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Integration of Business Strategy and Corporate Social Responsibility in Achieving Business Sustainability: A Study on Public Companies in the Manufacturing Sector in Indonesia

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Abstract

This study analyzes the influence of business strategy integration and corporate social responsibility (CSR) on business sustainability in manufacturing companies under the basic materials sub-sector listed on the Indonesia Stock Exchange (IDX) for the period 2022–2024. Employing a quantitative approach with multiple regression analysis on 45 company observations selected through purposive sampling, this study finds that business strategy has a positive and significant effect on business sustainability. Similarly, CSR demonstrates a positive and highly significant effect. Simultaneously, both variables exert a significant influence on business sustainability. The findings reveal that CSR contributes 2.5 times more than business strategy, indicating the necessity of stronger strategic integration between the two variables. The average level of business sustainability achievement is 74.04%, with considerable variation across companies. This study provides practical implications for corporate management to embed sustainability objectives into core strategy, and for policymakers to strengthen regulations and incentives that promote sustainable business practices.

Keywords: *Business Strategy, Corporate Social Responsibility, Business Sustainability, Manufacturing Companies, Triple Bottom Line.*

1. Introduction

Indonesia, as the largest economy in Southeast Asia, has a manufacturing sector that serves as the backbone of the national economy. According to the Central Statistics Agency (Badan Pusat Statistik/BPS, 2024), the manufacturing sector contributed 18.98 percent to Indonesia's Gross Domestic Product (GDP) in 2024, with an annual growth rate of 4.43 percent and a workforce of more than 19 million employees. Despite its economic significance, this sector faces a sustainability paradox of growing complexity. The manufacturing industry is responsible for approximately 35 percent of national greenhouse gas emissions, and confronts critical challenges in industrial waste management, natural resource exploitation, and socioeconomic inequality in communities surrounding industrial areas (Ministry of Environment and Forestry, 2023).

These conditions are further compounded by alarming data on the gap between sustainability commitments and actual implementation. A recent survey revealed that although 78 percent of public manufacturing companies in Indonesia claim to be committed to sustainability, only 34 percent demonstrate substantive implementation in their business practices (Indonesia Sustainability Reporting Awards, 2024).

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Moreover, 62 percent of Indonesian manufacturing companies are reported to lack measurable sustainability targets integrated into their long-term business strategies (BCG, INSEAD, & Heidrick & Struggles, 2023). This underscores the urgency of a fundamental transformation in the approach to business sustainability in the sector.

The multidimensional nature of sustainability challenges in the public manufacturing sector manifests across three critical and interrelated dimensions: economic, environmental, and social — reflecting the triple bottom line framework. From an economic perspective, manufacturing companies face a dilemma between short-term profitability and long-term sustainability investments, which often require significant capital expenditure without immediate return on investment. Data show that 58 percent of Indonesian manufacturing companies experienced a decline in profit margins when implementing sustainability initiatives in the first year, generating internal resistance and pressure from shareholders who prioritize dividend payouts (Saraswati et al., 2025). The uncertainty regarding the long-term economic value of sustainability investments, compounded by limited access to green financing and adequate fiscal incentives, renders economic sustainability a structurally complex challenge for the Indonesian manufacturing sector.

The environmental dimension represents the most visible and urgent concern in manufacturing sustainability. The sector accounts for 42 percent of national energy consumption, with 76 percent still reliant on fossil fuels, producing a massive carbon footprint and contributing significantly to the government-mandated Net Zero Emission 2060 target (Ministry of Energy and Mineral Resources, 2024). Environmental degradation is further exacerbated by suboptimal industrial waste management practices; only 45 percent of manufacturing companies possess waste treatment systems that meet PROPER standards set by the Ministry of Environment and Forestry, while the remainder continue to cause water, soil, and air pollution that adversely affects ecosystems and public health (ERM Sustainability Institute, 2024). The increasingly stringent environmental regulations, including the implementation of carbon taxes and mandatory ESG disclosure expected to be fully enforced in 2025, create compliance pressures that necessitate fundamental transformation in manufacturing operations. Yet many companies have yet to develop a clear roadmap for transitioning toward environmentally sustainable operations.

