customers, suppliers and other related parties. This is important in building the company's reputation and maintaining a competitive advantage in the market (Trihandayani, 2016).

RESEARCH METHOD

This study uses associative quantitative research, which involves hypothesis testing. The data used comes from the financial statements and annual reports of industrial sector companies listed on the Indonesia Stock Exchange (IDX). Secondary data sources can also be found by reading literature on research issues in print and online media. In this study there are three variables, namely the dependent variable, the independent variable and the moderating variable. The dependent variable used is Sustainability Performance. While the independent variable consists of Company Complexity, and Risk Management while the moderating variable used is Corporate Governance.

Sustainability performance

Research conducted by (Holiawati, 2020) uses the Balanced Scorecard (BSC) as a measurement tool for the company's sustainability performance. BSC is a strategic management method consisting of six perspectives covering financial aspects, customers, internal business processes, and learning and growth, as well as two additional perspectives, namely social and environmental perspectives. In the context of BSC, the study measured the company's sustainability performance by assigning scores to 39 indicators relevant to the six perspectives mentioned above. The scores given range from 1 to 3, with 1 representing low performance, 2 representing medium performance, and 3 representing high performance. The formula for calculating SBSC is:

SBSC index = ($\sum$di/M) x 100 %…………………………………(1)

Company Complexity

Company complexity proxied by business segments is a form of business development by expanding the number of business segments and geographic segments, expanding existing market share or developing a variety of diverse products. Measured using the number of operating segments of the company obtained from the annual report data in the segment information section. Company complexity in this study is measured by the number of business segments in a company (Holiawati et al, 2020).

Business Segment: $\sum$ Number of Company Segments…………………………………(2)

Risk Management

Risk management is one of the tasks of the board and top management to define an integrated and future-oriented risk management concept. In the case of governance, the board is responsible for determining the objectives of the risk strategy and for ensuring that operational risk management is carried out at the managerial level. According to the Financial Services Authority Regulation No. 18/POJK.03/2016 concerning the implementation of risk management for commercial banks. Gordon (2009) measurement. The internal structure and components of the ERM Index (Gordon et al. 2009) and the measurements used (Holiawati, 2020) are as follows:

Risk management

Risk Management Index (RMI) = Σ Strategy + Operations + Reporting + Compliance
Strategy 1 = Sales - Average industrial sales / Standard deviation of industrial sales
Strategy 2 = - (Beta i –Beta i-1) - average Δ of the industry beta / Standard deviation Δ industry beta
Operation 1 = Sales / Total Assets
Operation2 = Sales / Number of employees
Reporting 1 = auditor's opinion
Reporting 2 = Normal Accrual / Normal accrual + abnormal accrual
Compliance 1 = Tax Expense / Total Profit
Compliance 2 = Company given sanctions by IDX
Risk management in this research only uses one stage, the following measurements are used:
Risk management
Risk Management Index (RMI) = Σ Strategy + Operations + Reporting + Compliance
Strategy 1 = Sales - Average industrial sales / Standard deviation of industrial sales
Operation 1 = Sales / Total Assets
Reporting 1 = auditor's opinion
Compliance 1 = Tax Expense / Total Profit

Corporate Governance

According to Puspitasari et al. (2023) It is a system that regulates and controls companies that create added value for all stakeholders. The measurement used uses the Financial Services Authority Circular Letter Number 32 / SEOJK.04 / 2015. The governance guidelines include 5 (five) aspects, 8 (eight) principles of good corporate governance, and 25 (twenty-five) recommendations for implementing aspects and principles of good corporate governance. Aspects of public company governance include: 1) The relationship between a public company and its shareholders in ensuring shareholders' rights; 2) Function and Role of the Board of Commissioners; 3) Function and Role of the Board of Directors; 4) Stakeholder Participation; and 5) Information Disclosure. Corporate Governance can be measured using the following ratio:

GCG = ∑application of Aspect recommendations / ∑aspect recommendations ……………………………….(3)

