Improving the Perceived Partnership Synergy and Sustainability Through the Social and Political Context in Indonesia: Business Law Compliance as a Mediator

Thanaporn Sriyakul, Kittisak Jermsittiparsert, Supatra Phanwichit, Andi Luhur Prianto

The purpose of the current study is to examine the role of societal and political context (SPC) in improving the perceived partnership synergy and perceived partnership sustainability, along with the role of business law compliance (BLC) in both these relationships. To achieve the purpose of the current study, the impact of SPC was analysed on the perceived partnership synergy and perceived partnership sustainability and the moderating impact of BLC was also analysed in the context of Indonesia. The non-purposive sampling technique was used in the current study. The data was collected from the manufacturing sector of Indonesia and 297 structured questionnaires were distributed among respondents. The data was analysed using SPSS and AMOS and “confirmatory factor analysis” and “structural equation modelling” were performed to analyse the data. The results revealed that SPC has a significant impact on perceived partnership synergy as well as perceived partnership sustainability. The findings further revealed that there is significant moderation of business law compliance between the relationships of SPC with perceived partnerships synergy and with perceived partnership sustainability.
Hence, all hypotheses of the current study were accepted. These findings have significant implications in theoretical and practical fields.

**Key words:** Societal and political context, perceived partnership synergy, perceived partnership sustainability, business law compliance.

**Introduction**

A partnership is sustainable in the event that it is long haul, stable, and self-supporting. It is critical to consider partnership sustainability as a pointer of partnership achievement since it might take a very long time before business results from partnerships become discernible (Shen, Tam, Gan, Ye, & Zhao, 2016). Partnership synergy speaks to the total of points of view, information and attitudes that are brought into the partnership by the general population and associations taking an interest. Partnerships should be synergetic to be more powerful than single associations or people in achieving network results (Jagosh et al., 2015). The present status of partnership synergy and sustainability in the assembling area of Indonesia isn't ideal because of the issues which the businesses face once in a while, and in this way the monetary development of the nation is influenced.

**Figure 1**

According to the above-mentioned Figure 1, the elements on which the success of partnership sustainability depends are both societal and political in addition to other elements.
Indonesia as of late has seen emotional changes in its financial, political and spatial scenes. There is an uneven financial advancement between religions in urban and country zones, which accordingly results in wide gaps in per capita payments. This financial setting places a comprehension on explicit components that may shift starting with one nation or area then onto the next, contingent upon the institutional setting inside which they happen (Famiola & Adiwoso, 2016). The nation faces numerous difficulties ahead in verifying the business conditions for speculators and supporting monetary development. Centre issues of debasement and unreasonable administration are still obstacles for any speculator, while inadequate HR and poor foundations are controlling GDP development from achieving the dimensions being found in India and China (Pratono & Sutanti, 2016). Be that as it may, moderate yet relentless advances are being taken to address the previously mentioned hindrances. Without a doubt, Indonesia has the essentials to be the main worldwide economy over the coming decades.

A related compliance issue in Indonesia is the execution of good corporate administration standards. Like compliance, great corporate administration standards have not been gathered into a solitary lawfully restricting instrument (Lukito, 2016). In 2006, the National Committee of Governance Policy (Komite Nasional Kebijakan Governance or KNKG) issued General Guidance on Indonesian Good Corporate Governance. This is a legitimate guideline yet only offers direction for organisations in executing the standards of good corporate administration in Indonesia. Moreover, it doesn't give assents or punishments for non-satisfaction of the proposals given therein.

The non-presence of a lawful instrument posting all the compliance commitments of organisations in Indonesia requires businesses themselves to distinguish the compliance guidelines which they should follow (Sugiartha, Sutama, & Sujana, 2018). It is difficult for organisations to construct a general rundown of compliance guidelines they should pursue. While such a rundown must incorporate sectorial laws and guidelines, most remote venture organisations in Indonesia will initially concentrate on, among others, investment law, company law, hostile to debasement guidelines, charge laws and work guidelines (Dubey, Gunasekaran, Childe, Papadopoulos, & Helo, 2019; Dubey, Gunasekaran, & Papadopoulos, 2017; Elbanna, Kapoutsis, & Mellahi, 2017; He, Brouthers, & Filatotchev, 2018).