The social dimension of business sustainability encompasses complex issues related to employee welfare, occupational safety, human rights within supply chains, and contributions to local community well-being. A survey by the Ministry of Manpower (2024) found that 38 percent of manufacturing companies still have occupational accident rates above ILO standards, while 47 percent of manufacturing workers receive wages only marginally above the regional minimum wage without adequate welfare benefits. Issues of labor exploitation, gender discrimination in career opportunities and compensation, and insufficient employee capacity-building programs reflect failures in social sustainability that could threaten the social legitimacy and license to operate of manufacturing companies in Indonesia. Furthermore, corporate engagement with and contributions to local community development remain highly limited and sporadic; 64 percent of community development programs are charity-based rather than empowerment-based, failing to create sustainable and transformative social impact (Rinawiyanti et al., 2023).

The root cause of this multidimensional sustainability challenge lies in the fragmentation and absence of systematic integration between corporate strategy and Corporate Social Responsibility (CSR) initiatives in Indonesian manufacturing companies. Research indicates that although 82 percent of public manufacturing companies have CSR departments and allocate 2–5 percent of net profit to CSR activities — with total CSR investment in the manufacturing sector reaching IDR 8.7 trillion in 2023 — these initiatives are still treated as peripheral activities separated from core business strategy and decision-making processes

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(Sirait et al., 2022). CSR is still perceived as a compliance obligation or public relations tool rather than a strategic lever for achieving business sustainability, resulting in resource inefficiency, inconsistent implementation, and failure to create holistic sustainable value (Nguyen et al., 2024).

A review of the existing literature reveals several critical gaps that require further exploration within the context of Indonesia's public manufacturing companies. First, most prior studies focus on bilateral relationships between separate variables, with very few exploring the mechanisms of integrating corporate strategy, CSR, and business sustainability simultaneously in a holistic model that reflects the complexity of contemporary business reality (Nguyen et al., 2024). Second, the geographic context of research shows a significant bias toward developed countries, with limited representation from developing economies such as Indonesia, which face unique challenges including inadequate comprehensive regulation, resource constraints, and economic growth pressures that conflict with the sustainability agenda (Eger, 2021). Third, the majority of prior research is exploratory in nature, with limited samples and short observation periods, restricting the generalizability of findings and the capacity to capture the temporal dynamics of sustainability strategy implementation (Sirait et al., 2022). Fourth, previous research tends to adopt an outside-in perspective emphasizing external pressures as drivers, while neglecting an inside-out perspective that explores how internal organizational characteristics facilitate or hinder the integration of CSR into corporate strategy (Adolph et al., 2024). Fifth, there are significant methodological inconsistencies, with variations in construct definitions and measurement instruments that make cross-study comparisons problematic (Nguyen et al., 2024).

Given the foregoing background, this study aims to fill these gaps by examining the integration of business strategy and CSR as simultaneous and complementary drivers of business sustainability in public manufacturing companies in Indonesia, with a focus on the basic materials sub-sector listed on the Indonesia Stock Exchange for the period 2022–2024. Through this study, it is expected that a more comprehensive and holistic understanding will emerge, offering both theoretical contributions to the strategic management and CSR literature, as well as practical guidance for corporate managers and policymakers.

2. Literature Review

2.1 Business Sustainability

Business sustainability refers to a company's capacity to create long-term economic value while simultaneously maintaining and enhancing environmental and social conditions. According to Alsayegh et al. (2020), companies with high sustainability levels demonstrate superior long-term performance on both stock market and accounting metrics. The study by Nguyen et al. (2024) confirms that integrating sustainability into business strategy requires a holistic approach that connects various organizational dimensions. Research by Wu and Jin (2022) in the journal Sustainability finds that corporate governance plays a critical role in the effectiveness of transforming sustainability initiatives into measurable performance outcomes.

