A Conceptual Study on Corporate Governance and Sustainability

K. Raghuveer, Atluri Sree Ram** and B. Hari Babu****

ABSTRACT

Improvements in quality, competitiveness, responsibility, and trust are just few of the outcomes of a management approach that prioritises sustainability. Not only has been linked to boosting the worth of businesses, but it has also been linked to enhancing their reputation. Yet, this idea has many facets and variations, and this might cause incongruity for corporate executives whose only goal is to boost sales. As a result, environmental, social, and economic aspects of corporate governance have become increasingly important. The purpose of this paper is to argue for the merits of incorporating ecological responsibility and corporate behaviour into organisational management by discussing its advantages, disadvantages, and potential applications. In addition, many sustainable model governing bodies outlined in detail to be able to compare and contrast their individual components. We determine that cooperation is essential across models, and that a wider range of theoretical development is required to assist in the adoption of exemplary corporate behaviour practises and guarantee long-term viability.

Keywords: *Competitive advantage; Corporate governance; Governance models; Sustainability; Prospects.*

1.0 Introduction

Sustainability has shown its capacity to encourage balanced growth across three factors: financial, social, and environmental in a time when the state of the global economy will be characterised by inflation, increasing raw material and labour prices, and political turbulence (Liu & Zhuang, 2013). The business world, alas, focuses mostly on the first aspect (Chardine-Baumann & Botta-Genoulaz, 2014). This article uses a theoretical examination of empirical research to look at the connection between ecological responsibility and corporate behaviour problems. To further enhance knowledge of the topic of durability in the application current models that have been proposed for corporate governance may be adopted in organisations future events are provided. In in order to locate and explain the components of sustainable governance systems, this study attempts to explain the origins of these theories and models that support them, also the outcomes of their acceptance into organisational management.

**Sr. Assistant Professor, Department of Department Business Management, V.R. Siddhartha Engineering College, Vijayawada, Andhra Pradesh, India (E-mail: r.katragadda@vrsiddhartha.ac.in)*

***Professor, Vignana Jyothi Institute of Management, Hyderabad, Telangana, India (E-mail: dr.atlurisreeram@vjim.edu.in)*

****Assistant Professor (Senior Level), Department of Management Studies, VFSTR Deemed to be University, Vadlamudi, Andhra Pradesh, India (E-mail: haribabu@vrsiddhartha.ac.in)*

A few of the many advantages of sustainability observed in the management field include improvements in food quality (Bekele, Bosona, Nordmark, Gebresenbet, & Ljungberg, 2012), competitiveness (Aigner & Lloret, 2013), and accountability and trust (Haywood, Trotter, Faccer, & Brent, 2013). These outcomes account for the recent proliferation of scholarly works on sustainability, which has not helped clear up confusion in the area due to a lack of a common definition of the idea of sustainability (Gibbs & O'Neill, 2015). The complexity of this thought stems from the fact that it is multifaceted and varied (2012) Renukappa, Egbu, Akintoye, & Goulding. In other instances, corporate executives prioritise sustainability merely as a way to raise their brand's visibility in the public and enhance sales (Boukherroub, Ruiz, Guinet, & Fondrevelle, 2015; Galpin, Whittington, & Bell, 2015).

The notion of sustainability encompasses not just the impact of businesses on issues of the economy, society, and the environment (such as energy conservation, climate change reversal, and biodiversity protection) (Ha-Brookshire, & Norum, 2011). In practise, sustainability and social responsibility exist side by side; businesses openly incorporate these ideas into their operations, giving rise to ideals and encouraging actions that go beyond the norms of the host nation (Velázquez, & Vargas, 2012).

1.1 The history of sustainability

Sustainable development has progressed via three main phases. During the first time phase, labelled "Pre-Stockholm" (1972), religious ideas and customs were very influential. The Judeo-Christian canon, for instance, recognises man's inherent claim to rule the cosmos. The indigenous peoples of North America also held a holistic view that emphasised harmony with the natural world. The second time frame (1972-1987) saw the most significant growth in the construction of the idea from the UN-sponsored Stockholm Conference in 1972 through the World Commission on Environment and Development (WCED) in 1987, there has been discussion of sustainable development. (2000) (Mebratu). During the third phase, referred to as "Post-WCED," the United Nations Conference on Environment and Development (1992) in Rio de Janeiro, Brazil, brought ecological change to the attention of world leaders (1987). 2012 (Dauvergne).

The Brundtland Commission's (WCED) report, Our Common Future, defines sustainable development as "development that meets the needs of the present without compromising future generations' ability to meet their own needs" (WCED, 1987, quoted 2008, p. 215; by Kajikawa. At the time, the 1992 Rio conference in Brazil was seen as the most effective global example of sustainable development. Five documents, including the Rio Declaration on the Environment, Agenda 21, the Convention on Biological Diversity, the United Nations Framework Convention on Climate Change, and the Declaration of Principles on the Management, Conservation, and Sustainable Development of All Types of Forests, were all incorporated into one another:

- Proclamation of Rio Environment, Agenda 21
- Framework Convention on Climate Change

- Biological Diversity Convention Diversity
- Declaration of Management Principles, Conservation, and
- Sustainable Forestry Development for All Forest Types (Pierri, 2005).

After twenty years Rio, renewable energy met fewer than 15% of the world's energy demand in 2011, the International Energy Agency claims (IEA). The situation is considerably worse for companies with a reputation for doing business ethically. There is little likelihood of the world reaching a tipping point since so few countries and enterprises have included the national conversation about sustainability policy and commercial strategy (Fernando, 2012). Companies that put profit maximisation ahead of social responsibility often abuse their market power or engage in other anti-competitive practises that diminish their contribution to society (Santos, 2012). Increased healthy finances are related to performance in this field, competitiveness, and innovation, highlighting the need of an environmentally friendly organisational strategy in light of the current circumstances (Cronin, Smith, Gleim, Ramirez, & Dawn, 2010).

