

## Enhancing firm performance through corporate strategy and religious observance: Implications for business sustainability

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**Abstract:** This research aims to determine the influence of corporate strategy and religious observance on company performance and business sustainability. Apart from that, this research also examines the role of company performance in mediating the influence of corporate strategy and religious observance on business sustainability. This study utilized a quantitative descriptive with an explanatory research approach. The data was collected from the distribution of questionnaires to 125 respondents representing the Cirebon City Regional-owned Enterprise located in Cirebon, Indonesia. The PLS-SEM (Partial Least Square - Structural Equation Modeling) with the Smart PLS 3 data processing application has been used to analyze the proposed hypotheses. The research results show that corporate strategy and religious observance influence company performance and business sustainability. Apart from that, company performance was also found to mediate the influence of corporate strategy and religious observance on business sustainability. The results of this research can be used by the Regional Government of Cirebon City as the shareholder of Regional Owned Enterprises, especially Regional Pharmaceutical Companies, to implement corporate strategies and religious observance in managing human resources in their companies, because the research results show that these two factors can improve performance. Company and has a significant influence on employee performance, so that business continuity is also expected to be maintained.

**Keywords:** *Business sustainability, Corporate strategy, Firm performance, Religious observance.*

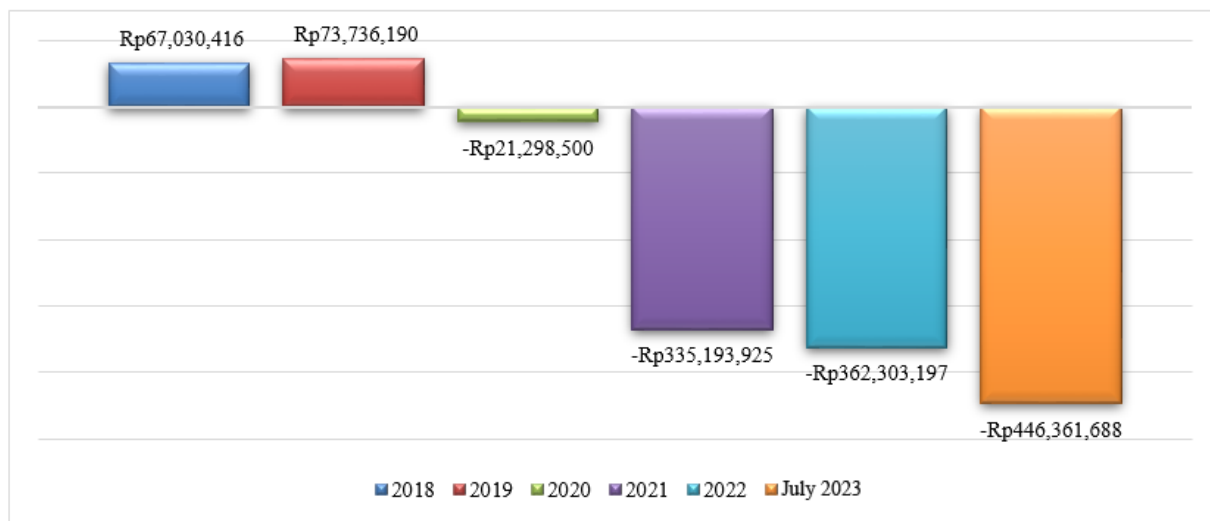
### 1. Introduction

Globally, corporations are embracing sustainability. Undeniable, corporations are understanding that sustainable business strategies add values. All businesses must prioritize sustainability as to ensure the viability of the business' success. Company performance is a complete benchmark to see the success of a company or organization over a certain period by utilizing, managing, and controlling the resources it has [1]. Good company performance is characterized by consistently increasing revenues and profits, stable business growth, sound risk management, and a good reputation in the eyes of stakeholders [2]. Company performance shows the company's ability to provide profits from assets, equity, and debt [3].