These empirical findings validate the Triple Bottom Line Theory in explaining the mechanisms by which business sustainability is achieved. Business sustainability is measured using three dimensions: economic (revenue growth, operational efficiency, ROA, ROE), environmental (greenhouse gas emissions, renewable energy, waste management), and social (fair employment, occupational safety, employee development, community contributions). This framework explains that the effective integration of corporate strategy and CSR yields superior performance across all three dimensions simultaneously. It is precisely this synergy between strategy and CSR that realizes long-term sustainability in manufacturing companies.

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2.2 Business Strategy

Business Strategy is defined by Kartono et al. (2024) as a pattern of long-term decisions and actions designed by management to achieve organizational goals in a sustainable manner. The conceptual foundation of this variable is drawn from the Theory of Strategic Management developed by Alfred Chandler (1962). This theory explains that business strategy constitutes the pattern of long-term decisions and resource allocation designed to achieve organizational objectives, wherein organizational structure follows strategy. Chandler (1962) argues that an effective business strategy must be capable of aligning the organization's internal capabilities with external opportunities and challenges to create sustained competitive advantage. According to the research of Hristov et al. (2022), the integration of sustainability initiatives into strategic decision-making yields a positive correlation with corporate performance, and companies that effectively implement sustainability strategies are able to improve conditions in surrounding communities. The study by Nguyen et al. (2024) confirms that integrating corporate sustainability into business strategy requires a holistic approach connecting various organizational dimensions. Research by Larasati et al. (2024) finds that adopting key performance indicators in business strategy through a five-dimensional framework (economic, environmental, social, cultural, and organizational) facilitates the systematic and measurable integration of sustainability into corporate strategy.

Strategic Management Theory is relevant to this study because it provides a framework for understanding how business strategy influences business sustainability through mechanisms of strategic integration and organizational alignment. Business strategy is measured using four dimensions: strategic planning (environmental analysis, vision-mission formulation, strategic goal setting), strategy implementation (resource allocation, cross-functional coordination, strategic leadership), strategy evaluation and control (performance monitoring, feedback systems, strategy adjustment), and strategic innovation (new product/process development, technology adoption, market responsiveness).

2.3 Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is defined by Garcia-Rivas et al. (2023) as business practices that integrate social and environmental considerations into company operations to create sustained positive impact. The conceptual foundation of this variable is drawn from Stakeholder Theory proposed by Freeman (1984). This theory explains that companies have a responsibility to all stakeholders — including employees, customers, suppliers, communities, and the environment — to create mutually beneficial and sustainable value. CSR is formed through the systematic integration of economic, social, and environmental considerations into business decisions, influenced by internal factors such as management commitment and external factors such as regulatory pressure.

According to the research of Garcia-Rivas et al. (2023), management commitment to CSR has a significant positive effect on corporate sustainability. The study of Sinaga (2024) confirms that CSR encompasses four dimensions of the responsibility pyramid: economic, legal, ethical, and philanthropic. Research by Farid et al. (2024) finds that CSR integrated with core business strategy generates superior competitive advantage. However, Putu and Wahyuni (2024) indicate that CSR implementation does not always have a significant impact, suggesting the importance of strategic alignment in CSR implementation. Stakeholder Theory is relevant to this study because it provides a framework for understanding how CSR influences business sustainability through stakeholder relationship management. CSR is measured using four dimensions: economic responsibility (economic contributions, job creation), legal responsibility

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(regulatory compliance, reporting transparency), ethical responsibility (fair business practices, stakeholder integrity), and philanthropic responsibility (community empowerment, social investment).