Partnership synergies and sustainability in the manufacturing sector of Indonesia are currently in the declining phase, because people are not open to develop the business partnership in Indonesia and this is affecting the economic growth in the region. One of the basic reasons for this decline is the ignorance of social and political contexts while developing the business. Business law compliance also plays a role in this scenario. This issue of perceived partnership synergy and sustainability is not only limited to Indonesia but exists almost in every developing country where business laws are not appropriately
consolidated. If the perceived partnership synergies and sustainability is not improved in the region the business will further collapse, causing damage to the economy of the country. Several studies in the past have been carried out on perceived partnership synergy and sustainability but in those studies, the societal and political context was not taken into consideration, also very few studies were carried out in the manufacturing sector. Such studies have not been significantly performed in Indonesia. The current study is one of its kind as it discusses the perceived partnership synergy and sustainability through the societal and political context in Indonesia and also discusses the moderating role of business law compliance.

The objectives of this study are:

- To analyse the impact of societal and political context on perceived partnership synergy in Indonesia
- To analyse the impact of perceived partnership sustainability on the societal and political context in Indonesia
- To analyse the moderating role of business law compliance in the relationship between societal and political compliance and perceived partnership synergy in Indonesia
- To analyse the moderating role of business law compliance in the relationship between societal and political compliance and perceived partnership sustainability in Indonesia

The current study scopes around the manufacturing and industrial sector of Indonesia. The impact of perceived partnership synergy and sustainability through societal and political context is seen in the manufacturing sector of the region. The government of Indonesia is of the view that the manufacturing sector of the country will prove to become the most promising engine of economic growth. The studies in the past on the relevant topic have been beneficial in literature and theory. Previously, the literature has been evidently increased on the impact of perceived partnership synergy and sustainability (Jamali, 2004). Studies have added to theory by discussing the moderating role of business law compliance in various scenarios. The evidence and literature on business law compliance and the impact of perceived partnership synergy and sustainability have also benefited the manufacturing industrialist and the policy makers in Indonesia.

**Literature Review**

The literature about the definitions of the variables and the literature about the understudy variables are mentioned in this section.
Recent studies (Jagosh et al., 2015) show the relation between Perceived Partnership Synergy (PPSy) and involvement of societal and political context as variables. The relationship understanding between community participants and synergy is important for professionals who work in the health or administration sectors, because they and the organisation in which they work both represent leadership goals in community partnership (McKillop, Doughty, Atherfold, & Shaw, 2016) at the societal level. In the societal context, partnership synergy lies with the stakeholders, and the members of the community. The public and private sectors both are involved in the function of PPSy in the presence of societal and political environment. Studies believe (Krell, Fisher, & Steffey, 2016) that societal partnership helps in evolution, consultation and helps in the formation of other PPSy. It is a fact that (Peachey, Cohen, Shin, & Fusaro, 2018) sometimes community stakeholders limit the effectiveness and efficiency of partnership and synergy, it can only be controlled if the leaders of the society understand the needs, wants and priorities of the community. According to certain studies (Valentijn et al., 2015) literature on partnership is loaded with allusions to synergy when it is perceived in the societal and political level. Politics also involve the partnership trait, but sometimes it negatively affects the PPSy; frequent change in political laws and policies can also prevent partnership in the pool of synergy. A perceived partnership accomplishes synergy when the corresponding information, skills and assets are combined together in the societal and political context (Perić & Sorić, 2018; Rauer & Kaufmann, 2015; Scholten & Schilder, 2015). Partnership synergy also explains the behaviour of synergy within societal and political contexts under consideration of a probabilistic model (Ros-Tonen, Van Leynseele, Laven, & Sunderland, 2015). This model leads the researcher to the ‘team synergy’ hypothesis (Hearld, Alexander, & Shi, 2015) and its operationalisation in the political and societal context. Within this hypothesis there are two knowledgeable grounds that focus on both society and politics, 1) Socio-cognitive approach, 2) Inactive approach. However, societal and political environments still influences the PPSy, independent of the circumstances. So, this study proposes the hypothesis that;