Regional-owned enterprise are companies owned by regional governments and play an essential role in development at the regional level [4]. All regions, including districts, cities, and provinces, have regional-owned enterprise according to their respective fields. The existence of regional-owned enterprise in an area is an effort to increase regional original income. In some areas, regional-owned enterprise significantly contributes to a region's income. Badan Pusat Statistik [5] states that 33.72% or 300 regional-owned enterprise in Indonesia experienced losses. Based on the comparison of assets and profits in 2021, it only reached 1.35%, whereas regional-owned enterprise assets throughout Indonesia reached Rp. 920 trillion, and the profit earned was only Rp. 13.34 trillion. Then, in West Java Province, of the 41

regional-owned enterprise by West Java Province, 39 Regional Government Owned Enterprises (RGOE) are experiencing unhealthy financial conditions [6].

Cirebon City is one of the economic centers for people in the eastern region of West Java. Cirebon City has five regional-owned enterprise, namely Tirta Giri Nata Company, Bank Cirebon Company, Pasar Berintan Company, Pembangunan Company, and Farmasi Ciremai Company. In 2019, three regional-owned enterprise could not achieve income by the Cirebon City regional-owned enterprise original local government revenue target, namely Tirta Giri Nata Company, BPR Bank Cirebon Company, and Farmasi Ciremai Company. Farmasi Ciremai Company is a regional-owned enterprise original in Cirebon City which had the lowest income that year with an amount of 28 million rupiah or only 17.89 percent of the total target of 156 million rupiah was realized [7].



**Figure 1.**  
Profit/Loss data of Farmasi Ciremai (2018- July 2023).

Farmasi Ciremai Company has had a complex financial performance over the last few years. Even the financial problems experienced are complex [8]. That puts the Farmasi Ciremai Company in lousy condition [9]. In the Farmasi Ciremai Company balance sheet report, it is also reflected that there has been an increase in losses, which is presented in the following graph.

Figure 1 shows that the losses experienced by Farmasi Ciremai Company began to increase in 2020. Farmasi Ciremai Company experienced an increase in profits in 2019, amounting to 6.7 million rupiah. However, in 2020, a loss of 21.29 million rupiah began to occur, and in 2021, there was a significant increase to 1,573.8% or 335.19 million rupiahs. The results of interviews with the Directors of Farmasi Ciremai Company revealed that the significant increase in losses was due to mismanagement, corruption, and falsification of financial reports committed by previous directors.

The problems experienced by Farmasi Ciremai Company require action that can create stable business growth and help Farmasi Ciremai Company strengthen its position in the market and maintain its existing market share. Perumda Pharmacy Ciremai, as one of the RGOE in Cirebon City, has a strategic role in realizing regional prosperity by contributing to locally-generated revenues. Regional-owned state is responsible for optimizing the performance of their companies so that they can provide maximum benefits for the community and local government [10]. So, to improve company performance, Farmasi Ciremai Company needs to implement the right corporate strategy [11].

Companies must formulate effective strategies and implement them to achieve their goals and objectives. Corporate strategy is a strategic platform or organizational ability to address business in different environments with strategic capabilities [12]. Every company is required to be able to formulate

its strategy to continue to compete and survive amidst future uncertainty [13]. Corporate strategy involves making decisions regarding a company's long-term direction and goals, such as new business development, acquisitions, and strategic alliances.

An effective corporate strategy must help the effective allocation of resources to produce the best investment opportunities, improve the company's competitive position, add value beyond the sum of the parts, and increase company expectations both internally and externally [14]. The extent to which the corporate strategy implemented can influence firm performance requires an evaluation [15]. Several studies have found that corporate strategy influences company performance [12, 15-20]. Meanwhile, research results also find that corporate strategy does not affect firm performance [21].

Several studies state that company performance measures its success in managing its resources, including human resources. Good company performance is a reflection of the performance of its employees [22]. One thing that can influence business sustainability is religious observance or religiosity [23]. An employee's religious attitude will always be wiser in facing all challenges and staying away from any wrongdoings on work. Such behavior will be more respected and appreciated by all colleagues. Apart from that, employees must also be more enthusiastic about being more dedicated to the company with work achievements based on a careful, honest attitude and high work discipline [24]. This is in line with several studies that also found that religious observance influences business sustainability [22-26]. However, in contrast to the results of other studies, it is also found that religious observance behavior does not affect business sustainability [27, 28].