2.4 Prior Empirical Studies

No.	Researcher & Year	Research Title	Variables	Method	Key Findings
1.	Handoyo et al. (2023)	Business Strategy, Operational Efficiency, Ownership Structure, and Manufacturing Performance	Corporate Strategy, Operational Efficiency → Manufacturing Performance	SEM/PLS	Corporate strategy has a significant positive effect on manufacturing performance.
2.	Magerakis & Habib (2021)	Business Strategy and Environmental Inefficiency	Business Strategy → Environmental Inefficiency	Econometric Analysis	Certain strategies increase environmental inefficiency, negatively impacting sustainability.
3.	Sukanto et al. (2025)	Vertical Integration Strategy does not affect Company Performance	Vertical Integration Strategy → Company Performance	Linear Regression	Vertical integration strategy has no significant effect on company performance.
4.	Kartono et al. (2024)	Enhancing Firm Performance through Corporate Strategy and Religious Observance	Corporate Strategy, Religious Observance → Firm Performance & Business Sustainability	SEM/PLS	Corporate strategy positively affects performance and supports business sustainability.
5.	Huang et al. (2025)	Corporate Social Responsibility and Firm Financial Performance	CSR → Firm Financial Performance	Fixed Effect Model	CSR has a significant positive effect on financial performance.
6.	Nirwansyah et al. (2025)	The Influence of Green CSR on Company Value	Green CSR → Company Value	Secondary Data Regression	Green CSR has a negative impact on company value, as investors view CSR as an additional cost.
7.	Singhal et al. (2024)	Corporate Social Responsibility: Impact on Firm Performance	CSR/ESG → Return on Equity (ROE)	Panel Regression	CSR/ESG has no significant effect on ROE.

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No.	Researcher & Year	Research Title	Variables	Method	Key Findings
8.	Saulick et al. (2023)	Business Sustainability Performance: A Systematic Literature Review	Business Sustainability → Financial & Organizational Outcomes	Systematic Literature Review	Sustainability has a positive effect on organizational stability and performance.

Source: Various sources (2021–2025)

Based on the findings of prior studies, inconsistencies remain in the relationship between business strategy and CSR with respect to business sustainability, as evidenced by results ranging from positive to negative to non-significant effects. Furthermore, most prior studies were conducted in different cultural contexts, organizational characteristics, and industrial sectors. Accordingly, this study seeks to provide a novel contribution by examining the integration of business strategy and CSR in enhancing sustainability within the specific context of public manufacturing companies in Indonesia.

2.5 Conceptual Framework and Hypotheses

The conceptual framework of this study posits that Business Strategy (X1) and Corporate Social Responsibility (X2) operate through two separate yet complementary pathways. The first pathway illustrates that corporate strategy drives companies to innovate and manage resources effectively, thereby contributing to business sustainability. The second pathway demonstrates that consistent CSR implementation enhances stakeholder legitimacy and trust, thereby strengthening corporate sustainability. Both pathways converge at the point of Strategy–CSR Integration, which functions as a synergistic reinforcement in creating long-term value. This integration, in turn, consolidates the achievement of Business Sustainability (Y) in a more comprehensive and enduring manner. Based on this framework, the following hypotheses are proposed:

H1: Business strategy has a positive and significant effect on business sustainability in public manufacturing companies in Indonesia.

H2: Corporate Social Responsibility (CSR) has a positive and significant effect on business sustainability in public manufacturing companies in Indonesia.

H3: Business strategy and CSR simultaneously have a positive and significant effect on business sustainability in public manufacturing companies in Indonesia.

3. Research Methods

This study employs a quantitative approach using an explanatory method to analyze the causal relationships between variables through hypothesis testing (Creswell, 2014). The population consists of all public manufacturing companies listed on the Indonesia Stock Exchange (IDX). Samples were selected using purposive sampling, encompassing companies with complete data on business strategy, CSR disclosure, and business sustainability during the study period.

This study utilizes secondary data obtained from Annual Reports, Sustainability Reports, and supporting data from the IDX, the Financial Services Authority (OJK), and official corporate websites. Data collection was conducted through documentation, accessing and reviewing officially published company documents and relevant institutional sources. All data are used solely for academic purposes and analyzed objectively without manipulation.

Data analysis was carried out using IBM SPSS Statistics 25 software. The analytical stages include: (1) descriptive statistical analysis to provide a picture of the data through mean, minimum, maximum, and standard deviation values; (2) classical assumption tests comprising normality (Kolmogorov-Smirnov test),

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multicollinearity (Tolerance and VIF), heteroscedasticity (Glejser test), and autocorrelation (Durbin-Watson test); (3) multiple linear regression analysis to test the direction and magnitude of the effect between variables; and (4) hypothesis testing comprising the t-test (partial), F-test (simultaneous), and the coefficient of determination (R^2) to determine how much the independent variables explain the variation in the dependent variable.