This type of research data is secondary data obtained from annual reports and financial reports of industrial companies listed on the Indonesia Stock Exchange for the period 2018-2022 which can be accessed through the website www.idx.co.id and the official website of PT. each company. The population in this study are industrial companies listed on the IDX during the 2018-2022 period, namely 60 companies. The sampling method used is non-probability sampling method with purposive sampling technique so that 27 companies are obtained using 5 years of observation. This study uses non-participatory observation to collect data. This data comes from books, previous research journals, official websites, as well as annual reports and longings of companies listed on the Indonesia Stock Exchange from 2018 to 2022. All of this information can be accessed through the official website of each company and www.idx.co. identifier. The data analysis technique used in this study begins with descriptive statistical analysis which is then continued with a classic assumption test which includes normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test. After conducting the classical assumption test, the research continued by conducting Moderated Regression Analysis (MRA), the coefficient of determination (R2) test, the model feasibility test (F test), and the individual significance test (t test). The regression equation in this study is formulated as follows.

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M + \beta_4 X_1 M + \beta_5 X_2 M + \varepsilon$……………………………….(4)

Information:

Y	= Sustainability Performance
α	= Constant
β1-5	= Regression coefficient
X1	= Company Complexity
X2	= Risk Management
M	= Corporate Governance
X1M	= Interaction between Company Complexity and Corporate Governance
X2M	= Interaction between Risk Management and Corporate Governance
ε	= Error term.

RESULTS

Companies listed on the Indonesia Stock Exchange for the period 2018-2022 are included in this research field with data obtained through the official website of the Indonesia Stock Exchange, especially www.idx.co.id and the official website of each company. To determine the sample, a non-probability sampling method combined with purposive sampling technique was used, so that the number of samples used in this study were 27 companies for 5 years with a total of 135 data.

Table 1. Descriptive Statistical Results

	SP	CC	RM	CC*GCG	RM*GCG
Mean	3.208102	3.192593	2.027270	2.870519	1.828567
Median	2.485900	3.000000	1.939300	2.880000	1.779458
Maximum	19.69190	7.000000	10.92660	6.720000	10.92662
Minimum	0.253800	1.000000	-5.332500	0.400000	-2.986181
Std. Dev.	3.017210	1.335487	1.225155	1.365959	1.122084
Skewness	4.122579	0.776606	1.668506	0.860105	3.647097
Kurtosis	20.12220	3.858218	32.59758	3.541191	36.12817
Jarque-Bera	2031.482	17.71318	4990.232	18.29255	6472.581
Probability	0.000000	0.000142	0.000000	0.000107	0.000000
Sum	433.0938	431.0000	273.6814	387.5200	246.8566
Sum Sq. Dev.	1219.876	238.9926	201.1348	250.0231	168.7157
Observations	135	135	135	135	135

Source: Research Data, 2023

Table 1 shows the results of descriptive statistics with a sample of 27 companies during the period 2018 - 2022. The sampling technique used purposive sampling, the results of the descriptive analysis of the table above show that the amount of data observed is 135 data obtained from 27 companies multiplied by the observation period for 5 years, from 2018 to 2022.