Universities, on the other hand, are places where people may go to further their own education and expand their understanding of the world, but whether or not they are also learning organisations is questionable considering how few of them actually help society progress over time (Albrecht, Burandt, & Schaltegger, 2007). Developing a connection between individuals, organisations, and society requires universities to include new aspects into business administration programmes to better equip future managers should act with greater awareness and flexibility, guided by sustainability and competitiveness in a dialogical manner. (Palma, Oliveira, & Viacava, 2011). Future professionals can better understand the moral foundations for decisions on which method or strategy to take if they receive training in ethics as it relates to sustainability, for instance (Biedenweg, Monroe, & Oxarart, 2013). Third, universities might benefit from taking cues from corporate sustainability reporting activities in order to better integrate sustainability into their own systems (Lozano, 2011).

Sustainability encompasses not only the impact of businesses on economic and social issues, but also the impact of environmental concerns (such as energy conservation, climate change reversal, and biodiversity preservation) (Ha-Brookshire, & Norum, 2011). In practise, sustainability and social responsibility exist side by side; businesses openly incorporate these ideas into their operations, giving rise to ideals and encouraging actions that go beyond the norms of the host nation (Velázquez, & Vargas, 2012).

Corporate sustainability is the most pertinent business issue for a firm in the long term, and it is also the most pertinent subject in financial and economic systems, thus outcomes and conclusions should reflect this. Financial growth and sound decision making on the cost of capital, capital budgeting, investment returns, and working capital management are essential for sustainable practises to be implemented in an organisation. Last but not least, businesses should disclose their environmental initiatives to win back consumers' trust and loyalty (Almansoori 2018).

1.2 Corporate governance history

There are three distinct time periods in the development of corporate governance. The first, managerial capitalism (1932–1976), offers independent management from property owners and is grounded in agency theory. The strategy was criticised by owners who saw that management were using the company for their own financial gain, which brought to light the need for new methods to deal with governance problems.

The second phase of Jensen & Meckling's history started in 1976 and was characterised by capitalist shareholder value. It does this by using stock-based remuneration as a mechanism to match top management goals with shareholder goals. The creation of stakeholders who value the organisation for reasons other than only its financial return—that is, as a tool of achieving a goal—is the final step. Freeman proposed merchants and customers in 1984. (Kakabadse, Mostovicz, & Kakabadse, 2011). Shareholders in the contemporary financial system do not own shares, whereas shareholders do. It is anticipated that future collaboration between these two organisations will produce a self-sustaining system of new capitalism (Bonnafous-Boucher, 2005). Stakeholders are defined as any entity that "can affect or is influenced by the fulfilment of the organisations' objectives" (Freeman, 1984; referenced by Spitzeck, 2009, p. 496).

As a series of procedures used to manage and direct firms, the word "corporate governance" refers to these procedures. The relationships between management, shareholders, and other stakeholders are the main emphasis of corporate transparency. The best company governance practises safeguard the interests of all parties involved (Cuneyt-Arslantas & Afacan-Findikli, 2013). This system is also described as "a framework for organising relations between shareholders, the board of directors, management, and other stakeholders" by the Organization for Economic Co-operation and Development (OECD) (OECD [Organisation for Economic Co-operation and Development], 2004, quoted by Guo, Smallman, & Radford, 2013, p. 257).

Honoré, Munarib, and Pottelsberghe (2015) reference the OECD (2004) as saying that "strong corporate governance provides enough incentives for the board and management to pursue goals that are in the best interests of the company and its shareholders and permits effective monitoring." In example, sustainable governance is frequently utilised to anticipate and address possible threats to a company's reputation in the public and legal arenas (Blowfield & Dolan, 2010; referenced by Li, Zhao, Shi, & Li, 2014).

By attracting and retaining investors, sound corporate governance may help a company increase its market value. According to a global poll on the subject, investors are willing to pay a premium for businesses with solid governance practises and frameworks. This premium is noticeably higher in Europe, where demand to provide shareholders with better information is still present, particularly on the continent's capital markets in the UK and the US.

As part of the OECD's basic international corporate governance principles, businesses are urged to promote openness, fairness, ethics, responsibility, and honesty in their interactions with shareholders and other stakeholders (Lai & Chen, 2014). The "OECD

Principles of Corporate Governance" serve as a reference manual that defines a standard for corporate formation requirements and can be consulted by stock markets, investors, firms, and other stakeholders. These ideas brought about reforms in the areas of shareholder rights, fair treatment, stakeholder participation, openness, and Supervisory Board duties. The "Principles" were revised in 2004 after being initially adopted in May 1999. (Rosen, 2007).

Literature on governance has only just begun. The most challenging aspect of managing a supply chain is getting everyone to cooperate, according to recent research. This is due to the fact that the manager of the supply chain's actors is now in charge of the cost-benefit analysis of the business connection, worldwide product quality attention, competitive strategy, and greater global attention to environmental issues (Vurro, Russo, & Perrini, 2009, cited by Li et al., 2014).

2.0 Governance in the Workplace and Sustainability

The benefits of combining governance and sustainability strategy include increased CSR (Sharma, 2014), higher organisational value (Klettner et al., 2014), and results in these capacities (Janggu, Darus, Zain, Yussri, and Sawani, 2014). Last but not least, there is a lot of cooperation with both the suppliers and other stakeholders, which equates to adhering to sustainable governance principles (Gimenez & Sierra, 2013; Li et al., 2014).

According to Gimenez and Sierra, managing sustainability throughout the supply chain is a major challenge for businesses (2013). To guarantee that their suppliers are similarly environmentally conscious, many businesses have put governance procedures in place. Gimenez and Sierra (2013) examined the two approaches of supplier assessment and supplier collaboration in an effort to improve environmental performance. A survey was distributed to 109 German managers in August of 2009. The findings indicated that both strategies have a positive and synergistic impact on environmental performance and that assessment aids in facilitating cooperation between them.