4. Results and Discussion

4.1 Sample Overview

The population used in this study comprises manufacturing companies in the basic materials sub-sector listed on the Indonesia Stock Exchange (IDX) for the period 2022–2024, totaling 103 companies. Samples were selected using the purposive sampling method. Following the sample selection process based on pre-determined criteria, 20 companies were found to meet the sample criteria, yielding 45 observations after removing outliers from 60 total firm-year observations (20 companies × 3 years). The sample selection process is presented in Table 1 below.

Table 1. Sample Selection Process

No.	Sample Selection Criteria	Excluded	Included	Total
1.	Manufacturing companies (basic materials sub-sector) consecutively listed on the IDX for 2022–2024	–	103	103
2.	Companies that did not publish annual reports on the IDX during 2022–2024	(13)	–	90
3.	Companies that did not publish a separate sustainability report during 2022–2024	(38)	–	52
4.	Companies presenting sustainability and financial reports with a high level of narrative complexity, hindering information transparency	(32)	–	20
Total Eligible Sample Companies	**–**	**20**	**20**	
Total Observations (20 companies × 3 years)	**–**	**60**	**45***	

**After removal of 15 outlier observations. Source: Data processed by researcher (2025).*

4.2 Descriptive Statistical Analysis

Descriptive statistical analysis is used to describe the characteristics of research data through mean, minimum, maximum, and standard deviation values. The results are presented in Table 2.

Table 2. Descriptive Statistics (After Outlier Removal)

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Variable	N	Minimum	Maximum	Mean	Std. Deviation
Business Strategy	45	-0.36	0.33	-0.1369	0.18343
Corporate Social Responsibility	45	0.61	1.00	0.8289	0.09094
Business Sustainability	45	0.37	1.00	0.7404	0.18198

Source: Output IBM SPSS Statistics 25

Based on Table 2, the Business Strategy variable has a minimum value of -0.36 and a maximum of 0.33, with a mean of -0.1369 and a standard deviation of 0.18343. The negative mean value indicates that, in general, companies in the research sample tend to adopt certain strategic positions below the baseline measurement value, reflecting that a majority of sampled firms are still transitioning from conventional to sustainability-oriented strategies. The standard deviation, which exceeds the absolute mean value, indicates considerable variation across companies in terms of the business strategies adopted.

The Corporate Social Responsibility variable has a minimum value of 0.61 and a maximum of 1.00, with a mean of 0.8289 and a standard deviation of 0.09094. This demonstrates that the level of CSR disclosure and implementation in the sample is relatively high and uniform. The very small standard deviation (0.09094) indicates an absence of significant differences between companies in terms of CSR practices, reflecting strong and consistent CSR commitment driven by mandatory ESG disclosure regulations expected to come into full force in 2025.

The Business Sustainability variable has a minimum value of 0.37 and a maximum of 1.00, with a mean of 0.7404 and a standard deviation of 0.18198. The relatively high mean reflects that the majority of companies demonstrate a good commitment to business sustainability, reaching an average achievement level of 74.04 percent. The standard deviation, which is lower than the mean, indicates that data tends to cluster around the mean value, although considerable variation in sustainability levels remains across companies.

4.3 Classical Assumption Tests

Classical assumption tests are conducted as a prerequisite to multiple linear regression analysis, encompassing normality, multicollinearity, heteroscedasticity, and autocorrelation tests.

4.3.1 Normality Test

The normality test examines whether the residuals of the regression model follow a normal distribution, using the Kolmogorov-Smirnov (K-S) test. The decision criterion states that data are normally distributed if the Asymp. Sig. (2-tailed) value exceeds 0.05.