**H1**: Societal and Political context has significant impact on Perceived Partnership Synergy.

**Societal and Political context in Perceived Partnership Sustainability**

According to studies (Hayward & Li, 2017) the impact of societal and political context will be positive if the perceived partnership sustainability (PPSy) is in a better position and in better circumstances (Bieluch et al., 2017). Sustainable markets make a net positive contribution to the society in terms of environmental, societal, political and economic development. Sustainability markets perspective and concepts are globally competitive. Studies (Papadopoulos et al., 2017) elaborated that perceived sustainability is implemented
on the employees and community members at the societal level. Societal context acts as a baseline for social identity theory that represents some theoretical connection between employee’s perception and organisational commitment. Social theory also influences the PPSy including the organisational system with the positive reputations of employees and of the society (Jenner, 2016). This study depends on the perceived behaviour of employees, community members and politicians towards the sustainable partnership. According to study (Kiron et al., 2015) organisational behaviour and organisational commitment are also part of Corporate Social Responsibility (CSR ) at the global level. This term increases the sustainability of partnership as perceived. So, this study proposes a hypothesis that:

**H2;** Societal and Political context has a significant impact on perceived partnership sustainability.

**Mediating Role of Business Law compliance with Societal and political context in perceived partnership synergy**

According to research (Beatty, Samuelson, & Abril, 2018) business law (BL) acts as the mediator between societal and political context with PPSy. Partnership and synergy develops only if laws of business are the latest and most favourable for the working employees and community. Laws of business should not be difficult to perceive by the locals of the community and they should fulfil the demands of the common public. Business law (Schulman, Moscow, & Lesser, 2017) should be regulated yearly or monthly considering the political and societal requirements of the people concerned. The probabilistic model encourages the use of a mediator which connects business law compliance with partnership synergy. International business investment law also stabilises partnership synergy and produces a positive impact on PPSy referring to societal and political environments. So, this study produces a hypothesis that:

**H3;** Business law compliance has a significant mediator role/impact on societal and political context in perceived partnership synergy.

**Mediating Role of Business Law compliance with Societal and Political context in Perceived Partnership Sustainability**

According to studies (Cameron, 2017) business law acts as a mediator between partnership and sustainability, keeping in focus the societal and political context. Identity theory influences the role of sustainability and partnership in the presence of the mediator of business law. Business law enhances the role of sustainability through partnership. Over the years, much evidence (O'Brien, Powers, & Wesner, 2018) has described the validity and sustainability of business law performance at the international economic level. Partnership
sustainability depends on determinants and innovation, which acts as a leading force to embrace sustainable business practices. So, this study proposes the hypothesis that:

**H4:** Business law compliance has a significant role/impact on societal and political contexts in perceived partnership sustainability.

**Research Model**

Following is the proposed research model for the study:

![Research Model Diagram]

**Research Methodology**

In order to collect data, a survey method consisting of structured questionnaires was adopted in this study. Two conditions are used to select the target respondents. Past research concluded that in terms of sustainability, the partnership firms having smaller size are considered to have low impact as compared to firms with larger size and larger revenues (Min & Galle, 2001). These large size firms are more prone to sustainability compared to smaller ones, and require more effort to maintain their sustainability (Pagell, Yang, Krumwiede, & Sheu, 2004). These conditions ensure the reliability of the respondents selected for this study regarding their sustainability in the social context. The respondents targeted in these firms are the management people with executive positions in those partnership firms who had enough knowledge about their partnership firms’ operations. These databases provided enough and reliable information, including addresses and contact numbers about those partnership firms as well as their financial information. Before sending the questionnaires, permissions were granted on the telephone by the representatives of
these selected firms. The questionnaires were sent through postal mail to these firms for collecting data. Follow ups were also conducted on a regular basis through telephone contact with the representatives. Out of 330 questionnaires sent to these firms, 310 were returned. Then these constructs were passed through a reviewing process to sort out any errors or mislaid information. Among these, those questionnaires were eliminated that were incomplete or blank, leaving the total sample size at 297 questionnaires. During the collection of data from survey methods, various informant issues take place during the whole process. In order to avoid such issues, a few measures, including number of years a person is working in supply chains and the present designation title of that person were taken under consideration to evaluate their knowledge related to partnership (Campbell, 1955). A few responses were also eliminated because they were below the level of the benchmarks selected.

**Instruments adopted**

Due to the dilemma associated with the absence of relative measures in order to measure partnership in today’s trends, there are four major variables in this study: the measurement of perceived partnership synergy, perceived partnership sustainability and social and political context. These were adapted from the study of (Niels Hermens*), whereas no significant scale was found in existing literature relating to business law compliance.

**Research Findings**

This study is based on the Indonesian context and data is collected from the 297 respondents. The findings show that 121 male and 176 females participated in the study. The age of the respondent from 20 years to 25 years have a frequency of 238 respondents, 25-30 years range have 45 respondents, 31-40 years range have 12 respondents and remaining are greater than 40 years. Moreover, 24 respondents are undergraduate, 150 are graduate, 113 are master and remaining 10 have other education.