Using agency theory, Janggu et al. (2014) analysed the impact of corporate governance on the long-term viability of one hundred publicly listed Malaysian companies in 2010. The findings indicate that the composition and quality of the board, as well as the process by which its members are selected, have a major impact on the longevity of an organisation.

Klettner, Clarke, and Boersma (2014) conducted a similar investigation, this time looking into how fifty Australian businesses implemented corporate governance practises related to sustainability goals. The study assessed companies' annual reports and discovered significant development in incorporating sustainability into business processes. Financial benefits may be expected by incorporating both the board of directors and the general manager into sustainability plan development, as shown by the study's findings. Thus, sustainability is essential to maintaining or increasing the value of the company.

Sustainable governance is still a relatively new idea. Li et al. (2014) examined how CSR initiatives impacted target companies' and their suppliers' long-term viability in the textile sector. Based on the theory of sustainable development, seven competitive sustainability traits were described, and the benefits of adopting sustainable governance were highlighted. These characteristics include consumer demand traits, regulatory capacity of the government, outreach capability of non-governmental organisations (NGOs), supply chain density, transaction complexity, centrality of the focal enterprise, and supplier capabilities. The authors found that effective supply chain governance necessitates strong coordination between internal corporate governance and business stakeholders from the standpoint of external governance. Also, the authors argued for deeper examination of the effectiveness of governance in actual world settings as well as additional research into the effectiveness of supply chain operations in light of sustainable governance principles.

Sharma (2014) investigated the relationships between CSR, corporate governance, and sustainability in India by utilising a correlation analysis. In 2009–2010 and 2010–2011, data from S&P CNX Nifty-listed firms' annual reports and sustainability reports was gathered. The author discovered a strong association between CSR and sustainability, a weak positive relationship between sustainability and corporate governance, and a weak negative correlation between sustainability and corporate governance using the Spearman coefficient.

2.1 Corporate governance and sustainability challenges

There are a number of obstacles that must be overcome in this field, such as a lack of understanding of the issues at hand and the need for better stakeholder alignment and collaboration (Lacy & Hayward, 2011; Gnan, Hinna, Monteduro, & Scarozza, 2013). (Formentini & Taticchi, 2015). Additionally, proof of the efficiency of sustainability committees in reacting to government pressure is essential (Krechovska & Prochazkova, 2013). (Ortiz-de-Mandojana, Aguilera-Caracuel, & Morales-Raya, 2014).

Employers' ideas on sustainability are crucial. In order to address this issue, Lacy and Hayward (2011) worked with the United Nations Global Compact to interview over 800 chief executive officers (CEOs), the majority of whom were aware of the significance of the challenge they face in integrating sustainability features with their core businesses. In this regard, there is widespread agreement that corporations may contribute significantly to promoting a more sustainable economy if doing so is consistent with their objectives.

Local public services, according to Gnan, Hinna, Monteduro, and Scarozza (2013), have led to a re-evaluation of the role of government. To support the implementation of public policy through stakeholder involvement, new public management is needed. In recent years, modern tools like human resource management and control systems have been employed to assist in achieving these objectives. To learn more about ways to encourage stakeholder engagement in corporate governance, a study based on a theoretical discussion and empirical research on 37 public service organisations was conducted.

By the employment of some "new public management" tools, such as the ISO [International Organization for Standardization] 9000 quality standards and the ISO 14000 sustainability standards, there is an effort to promote new kinds of organisational behaviour in decision-making processes. Corporate governance must take stakeholders' interests into account and should put both shareholders' (profit maximisation) and stakeholders' (involvement) interests first. Because they have not addressed issues with their corporate governance structures, agencies have not improved their performance despite the application of OECD standards (Gnan et al., 2013).

Corporate sustainability is the capacity to positively affect economic, social, and environmental development via corporate governance practises and the company's market position, as described by Krechovska and Prochazkova (2013), who also explain the problems of sustainability and governance. While businesses are cognizant of sustainability's importance to their long-term success, the research shows that this awareness has not translated into action (especially in small and medium-sized enterprises). But, companies care mostly about the bottom line.

Notwithstanding the importance of voluntarism in achieving sustainability objectives, the organisational setting must also be considered. Corporate governance practises throughout the world have converged, say Ortiz-de-Mandojana, Aguilera-Caracuel, and Morales-Raya (2014). This convergence is due, in part, to the fact that both regions share similar norms of behaviour, laws, company globalisation, and investment activity. To determine whether or not national institutional setting influences management's success in promoting environmental sustainability, the authors utilised the "Bloomberg" website to distribute a questionnaire to 210 enterprises in 14 countries throughout North America and Europe. From what we can see, stricter environmental restrictions reduce the correlation between a high proportion of independent directors and environmental sustainability. The correlation between the autonomy of the chief executive officer and the autonomy of the board of directors also led to the same conclusion. Ultimately, it was shown that national institutional factors are not necessary for the effectiveness of environmental committees in promoting environmental sustainability.

Formentini and Taticchi (2015) emphasise that although collaboration among many participants in the productive sectors is essential to achieving sustainability, academics and professionals are focusing more on the role of governance in sustainable supply chain management. They give an empirical analysis of seven case studies that incorporates contingency theory, the possibility of strategic alignment, and the idea of organisational resources in order to close this gap in the research. As a result, they were able to identify three different types of sustainability profiles and classify governance systems according to their level of formalisation and cooperation (leaders, professionals, and traditionalists). The empirical results, according to the authors, can both help professionals carry out sustainability activities at the supply chain level and academics create theories in this field.

2.2 Opportunities for corporate governance and sustainability

The development of fresh techniques that strengthen both notions' credibility, a deeper comprehension of both ideas (Aras & Crowther, 2008), and overall advancement in sustainability are all possibilities (De Marchi, Di Maria, & Ponte, 2013). Yet, MNC representatives haven't been able to help with stakeholder contact (Geibler, 2013), which calls for investigation, especially by identifying factors that influence effective sustainability certification.