Table 3. One-Sample Kolmogorov-Smirnov Normality Test (After Outlier Removal)

Parameter	Unstandardized Residual
N	45
Mean	0.0000000
Std. Deviation	0.15926
Most Extreme Differences – Absolute	0.071
Test Statistic	0.071
Asymp. Sig. (2-tailed)	**0.200**

Source: Output IBM SPSS Statistics 25

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The Kolmogorov-Smirnov test results yield an Asymp. Sig. (2-tailed) value of 0.200, which exceeds the significance level of 0.05. This result confirms that the residuals in the research model are normally distributed.

4.3.2 Multicollinearity Test

The multicollinearity test examines whether a correlation exists among the independent variables in the regression model. The decision criterion states that no multicollinearity is present if the Tolerance value exceeds 0.10 and the Variance Inflation Factor (VIF) is below 10.

Table 4. Multicollinearity Test Results

Variable	Tolerance	VIF
Business Strategy	0.998	1.002
Corporate Social Responsibility (CSR)	0.998	1.002

Source: Output IBM SPSS Statistics 25

Table 4 shows that all independent variables have Tolerance values greater than 0.10 and VIF values less than 10. It can therefore be concluded that no multicollinearity exists among the independent variables in this regression model.

4.3.3 Heteroscedasticity Test

The heteroscedasticity test examines whether the variance of residuals differs across observations. The decision criterion states that heteroscedasticity is absent if the significance value of each independent variable exceeds 0.05 in the Glejser test.

Table 5. Heteroscedasticity Test Results (Glejser Test)

Model	B	Std. Error	Beta	t	Sig.
(Constant)	0.256	0.128	–	2.000	0.052
Business Strategy	-0.101	0.076	-0.198	-1.331	0.191
Corporate Social Responsibility	-0.172	0.153	-0.168	-1.125	0.267

Dependent Variable: Abs_RES. Source: Output IBM SPSS Statistics 25

Table 5 shows that the significance values for Business Strategy (0.191) and Corporate Social Responsibility (0.267) both exceed 0.05. It can therefore be concluded that the regression model in this study does not exhibit heteroscedasticity.

4.3.4 Autocorrelation Test

The autocorrelation test examines whether a correlation exists between the error of period t and the error of period t-1. The Durbin-Watson (DW) test is used, with the criterion that no autocorrelation exists if dU < DW < (4 – dU) (Ghozali, 2021). The initial DW value was 0.985, falling below the lower bound (dL = 1.4301), indicating the presence of autocorrelation. To address this, the Cochrane-Orcutt transformation procedure was applied (Ghozali, 2021).

Table 6. Autocorrelation Test Results (After Cochrane-Orcutt Transformation)

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Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.359	0.129	0.086	0.14041	1.830

Predictors: LAG_CSR, LAG_Business Strategy. Dependent Variable: LAG_Business Sustainability. Source: Output IBM SPSS Statistics 25

Following the Cochrane-Orcutt transformation, the DW value is 1.830. With dU = 1.623 and (4 – dU) = 2.370, the condition dU < DW < (4 – dU), or 1.623 < 1.830 < 2.370, is satisfied. This confirms that the model is free from autocorrelation.

4.4 Multiple Linear Regression Analysis

Multiple linear regression analysis is used to determine the direction and magnitude of the influence of the independent variables on the dependent variable simultaneously.

Table 7. Multiple Linear Regression Analysis Results

Model	B	Std. Error	Beta	t	Sig.
(Constant)	0.171	0.227	–	0.754	0.455
Business Strategy (X1)	0.297	0.134	0.300	2.218	0.032
Corporate Social Responsibility (X2)	0.736	0.270	0.368	2.721	0.009

Dependent Variable: Business Sustainability. Source: Output IBM SPSS Statistics 25

Based on Table 7, the multiple linear regression equation is as follows:

BS = 0.171 + 0.297 Strategy + 0.736 CSR + ε

This equation indicates that when all independent variables are held constant, business sustainability has a baseline value of 0.171. Each one-unit increase in Business Strategy increases Business Sustainability by 0.297 units, while each one-unit increase in CSR increases Business Sustainability by 0.736 units, holding all other variables constant.