Effective implementation of corporate strategy can positively impact the performance of the Farmasi Ciremai Company. Implementing the right strategy can encourage a company to develop more [29]. Positive company performance can also increase its competitiveness in the market, increase operational efficiency and effectiveness, increase revenue and profits, and increase added value for stakeholders. In addition, with proper implementation, Farmasi Ciremai Company can strengthen its position as part of the local business ecosystem, helping to encourage economic growth and regional development. This aligns with several research results that found that company performance can impact the company's business sustainability [30-32]. So, researchers are interested in researching how corporate and business strategy implementation affects firm performance and its implications for business sustainability in Cirebon City regional-owned state.

## 2. Literature Review

### 2.1. Business Sustainability

Michel, et al. [33] noted business sustainability has environmental, economic, and social aspects and defined it as the company's ability to meet current demands without compromising future needs. Fitriawati [34] also states that business sustainability is the maintenance of good operations, activities, and efforts, including growth, development, and strategies to maintain business continuity so that it can continue to operate and develop.

### 2.2. Firm Performance

Firm performance includes financial, customer, internal business process, and learning and growth perspectives. Lufriansyah [35] defines firm performance as a period of company success based on internal and external variables. Maulana, et al. [36] also define firm performance as the work results achieved as a whole and compared with work results, targets, goals, or criteria determined in advance and mutually agreed upon in a business entity with predetermined asset criteria. So, company performance is the level of success and efficiency in achieving its business goals and targets internally and externally.

### 2.3. Corporate Strategy

Fradinata [37] explains that corporate strategy is a company's business that involves making strategic decisions and achieving its production goals to generate profits in the face of competition. Corporate strategy consists of Differentiation, Cost Leadership, and focus. Olatunde and Ola-Adeyemo

[12] also reveal that corporate strategy is manipulating strategic resources and core competencies into new configurations to obtain and maintain superior company performance among industry competitors. So, corporate strategy can be defined as using a company's resources and core competencies to create outstanding performance in various business environments and achieve production goals and profits in competition.

#### 2.4. Religious Observance

Saerozi [38] defines religious obedience behavior as a concept that describes the condition of a person who carries out orders and avoids all prohibitions, which in religious language is called devotion, and the person is called Muttaqin. Milawati and Sutoyo [39] also explain that the behavior of holy obedience is an attitude of submissive obedience that arises from the heart's awareness of the majesty of the one who is worshiped (Allah swt.) because it is convinced that Allah swt. has power that cannot be achieved by reason regarding its essence. After all, it is outside the range of his mind. Saerozi [38] also explains that the dimensions of religious observance consist of ritual worship, muamalah, and morals. So, it can be concluded that holy obedience is the behavior of religious obedience, a person's actions or attitudes that reflect the level of obedience to religion and the values of belief in God.

### 3. Hypothesis Development

#### 3.1. Corporate Strategy and Firm Performance

The right corporate strategy will direct the company's business towards achieving long-term goals, maintaining its current position, or achieving higher company performance compared to recent achievements. Therefore, companies are expected to be able to determine specific company strategies that are appropriate for increasing superior company performance [12]. Corporate strategy is essential in improving company performance because it helps companies' direct efforts and resources in the most effective direction. The right corporate strategy can help avoid waste, ensure the resources used have a significant strategic impact, better manage risks, and enable the company to understand better its business environment, competitors, and opportunities that may have been missed. Several studies have found that corporate strategy influences company performance [12, 15-20].

Thus, based on the above arguments, below hypothesis is developed:

*H<sub>1</sub>: Corporate strategy has a significant influence on firm performance.*

#### 3.2. Religious Observance and Firm Performance

Religious observance behavior can have a significant impact on company performance. The religious values held by employees and leaders are integrated positively into the company culture; this can create a work environment based on high ethics, integrity, and responsibility. Employees who base their behavior on sound religious principles tend to have good relations with employees, as evidenced by strong family ties, smiling greetings, care, and attention between one employee and another [23].