Aras and Crowther (2008) investigated the relationship between corporate governance and sustainability in Europe by looking at the FTSE100 and its corporate governance standards (the 100 largest companies listed on the London Stock Exchange based on market capitalization). Regrettably, there was no correlation between the two factors. With more details about the difficulties, such a correlation can be discovered. Therefore, it is crucial to convey information regarding corporate accountability and environmental practises.

According to Michelon and Parbonetti (2012), who examined 57 US and European companies listed on the Dow Jones Sustainability Index (DJSI) to ascertain how the composition, leadership, and structure of their boards of directors affected their sustainability disclosure, good governance and the disclosure of corporate sustainability data to stakeholders are two complementary mechanisms of legitimacy.

The findings of the aforementioned study suggest that in order to comprehend the impact of board composition on sustainability disclosure, the conventional and constrained distinction between directors with privileged information and independent directors needs to be enlarged. It is critical to do background checks on each prospective board member since there is a significant association between the number of “community influential” board members and sustainability disclosure, particularly with regard to environmental and strategic information. A framework for accomplishing this goal naturally comes from corporate governance given the diversity of sustainability and corporate governance requirements.

Regulation is therefore of utmost importance for sustainability and corporate governance. According to De Marchi, Di Maria, and Ponte, businesses are under increased pressure to consider environmental concerns (2013). The value chain approach is used to investigate how successful businesses, in view of the dispersed nature of production among geographically dispersed organisations, integrate environmental considerations into their processes. The use of governance systems to improve the environmental performance of its partners along the value chain is then demonstrated in two diverse case studies of well-known furniture manufacturers.

Standards or the advice of subject-matter experts can both be used to guide corporate governance mechanisms. The first mechanism is the most effective in promoting environmentally friendly production methods and increased energy efficiency. Because it enables businesses to identify the environmental implications that must be addressed, offer the tools necessary to do so, and inform suppliers of these demands. To lessen the product’s environmental impact, the second strategy is implemented systemically. The creation of a research agenda in this area is supported by the writers.

According to Geibler, certifications have grown in number and importance in the business sector in an effort to address unsustainable patterns of production and consumption around the globe (2013). The demand from NGOs and other organisations has increased, and as a result, certifications and standards that purport to address the value chain issue have arisen. The first international palm oil standard is evaluated by the author, who also identifies a number of elements required for the achievement of governance-based sustainability, such as stakeholder balance, cost-benefit analysis that is favourable, specific sustainability goals, external verification, coverage of the entire value chain, learning policies, regulations that supplement laws, and scientific monitoring.

Barkemeyer, Lutz, and Lee (2015) note that the increasing participation of multinational corporations in global governance has drawn praise and criticism for its potential to improve governance effectiveness and its lack of democratic legitimacy in their discussion of governance as a tool for sustainability. These writers assess the effectiveness of a transnational governance structure known as corporate sustainability reporting in accordance with the Global Reporting Initiative (GRI). According to the authors, the GRI has increased the incidence of sustainability reporting, particularly among companies in Asia and South America. However, the reporting provides remarkably comparable data across nations and businesses, which does not reflect materiality concerns, limiting the GRI's ability to produce desired results. In conclusion, it doesn't seem that the GRI has facilitated better communication between companies and their stakeholders.

3.0 Sustainable Governance Models

The growing acceptance of outsourcing has resulted in a loss of control over crucial production and distribution processes, and in some extreme circumstances, the urge to reduce costs has caused enterprises to exaggerate how closely they follow best practises. Further effects of this reduction in innovation and quality include the erosion of stakeholder trust and the possibility of creating long-term value (Lim & Phillips, 2008; Maloni & Brown, 2006; cited by Vurro et al., 2009).

Cooperative governance models are essential for fostering social responsibility and sustainable development, according to pragmatic research (Tencati & Zsolnai, 2008, quoted by Vurro et al., 2009). As a result, a thorough analysis of the numerous traits and behaviours that these models account for is necessary.

Depending on the density of the supply chain and the significance of the focal firm, Vurro et al. (2009) claim that there are four distinct types of cooperation in the governance models used in sustainable supply networks. The former describes the degree of interconnectedness among supply chain network nodes. More value chain links improve stakeholder expectations compliance, knowledge sharing, and the interconnection of sustainability standards and practises (Neville & Menguc, 2006; quoted by Vurro et al., 2009). (Roberts, 2003; Vurro et al., 2009; referenced by Roberts.

This is another factor to take into account because the actor's value is inversely correlated with how essential they are to the process (Rowley, 1997; referenced by Vurro et al., 2009). The more significant a corporation is within the chain, the more influence it has over the other chain members (Freeman, 1979; referenced by Vurro et al., 2009). As a result, a more centralised company will have a better understanding of the other players both above and below it in the food chain, giving it more power and influence. Since they compete for centrality in the supply chain, businesses are encouraged to collaborate and exchange information (Bonacich, 1972; quoted by Vurro et al., 2009).

We find a wide range of possibilities among the four supply chain governance models, ranging from transactional, where the central company has little centrality in a low-density chain and consequently little influence, to participatory, where the central company has a high degree of centrality in a chain with many actors. The four models therefore depend on how closely the supply chain and the core business are related (Vurro et al., 2009).

What is referred to as "governance" is the set of institutional policies and practises that direct, regulate, and control supply chain actors' behaviour (Li et al., 2014). According to the second model put forth by Li et al. (2014), governance systems have a significant impact on how effectively supply chains aimed at achieving sustainability perform. This model includes seven competitive characteristics, each of which can be seen as a different aspect of sustainable governance. These characteristics are based on the idea of sustainable development. These standards, which have their roots in organisational sociology and economic institutional theory, can be used to assess the effectiveness and legitimacy of governance practises both inside and outside of an organisation (Li et al., 2014).