1. The sustainability performance variable observed during the study period can be seen from the output results, that the sustainability performance value has the lowest value of 0.253800 while the highest value is 19.69190. The average value (mean) is 3.208102 with a standard deviation of 3.017210. The results of descriptive analysis based on these values, it can be concluded that Sustainability performance has a fairly small variation around its average value (3.208102). The wide range of values (from 0.253800 to 19.69190) indicates extreme variation among individual values.
2. The company complexity variable observed during the study period can be seen from the output results, that the company complexity value has the lowest value of 1.000000, while the highest value is 7.000000. The average value (mean) is 3.192593 with a standard deviation of 1.335487. The results of the analysis based on these values, it can be concluded that company complexity has a large enough variation around its average value. The large range of values (from 1.000000 to 7.000000) indicates extreme variation among individual values.
3. Risk management variables observed during the study period can be seen from the output results, that the Risk management value has the lowest value of -5.332500, while the highest value is 10.92660. The average value (mean) is 2.027270 with a standard deviation of 1.225155. The results of descriptive analysis based on these values, it can be concluded that Risk management has a significant variation around its mean value. The large range of values (from -5.332500 to 10.92660) indicates extreme variation among individual values.
4. The Company Complexity variable through Corporate Governance from 135 industrial company samples obtained a minimum value of 0.400000 and a maximum value of 6.720000 with an average of 2.870519 and a standard deviation of 1.365959 The results of descriptive analysis based on these values, it can be concluded that Company Complexity through Corporate Governance has a relatively small variation around its average value. The large range of values (from 0.400000 to 6.720000) indicates extreme variation among individual values..
5. The Risk Management variable through Corporate Governance from 135 industrial company samples obtained a minimum value of -2.986181 and a maximum value of 10.92662 with an average of 1.828567 and a standard deviation of 1.122084 The results of descriptive analysis based on these values, it can be concluded that Risk management through Corporate Governance has a relatively small variation around its average value. The large range of values (from -2.986181 to 10.92662) indicates extreme variation between individual values.

After conducting descriptive statistical analysis, a panel data model selection test is then carried out in which data is collected from the same observation unit repeatedly in a certain period of time:

Table 2. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.911369	(26,103)	0.5921
Cross-section Chi-square	27.952869	26	0.3608

The chow test results shown in table 2 above, the Probability Cross-section F value is 0.5921 and the Probability Cross-section Chi-Square value is 0.3608. This shows the result that both probability values are greater or more than the significance level of 0.05, so in the Chow Test the selected model is the common Effect, so the next estimation model is the Hausman Test (Ghozali, 2016).

Table 3. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.711163	5	0.5917

The results of the hausman test table above, obtained the probability value (Prob.) cross section random is 0.5917 < 0.05. This means that the model selected in this research is a random effect model (REM)

Table 4. Lagrange Multiplier Test Result

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

	Test Hypothesis Cross-section	Time	Both
Breusch-Pagan	0.231809 (0.6302)	1.080222 (0.2986)	1.312031 (0.2520)

The results of the Lagrange multiplier test table above, obtained a Breusch-Pagan cross section value of 0.6302 <0.05 and a Both value of 0.2520 <0.05 This means that the model chosen in this study is the common effect model (CEM).

Based on Table 4, it can be concluded that the appropriate model to use in estimating Corporate Governance variables that moderate the relationship between Company Complexity and Risk Management with Sustainability Performance is the Common Effect Model. After conducting the model selection test, the next step is to conduct a classical assumption test where the results show that the regression model has met the classical assumption test which includes normality test, autocorrelation test, heteroscedasticity test, and multicollinearity test. In this study, there were no symptoms of classical assumptions. After the classical assumption test is carried out, then the panel data regression analysis test is carried out with the common effect model which obtains the following results.

Table 5. Panel Data Regression Analysis Test Results (Fixed Effect)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.08148	2.894112	3.828972	0.0002
CC	-0.280540	0.143878	-1.949846	0.0534
RM	-3.980949	1.419448	-2.804575	0.0058
GCG	-11.18202	2.963453	-3.773309	0.0002
CC*GCG	0.303976	0.153020	1.986502	0.0491
RM*GCG	5.361817	1.477397	3.629233	0.0004
	Weighted Statistics			
R-squared	0.697697	Mean dependent var		7.421692
Adjusted R-squared	0.685980	S.D. dependent var		5.428190
S.E. of regression	1.852247	Sum squared resid		442.5758
F-statistic	59.54476	Durbin-Watson stat		1.465099
Prob(F-statistic)	0.000000			
	Unweighted Statistics			
R-squared	0.347756	Mean dependent var		3.208102
Sum squared resid	795.6572	Durbin-Watson stat		2.065465

Source: Research Data, 2023

Based on the results of the regression equation presented in Table 5, the constant value shows a number of 11.08148 which means that if the value of the independent variables including company complexity, risk management, and corporate governance is equal to zero, the relative value of the company is 11.08148 with the assumption that the independent variables are constant.