Meanwhile, leaders who base their behavior on religious observance tend to encourage employees to become better individuals and provide religious facilities (such as places of worship). Company leaders who realize that leadership will later be held accountable and have a wise attitude in making decisions. On a broader level, religious observance behavior determines the longevity and progress of relationships with the outside world, within the environment, and with business partners. This is in line with several studies that also found that religious observance influences business sustainability [22-26].

Thus, based on the above arguments, below hypothesis is developed:

*H<sub>2</sub>: Religious Observance has a significant influence on firm performance.*

#### 3.3. Corporate Strategy and Business Sustainability

Corporate strategy also has an impact on the allocation of company resources. This includes decisions regarding allocating funds, labor, and other assets. When a company has a clear corporate strategy, it helps make better decisions about how company resources should be used to achieve long-term strategic

goals. This way, corporate strategy helps companies avoid wasting resources and create the efficiencies needed to improve business sustainability. This aligns with several research results that found that corporate strategy influences a company's business sustainability [40-42].

Thus, based on the above arguments, below hypothesis is developed:

*H<sub>5</sub>: Corporate strategy has a significant influence on business sustainability.*

### 3.4. Religious Observance and Business Sustainability

Religious observance is an essential aspect of the lives of many individuals worldwide. In a business context, religious observance can significantly impact a company's sustainability. When companies understand and respect the religious values and beliefs of employees, customers, and other stakeholders, they can create an inclusive and religion-friendly environment. This can increase customer loyalty, improve employee morale, and create more positive relationships with the communities where the company operates; these factors are essential in supporting business sustainability.

Religious observance must also be balanced with business values and applicable laws. Too many religiously based limitations in business can hinder growth and innovation. Therefore, strategic management, in this case, is essential to balance religious observance and sustainable business goals. A thorough understanding of the need for religious observance and how to integrate it into business strategy is the key to achieving business sustainability in an increasingly multicultural and multireligious environment. This aligns with several studies that have found that religious observance influences business sustainability [43, 44].

Thus, based on the above arguments, below hypothesis is developed:

*H<sub>6</sub>: Religious observance has a significant influence on business sustainability.*

### 3.5. Mediation Effect of Firm Performance

The corporate strategy includes high-level decisions that impact the company's overall direction and portfolio [12]. Implementing an excellent corporate strategy effectively can change organizational structure, resource allocation, and business focus. Company performance then becomes an assessment of whether the corporate strategy is successful. If the company's performance shows healthy growth, good profitability, and efficiency in operations, the corporate strategy supports business sustainability. In addition, religious observance can also influence company policies and business practices. This can create a sense of inclusivity for employees from various religious backgrounds, as well as help companies retain and recruit employees with values that align with the company culture.

Company performance at the corporate and business levels influences business sustainability. Strong performance creates a solid foundation for the business to survive long-term. This includes generating sufficient revenues, managing risks well, developing resources, and maintaining good relationships with customers and other stakeholders. Strong performance can also support efforts to obtain the investment and support necessary for business growth and development. Ultimately, business sustainability results from how well corporate and business strategies are implemented. Company performance is a crucial indicator in assessing whether the strategy is successful and whether the business has the potential to survive in the long term. This is in line with the results of several studies, which found that company performance can impact the company's business sustainability [30-32].

Thus, based on the above arguments, below hypotheses are developed:

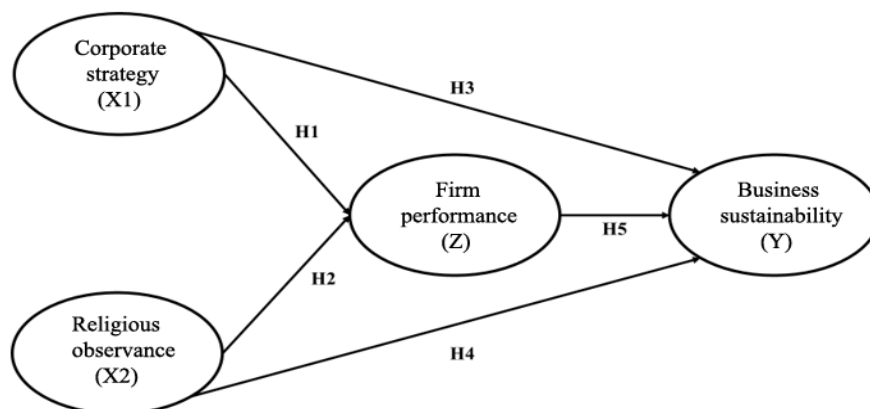
*H<sub>7</sub>: Firm performance has a significant influence on business sustainability.*

*H<sub>8</sub>: Corporate strategy influence business sustainability through firm performance.*

*H<sub>9</sub>: Religious observance influence business sustainability through firm performance.*

### 3.6. Research Framework

Based on the developed hypotheses, the proposed research model for this research is presented in Figure 2.



**Figure 2.**  
Research framework.

## 4. Research Method

### 4.1. Sampling Technique

This study has been conducted under quantitative type of research and used the explanatory research method to determine the direct and indirect relationship between the independent and dependent variables. This study was located at one of the Cirebon City Regional-owned Enterprise with a 125 respondents (i.e. supervisory board, directors, section heads, section heads, doctors, doctor's assistants, and administration staff) currently working at Farmasi Ciremai Company, Cirebon, Indonesia. The sampling technique in this study used a saturated sampling method, where the entire population was sampled.

### 4.2. Data Collection and Measurement Items

The questionnaires were personally sent to the Farmasi Ciremai as to get the full commitment from the respondents, and the respondents were given three weeks to answer and complete the questionnaires. The questionnaires were divided into five parts, Part A comprised of 11 items on corporate strategy adapted from Fradinata [37].

Part B on religious observance, comprised of 20 items adapted from Saerozi [38] meanwhile, Part C on company performance, adapted 14 items from Lufriansyah [35]. Part D is on business sustainability comprised of 15 items adapted from Michel, et al. [33]. Finally, Part E consisted of 4 items on Demographic Information. The questionnaires consisted of a five-point Likert-type rating scale that ranges from 1 (strongly disagree) to 5 (strongly agree).

### 4.3. Data Analysis

The statistical analyses were conducted using the Partial Least Square - Structural Equation Modeling (PLS-SEM) software, which includes 3 data processing application stages i.e. outer model, inner model and hypothesis testing.

## 5. Research Findings

### 5.1. Respondent's Descriptive Analysis

The respondents who filled out the questionnaire were 125 respondents with the following descriptions:

**Table 1.**  
Demographic respondent.

Category	Possible answer	F	%
Gender	Male	80	64
	Female	45	36
Age	17-30 years old	41	32.8
	31-50 years old	70	56
	> 50 years old	14	11.2
Education	≤ Senior high school	59	47.2
	Diploma	33	26.4
	Bachelor	27	21.6
	Master	6	4.8
Working life	0-5 years	58	46.4
	5-10 years	16	12.8
	> 10 years	51	40.8

As depicted in [Table 1](#), the majority of respondents are male, namely 80 respondents or 64%. Then, based on age, most respondents, 70 or 56%, had an age range of 31-50 years. Most respondents also had an educational background of ≤ high school, 59 respondents or 47.2%. And based on work period, the majority of respondents, 58 respondents or 46.4%, had a work period of 5-10 years.

### 5.2. Measurement Model Analysis (Outer Model)

Outer model analysis is carried out to ensure that the measurements used are suitable, valid and reliable. The analysis was carried out using several tests namely outer loading, average variance extracted (AVE), cronbach's alpha, and construct reliability. The results can be seen in [Table 2](#).