The internal perspective on governance is based on Barnard's 1948 idea of organisational equilibrium. According to this theory, an organisation is a system that actively coordinates the talents and efforts of its members and is built on three key tenets: a willingness to cooperate, common objectives, and the open flow of information. All external environmental influences must also be kept in check for an organisation to be in an equilibrium state. Productivity suffers when rewards outweigh sacrifices, but when rewards outweigh sacrifices, the organisation fails (Li et al., 2014).

The factors that affect consumer satisfaction are divided into five categories by Maslow's (1943) hierarchy of needs: physiological (the customer only needs the product's general function), safe (the customer is concerned with the product's physical effects), love (the customer is concerned with whether the product will improve their social image), esteem (the product is considered a symbol of something important to the customer), and self-actualization.

The aim of decision-makers, according to institutional economic theory, is to maximise profits (Meyer & Rowan, 1977; referenced by Li et al., 2014). As a result, governance is employed to address a variety of threats, while efficiency serves as the driving force. Due to bad publicity brought on by the company's suppliers' pollution, a company stands the risk of losing clients and revenue. Supply chain density, transaction complexity, central company relevance, and supplier capabilities are some variables that have an impact on governance style. Several forms of governance encourage long-term sustainability through practises like sharing information, distributing risks and rewards, and offering technical assistance (Li et al., 2014).

The third model illustrates how certain environmental and social challenges in sustainability governance may require sustainability management techniques that may not help accomplish commercial goals (Formentini & Taticchi, 2015). The supply chain management of sustainable commodities and vendor risk and performance management both stand out as original techniques. The deciding reason for the former is concern over brand damage caused by an escalation of sustainability issues. As a result, while evaluating service providers, social and environmental issues are considered in addition to financial ones. Seuring and Müller (2008), who clarify that the latter technique is based on supply chain life cycle criteria for environmental and social performance of products, are cited by Formentini and Taticchi (2015). Economic capital may be used to improve internal operations within the firm and along the supply chain, as well as to create new knowledge and a long-term organisational culture (Dyllick & Hockerts, 2002; referenced by Formentini & Taticchi, 2015).

Effectively implementing a sustainability focus requires the use of sustainable supply chain governance mechanisms, which are the practises, initiatives, and processes used by the focal company to manage relationships with (a) internal company functions and departments and (b) supply chain and stakeholders. Separation of business operations from those of the supply chain is ensured by internal and external control systems. According to the findings, two essential features of governance systems are formalisation and cooperation.

When it comes to implementing sustainability projects, companies may either go it alone, rely on their own market strength, or work with others. Non-collaborative implementation is commonplace in the field of supply chain management. In the context of sustainable supply chain management, there is evidence to suggest that an emphasis on governance is a useful tool for supporting sustainability initiatives. This suggests the need for alternative forms of collaborative governance to counteract the status quo’s power-based approach. The formalisation of the decision-making process is the second factor to consider. Formal and informal coordination systems are often distinguished in a typology of governance processes. While informal methods are utilised in stable, mutually beneficial relationships, formal ones are used when chaos and uncertainty are present (Formentini & Taticchi, 2015).

3.1 The components of long-term governance mechanisms

By consulting sustainable governance models, it is possible to find components other than equilibrium that can contribute to the attainment of goals in the environmental, social, and economic dimensions. The first mechanism in Formentini and Taticchi’s (2015) paradigm is referred to as non-collaboration. This paradigm emphasises contractual authority, which entails the execution of sales and commercialization contracts that describe business contacts, product kind and qualities, and delivery time and conditions. This system is intended to guarantee accountability and compliance. As a result, the corporation may create precise pricing, quality, and other factors to enable harmony and coherence among the parties. This approach may entail imposing certain parameters based on the strength of the focus firm. The second process, cooperation, focuses on socialisation and includes casual encounters and experience exchange within a polite environment. This technique encourages mutual compromise and cordiality while sharing information to better cooperation among commercial partners.

Formality is the third mechanism. In this situation, incentive systems are critical in motivating commercial partners to contribute to organisational goals and completely comply with quality, quantity, and delivery time requirements, among other characteristics. As a result, despite the existence of contradictions among the themes, the arrangement of operational procedures facilitates collective functioning. Furthermore, because unfavourable events impact all relationships, disagreements are transformed into chances to overcome difficulties through agreements. Informality is the fourth mechanism. A direct link exists in this scenario.

Identification of the best individual to create corporate ties with commercial partners, as well as the suitable methods of communication and, most significantly, the style of execution, is required. In this environment, trust emerges as a factor in decision making based on the parties' shared desire in long-term relationship maintenance.

Li et al. (2014) identify two processes inside their concept. Effectiveness comes first, and it consists of two parts: economic integration and mutual support. As part of the working partnership, the company of emphasis offers technical assistance to the other party. Compliance with organisational objectives, as well as the transmission of clear, accurate, and real information, is crucial to bringing together the internal and external environments and allowing the construction of a meaningful alliance that benefits both sides. The second factor, solidarity, places an emphasis on one's own interests while still taking into account the convenience of sharing risks and benefits. This might result in the formation of a closer relationship that is maintained outside of the contemplative posture of uncertainty.

Institutional theory and organisational sociology form the basis for the legitimacy mechanism. The objective of this mechanism is to make sure the institutional setting is taken into account while designing a company's structure (Meyer & Rowan, 1977; referenced by Li et al., 2014). Consumer pressure, government oversight, and NGO advocacy all come together in this process. As a result, sustainable choices need thinking about things like law, legal control, knowledge dissemination, and responsible consumption.