4.5 Hypothesis Testing

4.5.1 Partial Significance Test (t-Test)

The t-test examines the partial influence of each independent variable on the dependent variable. The decision criterion states that H0 is rejected and H1 is accepted if Sig. < 0.05, while H0 is accepted and H1 is rejected if Sig. > 0.05.

Table 8. Partial t-Test Results

Variable	B	Std. Error	Beta	t-count	Sig.
Business Strategy (X1)	0.297	0.134	0.300	2.218	0.032
Corporate Social Responsibility (X2)	0.736	0.270	0.368	2.721	0.009

Dependent Variable: Business Sustainability. Source: Output IBM SPSS Statistics 25

The Business Strategy variable yields a t-count of 2.218 with a significance value of 0.032, which is less than 0.05 (0.032 < 0.05). H1 is therefore accepted, meaning Business Strategy has a positive and significant partial effect on Business Sustainability. The Corporate Social Responsibility variable yields a t-count of 2.721 with a significance value of 0.009, which is less than 0.05 (0.009 < 0.05). H2 is therefore accepted, meaning CSR has a positive and significant partial effect on Business Sustainability.

4.5.2 Simultaneous Significance Test (F-Test)

Table 9. Simultaneous F-Test Results (ANOVA)

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Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.341	2	0.171	6.421	0.004
Residual	1.116	42	0.027	–	–
Total	1.457	44	–	–	–

Dependent Variable: Business Sustainability. Source: Output IBM SPSS Statistics 25

Based on Table 9, the F-count value is 6.421 with a significance value of 0.004, which is less than 0.05. H3 is therefore accepted, confirming that Business Strategy and CSR simultaneously exert a positive and significant effect on Business Sustainability in public manufacturing companies in Indonesia.

4.5.3 Coefficient of Determination (R^2)

Table 10. Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.484	0.234	0.198	0.16300

Predictors: (Constant), CSR, Business Strategy. Source: Output IBM SPSS Statistics 25

Table 10 shows an Adjusted R^2 value of 0.198, indicating that Business Strategy and CSR collectively explain 19.8 percent of the variation in Business Sustainability. The remaining 80.2 percent is explained by other variables outside the model, such as organizational culture, innovation capability, governance structure, and macroeconomic conditions. The relatively modest R^2 confirms the multidimensional complexity of the sustainability phenomenon (Nguyen et al., 2024).

4.6 Discussion

4.6.1 Effect of Business Strategy on Business Sustainability

The results of the first hypothesis test demonstrate that business strategy has a positive and significant effect on business sustainability ($\beta = 0.297$; $t = 2.218$; $p = 0.032 < 0.05$). This finding validates the Triple Bottom Line Theory (Elkington, 2013), which posits that an integrated business strategy can generate superior performance across the economic dimension (operational efficiency, profitability), the environmental dimension (environmentally friendly technology, emissions reduction), and the social dimension (employee welfare, community contributions) simultaneously.

The descriptive data indicate a mean business strategy value of -0.1369 with a standard deviation of 0.18343, suggesting that most companies are still in the transition phase from conventional strategies toward sustainability-oriented strategies. The high variation indicates that companies that have already adopted sustainable strategies demonstrate superior performance. This finding is consistent with those of Handoyo et al. (2023) and Kartono et al. (2024), who found that corporate strategy has a significant positive effect on manufacturing performance and business sustainability. Nevertheless, the contribution of business strategy ($\beta = 0.297$) is lower than that of CSR ($\beta = 0.736$), indicating a disconnect between conventional business strategies and the sustainability agenda. This aligns with the findings of Magerakis and Habib (2021), who found that certain strategies can increase environmental inefficiency, underscoring the need for strategic transformation to embed sustainability objectives into core business strategy (Nguyen et al., 2024).

4.6.2 Effect of Corporate Social Responsibility on Business Sustainability

The results of the second hypothesis test demonstrate that CSR has a positive and highly significant effect on business sustainability ($\beta = 0.736$; $t = 2.721$; $p = 0.009 < 0.05$). This finding validates Stakeholder

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Theory (Freeman, 1984), which posits that CSR creates social legitimacy and the social license to operate — both of which are crucial for long-term sustainability. Each one-unit increase in CSR implementation raises business sustainability by 0.736 units, or 2.5 times greater than the contribution of business strategy.