**Table 2.**  
Measurement model.

Variable	Indicator	Outer loading	AVE	Cronbach's alpha	Composite reliability
Corporate strategy	X1.1	0.758	0.653	0.947	0.954
	X1.2	0.822			
	X1.3	0.778			
	X1.4	0.814			
	X1.5	0.805			
	X1.6	0.846			
	X1.7	0.778			
	X1.8	0.827			
	X1.9	0.864			
	X1.10	0.779			
	X1.11	0.812			
Religious observance	X2.1	0.790	0.606	0.966	0.968
	X2.2	0.833			
	X2.3	0.804			
	X2.4	0.822			
	X2.5	0.732			
	X2.6	0.761			
	X2.7	0.776			
	X2.8	0.790			
	X2.9	0.801			

Variable	Indicator	Outer loading	AVE	Cronbach's alpha	Composite reliability
	X2.10	0.794			
	X2.11	0.766			
	X2.12	0.723			
	X2.13	0.704			
	X2.14	0.748			
	X2.15	0.824			
	X2.16	0.751			
	X2.17	0.760			
	X2.18	0.792			
	X2.19	0.809			
X2.20	0.778				
Firm performance	Z1	0.779	0.626	0.954	0.959
	Z2	0.799			
	Z3	0.744			
	Z4	0.820			
	Z5	0.804			
	Z6	0.739			
	Z7	0.810			
	Z8	0.839			
	Z9	0.827			
	Z10	0.802			
	Z11	0.789			
	Z12	0.803			
	Z13	0.704			
	Z14	0.805			
Business sustainability	Y1	0.790	0.609	0.954	0.959
	Y2	0.763			
	Y3	0.803			
	Y4	0.728			
	Y5	0.853			
	Y6	0.836			
	Y7	0.776			
	Y8	0.813			
	Y9	0.726			
	Y10	0.830			
	Y11	0.741			
	Y12	0.782			
	Y13	0.760			
	Y14	0.759			
	Y15	0.738			

Table 2 displays outer loading values for all indicator items larger than 0.7. Convergent validity states that all indicators are valid based on outer loading. If the AVE value for all variables is greater than 0.5, all indicator items for each variable are valid. Cronbach's alpha and composite reliability scores for all variables are above 0.7, indicating dependability. The discriminant validity test results follow.



**Table 3.**  
Fornell-Larcker criterion test.

Variable	Business sustainability	Religious observance	Firm performance	Corporate strategy
Business sustainability	0.781	0.000	0.000	0.000
Religious observance	0.754	0.779	0.000	0.000
Firm performance	0.776	0.704	0.791	0.000
Corporate strategy	0.701	0.638	0.656	0.808

Table 3 shows that each construct's roots (Fornell-Larcker Criterion) are more significant than the correlation with other variables below. So, the conditions for discriminant validity in this model have been met, as stated in the table.

### 5.3. Structural Model Analysis (Inner Model)

The inner model analysis tests the structural model used to predict cause-effect interactions between latent variables or variables that cannot be assessed directly. The inner model analysis is shown by r-square, f-square, and q-square.

**Table 4.**  
Output R-square dan R square adjusted.

Model	R square	R square adjusted
X1 & X2 to Z	0.568	0.561
X1 & X2 to Y	0.716	0.708

Table 4 reveals that the Adjusted R Square value of the model of corporate strategy (X1) and religious observance (X2) on company performance (Z) is 0.561, or 56.1%. Based on the Adjusted R Square value of >50 and <75, the influence is considered medium or moderate. The R Square Adjusted value of the model of corporate strategy (X1) and religious observance (X2) on business sustainability (Y) is 0.708, or 70.8%. Based on the data, the Adjusted R Square value is >50 and <75, indicating a medium to moderate influence. The f-square test results follow.

**Table 5.**  
Output F square.

Variable	Business sustainability	Religious observance	Firm performance	Corporate strategy
Business sustainability	0.000	0.000	0.000	0.000
Religious observance	0.171	0.000	0.317	0.000
Firm performance	0.232	0.000	0.000	0.000
Corporate strategy	0.098	0.000	0.168	0.000

Table 5 shows that the most significant effect size or f-square value is the influence of religious observance on firm performance, with a value of 0.317 and a moderate influence category (> 0.15). Then, the influence of religious observance on business sustainability, the effect of corporate strategy on firm performance, and the influence of firm performance on employee business sustainability fall into the category of having a moderate effect because the value is more significant than >0.15. The impact of corporate strategy on business sustainability is in the low sort because the value is <0.15. The following results were obtained from the results of the q-square test.