All three models (Formentini & Taticchi, 2015; Li et al., 2014; Vurro et al., 2009) agree on the importance of cooperation between the central business and its internal and external stakeholders (shareholders, employees, clients, creditors, and suppliers) in order to achieve economic, social, and environmental goals (government authorities, regulatory agencies, and other stakeholders). In addition, in order to ensure a long-term agreeable connection, all models take into account the achievement of agreements and the sharing of risks and benefits.

Cooperation between the core company and its internal and external stakeholders (shareholders, workers, customers, creditors, and suppliers) is crucial for achieving economic, social, and environmental goals (Formentini & Taticchi, 2015; Li et al., 2014; Vurro et al., 2009). (government authorities, regulatory agencies, and other stakeholders). Furthermore, all models allow for the attainment of agreements and the sharing of risks and advantages to ensure a long-term pleasant connection.

3.2 Study restrictions

This study mainly looks at empirical research done in Asia, North America, and Europe on the topic of sustainability and corporate governance. So, they need to be wary of the results they create and take into account the context in which they function, which includes factors like local law, culture, the government's role, and the engagement of stakeholders. It will be challenging to create a model of sustainability and corporate governance because every organisation operates in its own unique environment.

4.0 Conclusions

This article discusses sustainability and its relevance to corporate governance. Although these are new topics in the literature, we believe they can help to address the challenges that plague the world and its people by balancing the social, economic, and environmental elements. As a result, the advantages of sustainability and corporate governance are discovered, such as greater business value, more sales, and a better company image. However, issues persist; for example, the theoretical inadequacy of both notions obscures their relationship. Finally, there are prospects for new scientific investigations, such as empirical studies of newly developed governance models, which may serve as a foundation for the creation and consolidation of other models to attain sustainability.

Universities have enormous potential in terms of developing new information and training in sustainability and corporate governance concerns. Because prioritising economic performance in a pragmatic and reductionist attitude constitutes a danger to human happiness and dignity, in addition to violating and enhancing biodiversity protection and enhancement, this symbolises the social and environmental elements. This necessitates a systems approach that recognises organisations as complex entities that must be handled via multidisciplinary research. Similarly, corporate governance varies across the globe, but one thing that has been noted is that transparency in the company's activities and the inclusion of stakeholders in decision-making are critical to achieving better results in the three dimensions of sustainability. It is also critical for the government to be involved in regulation and oversight, as well as for colleges to provide knowledge and develop people devoted to both concerns, among other things.

Collaboration is the key to successful corporate governance, according to a review of the literature on the various forms of corporate governance and taking into account the density of the market structure and the importance of focal enterprises. Collaboration should be employed not just to comply with numerous rules of behaviour (such as those established by the OECD and current local, national, and international regulations), but also to promote openness and a free market system. Organisations now have a historic chance to create new structures and corporate governance procedures that may serve as a strategic foundation for carrying out operations that fully complement the three aspects indicated above.

The study was documentary in nature, allowing for an examination of the aforementioned difficulties. Although the breadth of the findings is restricted, this study might serve as a springboard for future research in this area, such as the creation of a quantitative tool based on the models and its application to detect the link between sustainability and corporate governance. This research could lead to the development of good public policy and private sector practises that strengthen laws and regulations (in the case of public policy) or certifications and standards (in the case of the private sector) that promote the harmonious achievement of both organisational and sustainability goals. Finally, business image, revenue, and value are meaningless when the globe suffers as a result of particular corporations' recklessness. As a result, a new corporate perspective that emphasises economic, social, and environmental advantages is required. Future generations will bear testimony to this requirement.

References

Aigner, D. J., & Lloret, A. (2013). Sustainability and competitiveness in Mexico. *Management Research Review, 36*(12), 1252-1271. http://dx.doi.org/10.1108/MRR-06-2013-0138

Albrecht, P., Burandt, S., & Schaltegger, S. (2007). Do sustainability projects stimulate organizational learning in universities? *International Journal of Sustainability in Higher Education, 8*(4), 403-415. http://dx.doi.org/10.1108/14676370710823573

Alhadhrami, A.S. Sustainability Practices and Sustainable Financial Growth. SSRN. 2019,20

Almansoori, Alia and Nobanee, Haitham, How Sustainability Contributes to Shared Value Creation and Firms' Value (October 19, 2019). Available at SSRN: https://ssrn.com/abstract=3472411

Alshehhi, A.; Nobanee, H.; Khare, N. The Impact of Sustainability Practices on Corporate Financial Performance: Literature Trends and Future Research Potential. Sustainability 2018, 10, 494.

Aras, G., & Crowther, D. (2008). Governance and sustainability. *Management Decision, 46*(3), 433-448. http://dx.doi.org/10.1108/00251740810863870.

Aziz, N.A.A.; Manab, N.A.; Othman, S.N. exploring the perspectives of corporate governance and theories on sustainability risk management. Asian Econ. Financ. Rev. 2015, 5, 1148.

Barkemeyer, R., Lutz, P., & Lee, L. (2015). On the effectiveness of private transnational governance regimes — evaluating corporate sustainability reporting according to the Global Reporting Initiative. *Journal of World Business, 50,* 312-325. http://dx.doi.org/10.1016/j.jwb.2014.10.008.

Bekele, A., Bosona, T., Nordmark, I., Gebresenbet, G., & Ljungberg, D. (2012). Assessing the Sustainability of Food Retail Business: The Case of Konsum Värmland, Sweden. *Journal of Service Science and Management, 5,* 373-385. http://dx.doi.org/10.4236/jssm.2012.54044.

Biedenweg, K., Monroe, M. C., & Oxarart, A. (2013). The importance of teaching ethics of sustainability. *International Journal of Sustainability in Higher Education, 14*(1), 6-14. http://dx.doi.org/10.1108/14676371311288912.

Bonnafous-Boucher, M. (2005). Some philosophical issues in corporate governance: the role of property in stakeholder theory. *Corporate Governance: The international journal of business in society, 5*(2), 34-47. http://dx.doi.org/10.1108/14720700510569229.