1. The obtained CC regression coefficient value of -0.280540 is negative, this means that each increase in CC will reduce SP by -0.280540 and vice versa.
2. The obtained RM regression coefficient value of -3.980949 is negative, this means that every increase in RM will reduce SP by -3.980949 and vice versa.
3. The regression coefficient value of CC * GCG which is the interaction of CC and GCG of 0.303976 is positive, this means that every increase in CC * GCG will increase SP by 0.303976 and vice versa.
4. The regression coefficient value of RM * GCG which is the interaction of RM with GCG of 5.361817 is positive, this means that any increase in RM * GCG will increase SP by 5.361817 and vice versa.
5. Based on the results of the coefficient of determination test (R2 test) presented in Table 5, the adjusted R2 value is 0.685980. This means that 68.59% of the variation in the relative value of the company can be explained by the company complexity, risk management and corporate governance variables studied, while the remaining 31.41% is explained by other variables outside the study.
6. Based on the results of the model feasibility test (F test) presented in Table 5, the Prob (F-statistic) for the entire model shows a value of 0.000000, meaning that the probability value is smaller than the significance of 0.05, it can be concluded in this study that the company complexity and risk management variables simultaneously affect sustainability performance with Corporate Governance as a moderating variable.

The results of the individual significance test (t-test) presented in Table 5, the regression coefficient of the firm complexity variable shows a value of 0.5944 with a p-value of 0.0534 < 0.05 dan dilihat dari nilai t-statistic sebesar -1.949846 > 1.65657 so it can be concluded that firm complexity has a negative influence on sustainability performance. This shows how complex companies may face difficulties in their operational and strategic management. Complicated decision-making processes and excessive bureaucracy can hinder a company's ability to respond to market or environmental changes quickly and efficiently. Complex companies tend to have more variables and factors to manage, which can increase operational, financial and reputational risks. These risks can hinder a company's ability to achieve sustainability goals over the long term. These concepts come from the field of business complexity theory. Organizations that are complex and flexible systems have concentrated on finding new ways to innovate or improve their financial efficacy. Companies need to become more flexible by accelerating changes in global demand and interdependence due to complex uncertainties in the global environment and worldwide competitive expectations in terms of innovation, product quality, productivity, customer service and corporate ethics. Globally active businesses typically have complex supply networks spread across multiple countries. This can increase the likelihood of negative social and environmental impacts in each place. As a result, managing sustainability becomes more difficult. (Mubarok, M. H., 2018). Research findings (Agusniwar, I. et al., 2017) show that task complexity has a significant effect on organizational performance. This is because complex work usually requires more variables, aspects, and interactions that require in-depth understanding and analysis. This level of difficulty can hinder the organization's capacity to effectively achieve its goals. The results of this study support complexity theory, (M. Eisenhardt, et al, 2011) Complexity Theory recognizes that modern companies are complex systems, where internal and external factors are interrelated and influence each other. The complexity of corporate sustainability as a collection of interconnected goals often creates problems, measurement, and communication.