**Table 6.**  
Output Q square.

Variable	Mean value prediction (SSO)	Prediction error (SSE)	Q <sup>2</sup> (=1-SSE/SSO)
Business sustainability	1875.000	1083.526	0.422
Religious observance	2500.000	2500.000	0.000
Firm performance	1750.000	1139.583	0.349
Corporate strategy	1375.000	1375.000	0.000

Table 6 illustrates that the company performance variable forecast is significant because its Q<sup>2</sup> value is 0.349 or more. The business's sustainability variable prediction is also relevant as its Q<sup>2</sup> value is 0.422 or greater than 0. Since Q<sup>2</sup>>0, the endogenous variable has a good observation value.

#### 5.4. Hypothesis Testing

After all data variables were declared valid and reliable, the direct and indirect hypotheses testing is summarized in Table 7. Data processing shows that business strategy improves firm performance immediately. Due to the 0.00 p-value, 4.323 t-value, and 0.350 path coefficient or original sample value, this is the case. Religion positively impacts company performance, with a p-value of 0.000 < 0.05, t-value of 6.719 > 1.657, and path coefficient of 0.481. Corporate strategy has a positive impact on business sustainability, with a p-value of 0.023 < 0.05, t-value of 2.288 > 1.657, and path coefficient of 0.234. Religious practice also helps businesses survive. This is due to the path coefficient value of 0.329, p-value < 0.05, and t-value 3.824 > 1.657. Business sustainability is positively correlated with firm performance (p-value < 0.05, t-value 6.054 > 1.657, path coefficient 0.391). Corporate strategy and religious observance can indirectly affect business sustainability through firm performance. In Table 7, firm performance positively mediates the impact of corporate strategy on company sustainability, with a p-value of 0.001 < 0.05, t-value of 3.363, and path coefficient of 0.137. Company performance can also favorably assess religious observance's impact on sustainability. As the path coefficient value is 0.188, the p-value is 0.000 < 0.05, and the t-value is 4.787.

**Table 7.**  
The summary of the hypotheses testing.

Independent variable	Mediation	Dependent variable	Path coefficient	t-value	p-value	
H1	Corporate strategy	-	Firm performance	0.350	4.323	0.000
H2	Religious observance	-	Firm performance	0.481	6.719	0.000
H3	Corporate strategy	-	Business sustainability	0.234	2.288	0.023
H4	Religious observance	-	Business sustainability	0.329	3.824	0.000
H5	Firm performance	-	Business sustainability	0.391	6.054	0.000
	Corporate strategy	Firm performance	Business sustainability	0.137	3.363	0.001
	Religious observance	Firm performance	Business sustainability	0.188	4.787	0.000

## 6. Discussions of the Findings

Data processing results show that corporate strategy has a positive and significant influence on firm performance. This can be interpreted as if the corporate strategy in the Farmasi Ciremai Company improves or improves; this will also enhance the company's performance. On the other hand, if the corporate strategy in the Farmasi Ciremai Company declines or gets worse, then the company's performance will also be lower. This is in line with research by Olatunde and Ola-Adeyemo [12] which found that indicators of market development, product development, and diversification in company strategy had a positive and significant impact on firm performance measures, namely customer retention, sales volume, net profit and return on assets.

Sangudi, et al. [16] observed that a well-implemented company strategy that encompasses concept, configuration, coordination, organizational architecture, management system, and leadership and style improves firm performance. Geographic diversification and equity financing boost corporate profitability, according to Muhanguzi [15]. Company leaders and investors must carry out strategic planning to make their choices the right strategies with the best rewards. This is because the right corporate system can determine long-term success and growth for the company. On the other hand, an inappropriate or poorly planned strategy can result in a decline in firm performance, reduced competitiveness, and difficulties in dealing with market changes.