Boukherroub, T., Ruiz, A., Guinet, A., & Fondrevelle, J. (2015). An integrated approach for sustainable supply chain planning. *Computers & OperationsResearch, 54*(0), 180-194. http://dx.doi.org/10.1016/j.cor.2014.09.002.

Chardine-Baumann, E., & Botta-Genoulaz, V. (2014). A framework for sustainable performance assessment of supply chain management practices. *Computers & Industrial Engineering, 76,* 138-147. http://dx.doi.org/10.1016/j.cie.2014.07.029.

Cronin Jr., J., Smith, J., Gleim, M., Ramirez, E., & Dawn, J. (2010). Green marketing strategies: an examination of stakeholders and the opportunities they present. *J. of the Acad. Mark. Sei. 39,* 158-174. http://dx.doi.org/10.1007/s11747-010-0227-0.

Cuneyt-Arslantas, C., & Afacan-Findikli, M. (2013). Relations with stakeholders in Turkey: the sample of ISE-50 Index. *Corporate Governance: The International Journal of Business in Society, 13*(4), 412-430. http://dx.doi.org/10.1108/CG-12-2010-0095.

Dauvergne, P. (2012). Big brand sustainability: Governance prospects and environmental limits. *Handbook of Global Environmental Politics, 22,* 36-45. http://dx.doi.org/ 10.1016/j.gloenvcha.2011.10.007.

De Marchi, V., Di Maria, E., & Ponte, S. (2013). The Greening of Global Value Chains: Insights from the FurnitureIndustry. *Competition and Change, 17*(4), 299-318. http://dx.doi.org/10.1179/1024529413Z.00000000040.

Fernando, R. (2012). Sustainable globalization and implications for strategic corporate and national sustainability. *Corporate Governance: The International Journal of Business in Society, 12*(4), 579-589.http://dx.doi.org/10.1108/14720701211267883.

Formentini, M., & Taticchi, P. (2012). Corporate sustainability approaches and governance mechanisms in sustainable supply chain management. *Journal of Cleaner Production,* 1-14. http://dx.doi.org/10.1016/j.jclepro.2014.12.072.

Ganesan, Y., Hwa, Y. W., Jaaffar, A. H., & Hashim, F. (2017). Corporate Governance and Sustainability Reporting Practices: The Moderating Role of Internal Audit Function. Global Business and Management Research, 9(4s), 159-179.

Galpin, T., Whitttington, J. L., & Bell, G. (2015). Is your sustainability strategy sustainable? Creating a culture of sustainability. *Corporate Governance, 15*(1), 1-17. http://dx.doi.org/10.1108/CG-01-2013-0004.

Geibler, J. (2013). Market-based governance for sustainability in value chains: conditions for successful standard setting in the palm oil sector. *Journal of Cleaner Production, 56*, 39-53. http://dx.doi.org/10.1016/j.jclepro.2012.08.027.

Gibbs, D., & O'Neill, K. (2015). Building a green economy? Sustainability transitions in the UK building sector. *Geo forum, 59,* 133-141. http://dx.doi.org/10.1016/j.geo forum.2014.12.004.

Gimenez, C., & Sierra, V. (2013). Sustainable Supply Chains: Governance Mechanisms to Greening Suppliers. *JBus Ethics*, *116*, 189-203. http://dx.doi.org/10.1007/s10551-012-1458-4.

Gnan, L., Hinna, A., Monteduro, F., & Scarozza, D. (2013). Corporate governance and management practices: stakeholder involvement, quality and sustainability tools adoption. *J Manag Gov, 17*,907-937. http://dx.doi.org/10.1007/s10997-011-9201-6.

Guo, L., Smallman, C., & Radford, J. (2013). A critique of corporate governance in China. *International Journal of Law and Management, 55*(4), 257-272. http://dx.doi.org/10.1108/IJLMA-10-2011-0012.

Ha-Brookshire, J., & Norum, P. (2011). Cotton and sustainability. *International Journal of Sustainability in Higher Education, 12*(4), 369-380. http://dx.doi.org/10.1108/ 14676371111168287.

Haywood, L., Trotter, D., Faccer K., & Brent, A. C. (2013). The diversity of the practice of corporate sustainability. *World Journal of Entrepreneurship, Management and Sustainable Development*, *9*(2/3), 111-125. http://dx.doi.org/10.1108/WJEMSD-01-2013-0013.

Honoré, F., Munarib, F., & Pottelsberghe, B. (2015). Corporate governance practices and companies' R&D intensity: Evidence from European countries. *Research Policy, 44,* 533-543. http://dx.doi.org/10.1016/j.respol.2014.10.016.

Janggu, T., Darus, F., Zain, M., & Sawani, Y. (2014). Does good corporate governance lead to better sustainability reporting? An analysis using structural equation modeling. *Procedia—Social and Behavioral Sciences, 145,* 138-145. http://dx.doi.org/10.1016/j.sbspro.2014.06.020

Kajikawa, Y. (2008). Research core and framework of sustainability science. *Sustain Sci*, *3*, 215-239. http://dx.doi.org/10.1007/s11625-008-0053-1.

Klettner, A., Clarke, T., & Boersma, M. (2014). The Governance of Corporate Sustainability: Empirical Insights into the Development, Leadership and Implementation of Responsible Business Strategy. *J Bus Ethics, 122,*145-165. http://dx.doi.org/10.1007/s10551-013-1750-y.

Krechovska, M., & Prochazkova, P. T. (2013). Sustainability and its Integration into Corporate Governance Focusing on Corporate Performance Management and Reporting. *Procedia Engineering, 69*, 1144-1151. http://dx.doi.org/10.1016/j.proeng.2014.03.103.

Lacy, P., & Hayward, R. (2011). A new era of sustainability in emerging markets? Insights from a global CEO study by the United Nations Global Compact and Accenture. *Corporate Governance: The International Journal of Business in Society*, *11*(4), 348-357. http://dx.doi.org/10.1108/14720701111159208.