Hasil uji signifikansi individu (uji t) yang disajikan pada Tabel 5, koefisien regresi variabel manajemen risiko menunjukkan nilai sebesar 0,0058 dengan p-value 0,0058 < 0,05 sedangkan jika dilihat dari nilai t-statistic -2.804575 > 1.65657 sehingga dapat disimpulkan bahwa manajemen risiko mempunyai pengaruh negatif terhadap kinerja keberlanjutan. Hal ini menunjukkan bahwa perusahaan mungkin tidak sepenuhnya memahami atau menghargai risiko terkait keberlanjutan, sehingga tidak memprioritaskan tindakan manajemen risiko yang relevan untuk mencapai tujuan keberlanjutan. Perusahaan yang dapat mengelola risiko dengan baik dan memiliki pemahaman yang kuat terhadap risiko dapat menarik investor (Nocco dan Stulz, 2006; Holiawati et al., 2010). Manajemen risiko memastikan bahwa tujuan organisasi tercapai dan melindungi pemangku kepentingan dari konsekuensi buruk yang dapat ditimbulkan oleh risiko (Susilo dan Kaho, 2010). (Holiawati et al., 2020) menunjukkan bukti jelas bahwa manajemen risiko berdampak positif terhadap kinerja keberlanjutan. Manajemen risiko merupakan salah satu cara menjaga hubungan dengan investor, hal ini dapat membantu investor mengetahui profil dan pengelolaan risiko. Teori keagenan mendukung penelitian ini. Teori keagenan menyatakan bahwa konflik kepentingan dapat dihilangkan dengan menerapkan praktik manajemen risiko yang lebih baik. Praktik ini juga meningkatkan keberlanjutan bisnis dan memberikan keyakinan kepada investor bahwa mereka akan menerima pengembalian atas dana yang mereka investasikan (Holiawati et al., 2020).

The company complexity variable moderated by Good Corporate Governance has a probability value that is smaller than the significance level (0.05), which is 0.0491. Because the probability value is smaller than the level of significance or in other words 0.0491 <0.05, it means that the smaller the p-value, the stronger the evidence that there is a significant effect or relationship in the population. In this case, the p-value of 0.0491 is smaller than the predetermined significance level of 0.05, indicating that there is sufficient statistical evidence to reject the null assumption. If the moderation coefficient value is positive and the probability (p-value) is also positive, but the partial test results show that the independent variable has an effect, this indicates that the relationship between the independent and dependent variables is stronger at a higher level than the moderating variable. because the probability value (p-value) is smaller than the set significance level (0.0491 < 0.05), there is sufficient evidence to reject the null assumption, which means that the relationship between the independent variable, moderating variable, and dependent variable is statistically significant. In addition, since the moderation coefficient is positive and the probability (p-value) is also positive, this indicates that the moderating variable strengthens the relationship between the independent and dependent variables at a higher level than the moderating variable. However, if the partial test results show that the independent variable still has an effect on the dependent variable, despite controlling for the moderating variable, then this indicates that the relationship between the independent and dependent variables remains statistically significant, even after considering the effect of the moderating variable. In other words, the independent variable has a strong enough influence on the dependent variable, not only through the moderating variable. In other words, although good corporate governance plays a moderating role in the relationship between firm complexity and sustainability performance, firm complexity still has a direct and significant impact on sustainability performance without going through good corporate governance. This suggests that other factors beyond good corporate governance also influence the relationship between corporate complexity and sustainability performance. In the context of complexity theory, corporate complexity can be seen as the result of complex interactions between various elements within the company, such as organizational structure, communication networks, and business processes. Complexity theory emphasizes that complex systems have an emergent nature, where the behavior and characteristics of the system as a whole cannot be fully predicted or explained by the individual behavior of its components. In this case, corporate complexity may produce emergent effects that affect sustainability performance, which are not fully moderated by good corporate governance. While good corporate governance can help regulate and manage some aspects of firm complexity, there are still elements of complexity that contribute to sustainability performance directly without the intervention or moderation of good corporate governance. This suggests that firms as complex systems have strong internal dynamics that can affect sustainability performance, even beyond the influence of good corporate governance. Thus, this finding supports the idea that companies should be seen as complex entities, where interactions between various factors can produce outcomes that cannot be fully predicted. According to research conducted by (Agusniwar, I et al., 2017) proves that company complexity has a significant effect on organizational performance. This is because complex tasks often involve more variables, aspects, and interactions that require deeper analysis and understanding. This level of difficulty can affect the organization's ability to achieve goals efficiently.