Religious observance also has a positive and significant influence on firm performance. So, if the religious observance of Farmasi Ciremai Company employees increases, then the company's performance will also increase. Likewise, if the performance of companies owned by Farmasi Ciremai Company employees declines, then the company's performance will also decrease. This is in line with research by Hanif and Rahmawati [25] which found that the higher a person's religiosity, the better the person is at applying his religious teachings in everyday life, which positively impacts his performance in the company. Likewise, Kasman [26] research shows that good performance at work is caused by the person's level of awareness of religiosity. Sunanda [23] also found that implementing Islamic policies to increase employee religiosity positively impacted performance. It increases honesty, discipline, and employee loyalty. This is because religious observance can foster solid ethical values, including integrity, responsibility, and dedication to work.

Corporate strategy also has a positive and significant influence on business sustainability. This can be interpreted as if the corporate strategy of Farmasi Ciremai Company improves or improves; this will also increase business sustainability. On the other hand, if the corporate strategy of Farmasi Ciremai Company declines or worsens, then business sustainability will also be lower. This is in line with Aqmal [40] research, which shows that the right corporate strategy has a positive impact on business sustainability by focusing on economic impact (increasing sales and product types), social impact (empowering society, contributing to the community environment), environmental impact (waste management and environmental friendliness), as well as spiritual implications (having a good work ethic). Likewise, research by Prihanto and Damayanti [41] shows that effective promotion, building consumer trust, and a good image in corporate strategy determine business sustainability both directly and indirectly. Susanto, et al. [42] also show that a corporate process of focusing on the quality of products and services and developing them in line with consumer needs and preferences can maintain business sustainability in the future. Meanwhile, ensuring continuous improvement of the capacity and quality of human resources, company systems, and technology is also the foundation and strengthening of the company's competitiveness in the future.

Religious observance also has a positive and significant influence on business sustainability. This can be interpreted as Farmasi Ciremai Company employees having good religious observance, which will also increase business sustainability. On the other hand, if Farmasi Ciremai Company employees have poor religious observance, then business sustainability will also be lower. This is in line with research by Amanda and Sari [43] which shows that religiosity strengthens relationships and trust with consumers so that consumers will continue to trust and use services or products continuously. Yolanda [44] shows that good religiosity significantly influences a person's thinking in acting and making decisions, thereby increasing the chances of long-term business sustainability.

The results of hypothesis testing also show that company performance has a direct positive and significant influence on business sustainability. So, if the performance of companies owned by employees increases, then the business sustainability of Farmasi Ciremai Company will also increase. On the other hand, if the performance of an employee-owned company declines, then business continuity will also decrease. Ditra [30] in his research, explains that company performance is a critical element of business achievement and sustainability. Excellent and effective company performance can increase the number of buyers and expand business space and profits. Naufal and Purwanto [31] found that the indicator "people" or employees or human resources in company performance, in practice, is an indication of sustainable

business. The test results also show that company performance can mediate the influence of corporate strategy and religious observance on business sustainability.

## 7. Conclusions

Based on the results of data analysis, corporate strategy, and religious observance can have a direct positive effect on company performance and business sustainability, so if corporate design and religious observance increase, company performance and business sustainability will also increase and vice versa. Then, company performance can also mediate the influence of corporate strategy and religious observance on business sustainability. The limitation of this research is that it is only carried out on Regional Government-Owned Enterprises (RGOE) which focus on the pharmaceutical sector only, so it is hoped that in future research all government-owned RGOE, especially in Cirebon City, can be researched comprehensively regarding the variables studied. It is also hoped that future researchers will be able to look at other factors that influence performance apart from corporate strategy variables, religious observance, and company performance so that future research will have innovative results and can expand the scope of the research.

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### Institutional Review Board Statement:

The Ethical Committee of the Universitas Swadaya Gunung Jati has granted approval for this study on 13 July 2023 (Ref. No. 87/Lemlit-Univ/VII/2023).

### Transparency:

The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

### Competing Interests:

The authors declare that they have no competing interests.

### Authors' Contributions:

All authors contributed equally to the conception and design of the study. All authors have read and agreed to the published version of the manuscript.

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