Lai, J. H., & Chen, L. Y. (2014). The valuation effect of corporate governance on stakeholder wealth: Evidence from strategic alliances. *International Review of Economics and Finance, 32*, 117-131. http://dx.doi.org/10.1016/j.iref.2014.01.010.

Li, Y., Zhao, X., Shi, D., & Li, X. (2014). Governance of sustainable supply chains in the fast fashion industry. *European Management Journal, 32*(5), 823-836. http://dx.doi.org/10.1016/j.emj.2014.03.001.

Liu, Z., & Zhuang, W. (2013). Governance of global supply chains vulnerability by business-based interorganizational information platform. *J Syst Sci Syst Eng, 22*(1), 1-20. http://dx.doi.org/10.1007/s11518-013-5211-z.

Lozano, R. (2011). The state of sustainability reporting in universities. *International Journal of Sustainability in Higher Education, 12*(1), 67-78. http://dx.doi.org/10.1108/ 14676371111098311.

Mebratu, D. (1998). Sustainability and sustainable development: historical and conceptual review. *Environ Impact Asses Rev, 18*(1998), 493-520. http://dx.doi.org/10.1016/S0195-9255(98)00019-5.

Michelon, G., & Parbonetti, A. (2012). The effect of corporate governance on sustainability disclosure. *J Manag Gov, 16*, 477-509. http://dx.doi.org/10.1007/s10997-010-9160-3.

Mostovicz, E. I., Kakabadse, N. K., & Kakabadse, A. (2011). Corporate governance: quo vadis? *Corporate Governance: The International Journal of Business in Society, 11*(5), 613-626. http://dx.doi.org/10.1108/14720701111177019.

Nicholas J. Price, What Is the Relationship Between Corporate Governance & Sustainability?, diligent insights.2018. https://insights.diligent.com/esg/what-is-therelationship-between-corporate-governance-sustainability/?ut=

Nobanee, H., & Ellili, N. (2016). Corporate sustainability disclosure in annual reports: evidence from UAE banks: Islamic versus conventional. Renewable Sustainable Energy Review, 55, 1336–1341.

Ortiz-de-Mandojana, N., Aguilera-Caracuel, J., & Morales-Raya, M. (2014). Corporate Governance and Environmental Sustainability: The Moderating Role of the National Institutional Context. *Corp. Soc. Responsib. Environ. Mgmt*, 1-15. http://dx.doi.org/10.1002/csr.1367.

Palma, L. C., Oliveira, L. M., & Viacava, K. R. (2011). Sustainability in Brazilian federal universities. *International Journal of Sustainability in Higher Education*, *12*(3), 250-258. http://dx.doi.org/10.1108/14676371111148036.

Pierri, N. (2005). Historia del concepto de desarrollo sustentable. Sistema de Objetos Digitales de Aprendizaje SODA-Universidad Santo Tomás. Retrieved from http://www.revistavirtualpro.com/biblioteca/historia-del-concepto-de-desarrollo-ustentable.

Renukappa, S., Egbu, C. Akintoye, A., & Goulding, J. (2012). A critical reflection on sustainability within the UK industrial sectors. *Construction Innovation, 12*(3), 317-334. http://dx.doi.org/10.1108/14714171211244578.

Rosen, R. V. (2007). Corporate governance in Germany. *Journal of Financial Regulation and Compliance, 15*(1),30-41. http://dx.doi.org/10.1108/13581980710726778.

Sar, A. K. (2018). Impact of Corporate Governance on Sustainability: A Study of the Indian Fmcg Industry. Academy of Strategic Management Journal.

Salvioni, D.M.; Gennari, F.; Bosetti, L. Sustainability and Convergence: The future of Corporate Governance Systems? Sustainability 2016, 8, 1203.

Santos, F. (2012). A Positive Theory of Social Entrepreneurship. *Springer Science+Business Media, 111*,335-351. http://dx.doi.org/10.1007/s10551-012-1413-4.

Scherer, A. G., & Voegtlin, C. (2018). Corporate governance for responsible innovation: Approaches to corporate governance and their implications for sustainable development. Academy of Management Perspectives, Forthcoming.

Sharma, J. P. (2014). Corporate Social Responsibility, Corporate Governance and Sustainability: Synergies and Inter-relationships. *Indian Journal of Corporate Governance, 7*(1), 14-38. http://dx.doi.org/10.1177/0974686220140102.

Spitzeck, H. (2009). The development of governance structures for corporate responsibility. *Corporate Governance: The International Journal of Business in Society, 9*(4), 495-505. http://dx.doi.org/10.1108/14720700910985034.

Vahdati, S; Zulkifli, N; Zakaria. Z. Corporate governance integration with sustainability: a systematic literature review. Corporate Governance International Journal of Business in Society 2018, 16.

Velázquez-Álvarez, L. V., & Vargas-Hernández, J. G. (2012). La sostenibilidad como modelo de desarrollo responsable y competitivo. *Ingeniería de Recursos Naturales y del Ambiente, 11*, 97-107. Retrieved from http://www.redalyc.org/articulo.oa?id=231125817009.

Vurro, C., Russo, A., & Perrini, F. (2009). Shaping Sustainable Value Chains: etwork Determinants of Supply Chain Governance Models. *Journal of Business Ethics, 90*, 607-621. http://dx.doi.org/10.1007/s10551-010-0595-x.

Warren-Myers, G. (2013). Is the valuer the barrier to identifying the value of sustainability? *Journal of Property Investment & Finance, 31*(4), 345-359. http://dx.doi.org/10.1108/JPIF-01-2013-0004.

Yeoh, P. (2007). Corporate governance models. *Managerial Law, 49*(3), 57-75. http://dx.doi.org/10.1108/03090550710816483.