

The Impact of Corporate Governance Performance on Corporate Sustainability: A Sri Lankan Perspective

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Abstract

The purpose of this paper is to examine the impact of corporate governance performance on corporate sustainability, since current practice is deficient in knowledge regarding the relationship between corporate governance and corporate sustainability. Following a sequential exploratory approach, this study adopts a mixed method. In the first phase, data were collected from 50 listed local companies in Sri Lanka in order to measure corporate governance and corporate sustainability performances. In the second phase, two mini-ethnographic case studies were conducted. Quantitative data were analyzed using the partial least squares (PLS) method, while qualitative data were analyzed based on thematic analysis. The current study identifies a significant impact of corporate governance performance on economic, social and environmental performances, with the highest impact being on social performance. The paper confirms the Stakeholder Theory, establishing the impact of corporate governance on economic, social and sustainability performances, while extending the theory by suggesting the importance of factors such as organizational culture and structure in creating an ideal, stakeholder-friendly organizational environment. While urging managers to be conscious of the short and long term economic, social, and environmental consequences of their business decisions, this paper confirms the ability of governance to influence sustainability performances of companies through organizational culture and structure. The research findings contribute towards an understanding of the impact of corporate governance performance on corporate sustainability. The paper further identifies the importance of studying the influence of factors such as organizational culture and structure on the relationship between corporate governance performance and corporate sustainability

Keywords: Corporate governance, Corporate sustainability, Stakeholder theory, Triple bottom line.

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