**Factor Analysis and Reliability Test**

The following table shows the factor loading of each construct and suitability value which is measured with KMO and rotated component matrix;
Table 1: Rotated Component Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSU1</td>
<td>.899</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSU2</td>
<td>.866</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSU3</td>
<td>.886</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSU4</td>
<td>.882</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSY1</td>
<td>.757</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSY2</td>
<td>.812</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSY3</td>
<td>.853</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSY4</td>
<td>.854</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSY5</td>
<td>.868</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSY6</td>
<td>.859</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSY7</td>
<td>.853</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSY8</td>
<td>.822</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BLC1</td>
<td></td>
<td>.823</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BLC2</td>
<td></td>
<td>.854</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BLC3</td>
<td></td>
<td>.872</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BLC4</td>
<td></td>
<td>.821</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPC1</td>
<td></td>
<td></td>
<td>.806</td>
<td></td>
</tr>
<tr>
<td>SPC2</td>
<td></td>
<td></td>
<td>.857</td>
<td></td>
</tr>
<tr>
<td>SPC3</td>
<td></td>
<td></td>
<td>.820</td>
<td></td>
</tr>
<tr>
<td>SCP4</td>
<td></td>
<td></td>
<td></td>
<td>.871</td>
</tr>
</tbody>
</table>

Table 2: KMO and Bartlett's Test

<table>
<thead>
<tr>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</th>
<th>.917</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bartlett's Test of Sphericity</td>
<td></td>
</tr>
<tr>
<td>Approx. Chi-Square</td>
<td>6307.987</td>
</tr>
<tr>
<td>df</td>
<td>190</td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
</tr>
</tbody>
</table>

The above-mentioned Tables 1 and 2 show the suitability of data and factor loading; KMO shows that data is suitable for further analysis and the rotated component shows each construct load in its own construct.
Convergent and Discriminant validity

Convergent validity is the validation of items wise for constructs which prove the internal consistency of the data, whereas discriminant validity shows the discriminant of a variable from others. Statistical tool packages used to identify the convergent and discriminant validity of the data finding are below in Table 3:

### Table 3: Convergent and Discriminant validity

<table>
<thead>
<tr>
<th></th>
<th>CR</th>
<th>AVE</th>
<th>MSV</th>
<th>PSY</th>
<th>PSU</th>
<th>BLC</th>
<th>SPC</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSY</td>
<td>0.958</td>
<td>0.742</td>
<td>0.314</td>
<td><strong>0.861</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSU</td>
<td>0.905</td>
<td>0.704</td>
<td>0.387</td>
<td>0.352</td>
<td><strong>0.839</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BLC</td>
<td>0.936</td>
<td>0.784</td>
<td>0.314</td>
<td>0.560</td>
<td>0.358</td>
<td><strong>0.885</strong></td>
<td></td>
</tr>
<tr>
<td>SPC</td>
<td>0.761</td>
<td>0.548</td>
<td>0.399</td>
<td>0.322</td>
<td>0.448</td>
<td>0.329</td>
<td><strong>0.798</strong></td>
</tr>
</tbody>
</table>

The value of composite reliability and average variance excreted confirms the issue of convergent validity, whereas the remaining column shows the discriminate validity of the data. Composite reliability for each construct has a value of more than .70 and the value of MSV is less than AVE, so it proves the convergent validity and the other remaining column shows that every construct has more value for itself rather than others, which proved the discriminant validity of the data.

Confirmatory Factor Analysis

The test of confirmatory factor analysis is used to identify whether another model of this study is a good fit or not. There are 4 to 5 indicators which prove the model fitness and their threshold and observed values are below;

### Table 4: CFA

<table>
<thead>
<tr>
<th>Indicators</th>
<th>CMIN/DF</th>
<th>GFI</th>
<th>IFI</th>
<th>CFI</th>
<th>RMESA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold range</td>
<td>&lt;3</td>
<td>&gt;.80</td>
<td>&gt;.90</td>
<td>&gt;.90</td>
<td>&lt;.08</td>
</tr>
<tr>
<td>Observed values</td>
<td>2.527</td>
<td>.888</td>
<td>.962</td>
<td>.962</td>
<td>.072</td>
</tr>
</tbody>
</table>