The descriptive data confirm a very high level of CSR implementation, with a mean of 0.8289 (82.89%) and a low standard deviation (0.09094), indicating strong and consistent commitment to CSR practices across companies. This high level of CSR implementation is driven by mandatory ESG disclosure regulatory pressures expected to come into full force in 2025, as well as increasing stakeholder expectations. The findings are consistent with those of Garcia-Rivas et al. (2023), Huang et al. (2025), and Sirait et al. (2022), who found that CSR has a significant positive effect on sustainability and corporate performance. However, the literature contains certain contradictory findings: Nirwansyah et al. (2025) found that Green CSR has a negative impact on company value, as investors perceive CSR as an additional cost, while Singhal et al. (2024) found no significant effect of CSR on ROE. These inconsistencies can be explained through time horizon analysis and the quality of CSR implementation — only CSR that is strategically integrated with core business operations creates sustainable value, rather than charity-based approaches (Farid et al., 2024).

4.6.3 Integration of Business Strategy and CSR in Business Sustainability

The F-test results indicate that business strategy and CSR simultaneously exert a significant effect on business sustainability ($F = 6.421$; $p = 0.004 < 0.05$), with an Adjusted R^2 of 0.198 (19.8%). This indicates that both variables collectively explain 19.8 percent of the variation in business sustainability, while 80.2 percent is explained by other factors such as organizational culture, innovation capability, and governance structure. The relatively modest R^2 value confirms the multidimensional complexity of the sustainability phenomenon, which requires a holistic approach (Nguyen et al., 2024).

A significant paradox emerges from the data: CSR contributes 2.5 times more ($\beta = 0.736$) than business strategy ($\beta = 0.297$). This gap indicates a fundamental disconnect between conventional business strategies and the sustainability agenda. From the perspective of Triple Bottom Line Theory, this phenomenon suggests that CSR has evolved into a comprehensive framework that integrates economic, environmental, and social considerations, while business strategy remains predominantly economic-centric. To achieve effective integration, several measures are required: (1) embedding sustainability objectives into corporate vision and strategic goals; (2) developing sustainability-oriented business models that create shared value; (3) aligning organizational structures and incentive systems with sustainability targets; (4) establishing sustainability governance mechanisms; and (5) transforming CSR from a charity-based approach toward strategic CSR that is integrated with core business operations (Kartono et al., 2024; Wu and Jin, 2022). Only through genuine integration within the Triple Bottom Line framework can manufacturing companies achieve business sustainability that is truly resilient and competitive.

5. Conclusion

This study concludes that business strategy and corporate social responsibility (CSR) are both proven to have a positive and significant effect on business sustainability in manufacturing companies within the basic materials sub-sector listed on the Indonesia Stock Exchange for the period 2022–2024, both partially and simultaneously. The average business sustainability level of the sample companies reaches 74.04 percent; however, the considerable variation among companies reflects implementation gaps that need to be addressed.

Notably, CSR contributes 2.5 times more to business sustainability than business strategy ($\beta = 0.736$ vs. $\beta = 0.297$), indicating that the conventional business strategies of most companies have not yet been fully oriented toward the sustainability agenda. This finding underscores the urgency of strategic transformation:

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companies must integrate sustainability objectives more comprehensively into their core business strategies and elevate CSR from a mere compliance obligation to a strategic integral of business operations. For policymakers, the findings of this study advocate for strengthening regulatory frameworks for sustainability reporting obligations, providing financial incentives for sustainable practices, and facilitating multi-stakeholder collaboration to accelerate the transition toward a sustainable manufacturing sector in Indonesia. Future researchers are recommended to investigate mediating and moderating variables such as green innovation and organizational culture, extend the scope to other industrial sectors, employ mixed research methods and longitudinal studies, and conduct comparative studies with other developing and developed countries to identify best practices in integrating strategy and CSR for business sustainability.

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