The risk management variable moderated by Good Corporate Governance has a probability value that is smaller than the significance level (0.05), which is 0.0004. Because the probability value is smaller than the level of significance or in other words 0.0004 <0.05, it means that the smaller the p-value, the stronger the evidence that there is a significant effect or relationship in the population. In this case, the p-value of 0.0004 is smaller than the predetermined significance level of 0.05, indicating that there is sufficient statistical evidence to reject the null assumption. If the moderation coefficient value is positive and the probability (p-value) is also positive, but the partial test results show that the independent variable has an effect, this indicates that the relationship between the independent and dependent variables is stronger at a higher level than the moderating variable. because the probability value (p-value) is smaller than the set significance level (0.0004<0.05), there is sufficient evidence to reject the null assumption, which means that the relationship between the independent variable, moderating variable, and dependent variable is statistically significant. In addition, since the moderation coefficient is positive and the probability (p-value) is also positive, this indicates that the moderating variable strengthens the relationship between the independent and dependent variables at a higher level than the moderating variable. However, if the partial test results show that the independent variable still has an effect on the dependent variable, despite controlling for the moderating variable, then this indicates that the relationship between the independent and dependent variables remains statistically significant, even after considering the effect of the moderating variable. In other words, the independent variable has a strong enough influence on the dependent variable, not only through the moderating variable. This means that, although good corporate governance plays a moderating role in the relationship between risk management and sustainability performance, risk management still has a direct and significant impact on sustainability performance without going through good corporate governance. This suggests that risk management is a factor that directly affects a company's sustainability performance, meaning that actions taken to manage risk can directly affect a company's ability to achieve sustainability goals. Good corporate governance, meanwhile, serves to regulate and manage corporate practices to ensure that risk management is properly and effectively implemented. Nevertheless, the results show that even without the moderating role of good corporate governance, risk management measures still have a significant impact on sustainability performance. This suggests that the importance of risk management in the context of corporate sustainability is not entirely dependent on the influence of good corporate governance, although good corporate governance remains important to ensure that risk management is implemented in an effective manner and in accordance with the principles of good governance. The results support agency theory, that risk management has a direct and significant impact on sustainability performance without going through good corporate governance, indicating that agents (company management) have significant responsibilities in managing risks and achieving sustainability goals, even without strong supervision or intervention from principals (company owners) through good corporate governance. This highlights the importance of effective risk management as a mechanism to protect the long-term interests of the principal in achieving sustainability goals so that by implementing risk management practices, conflicts of interest in agency theory can be reduced. Holiawati et al. (2020) found evidence that risk management benefits the company's market performance. Disclosing risk management is a way to maintain relationships with investors; it can help investors know the risk profile and management. They can also be used as a tool to monitor risks and detect potential problems, allowing investors to address problems before they arise.

CONCLUSION

A series of studies show that company complexity has a negative effect on sustainability performance, risk management has a negative effect on sustainability performance, Corporate Governance moderates the relationship between company complexity and sustainability performance and Corporate Governance moderates the relationship between risk management and sustainability performance. Based on the test results that have been carried out, a low adjusted R2 value of 68.59% is obtained, which indicates that there are limitations to the independent variables used in explaining the dependent variable and 31.41% of the sustainability performance value can be explained by other variables not included in the research model. For future researchers who will conduct similar research, it is hoped that they can consider expanding the sample and context in future studies. Research can include companies from various industrial and geographic sectors to gain a more comprehensive understanding of how good corporate governance moderates the relationship between corporate complexity, risk management, and sustainability performance. For shareholders, the advice given by researchers based on the results of the study is to increase awareness of the importance of good corporate governance in managing corporate complexity and related risks to achieve optimal sustainability performance. Shareholders and regulators can play a role in disseminating information and education about good governance practices Shareholders and regulators can encourage companies to adopt good governance practices through policies, guidelines, or incentives. This can help improve a company's transparency, accountability and sustainability performance.

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