The results of the above-mentioned table indicate that all values are under the threshold range, i.e., the value of CMIN/DF for the current data is 2.527 which is less than 3.0, GFI, .888, which is greater than .80, IFI and CFI are .962 which are greater than .90, and last but not least RMESA is .07, which is less than .08. So, this means that the model of the study is a good fit. Following is a figure of CFA in AMOS,
Figure 2: CFA

Structural Equation Modeling

In order to test the study, hypotheses structural equation modelling by using AMOS was performed, because SEM has a feature of multiple regression and can test the entire model at the same time in one shot. Table 4 presents the regression weights each construes on another, and indicates the conclusion of the hypothesis:

Table 5: Structural Model Results

<table>
<thead>
<tr>
<th>Effects</th>
<th>Hypothesized Path</th>
<th>B</th>
<th>S.E</th>
<th>P value</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linear Effects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 1 (+)</td>
<td>SPC → PSY</td>
<td>.347</td>
<td>.046</td>
<td>.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>Hypothesis 2 (+)</td>
<td>SPC → PSU</td>
<td>.335</td>
<td>.051</td>
<td>.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>Moderation Effects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 3 (+↑)</td>
<td>SPC*BLC → PSY</td>
<td>.059</td>
<td>.043</td>
<td>.167</td>
<td>Rejected</td>
</tr>
<tr>
<td>Hypothesis 4 (+↑)</td>
<td>SPC*BLC → PSY</td>
<td>.194</td>
<td>.039</td>
<td>.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

This test is chosen by the researcher as it approximates the multiple and interconnected reliance in a particular examination. Table 5 shows the results of structural equation modeling, and that societal and political context has positive and significant impact on perceived partnership synergy and on partnership sustainability. Moreover, business law compliance plays a significant and positive moderating role between sustainability and societal and political context, whereas its role between synergy and societal and political context...
context, is insignificant. The following figure and graphs show the SEM and Moderating chart:

**Figure 1: SEM**

![SEM Diagram]

**Graph 1: Moderation impact of BLC between SPC and PSY**

![Graph 1 Diagram]
Discussion and conclusion

Discussion

The aim of the current study was to see how the impact of perceived partnership synergy and sustainability can be improved through societal and political context through the mediating role of business law compliance. Four hypotheses were formed in this study. The first hypothesis was the impact of societal and political context on perceived partnership synergy in Indonesia. This hypothesis was accepted in view of the results. In theory, partnerships achieve synergistic outcomes that amount to more than can be achieved by individual partners working on their own. Previously, researchers such as (Wijaya, Glasbergen, Leroy, & Darmastuti, 2018) and (Evans) also accepted this hypothesis in their studies. The second hypothesis of this study was the impact of perceived partnership sustainability on the societal and political context in Indonesia. This hypothesis was also justified by the results of this study. Perceived partnership sustainability has a strong relationship with political and societal contexts. If while starting a business the political and societal contexts are taken into consideration, it leads to strong perceived partnerships sustainability. Previous studies were by (Glasbergen, 2011) and (Shen et al., 2016). The third hypothesis in the current study which was justified is the moderating role of business law compliance in the relationship between societal and political compliance and perceived partnership synergy in Indonesia. In a country where business law compliance has not consolidated the relationship between societal and political compliance, perceived partnership synergy is weak thus affecting the overall business and in turn the economy of the country. In the past, several studies such as...
the study of (Siglé, Goslinga, Speklé, van der Hel, & Veldhuizen, 2018) have also presented similar results. The last hypothesis tested in this study was the moderating role of business law compliance in the relationship between societal and political compliance and perceived partnership sustainability in Indonesia. This hypothesis was justified by the results of the study as consolidating business law compliance leaves a positive impact on the perceived partnership sustainability in the manufacturing sector (Nelson, 2007). The results from the study of (Quarshie, Salmi, & Leuschner, 2016) were also similar to the results of this study. Thus by improving the perceived partnership sustainability and synergy through societal and political context with the mediating role of business law compliance the manufacturing sector of Indonesia can flourish.

**Conclusion**

Perceived partnership sustainability and synergy contribute essentially to the development of successful business when followed through the societal and political context. The factor affecting the perceived partnerships in the manufacturing industry of Indonesia is ignorance of societal and political contexts while developing businesses. Moreover, business law compliance also plays a substantial role in the scenario. The current study aimed at improving this situation. Data was collected from the workers of the manufacturing sector of the country of various firms, and the tests were run on SPSS software. The analysis of the study showed that a positive relationship exists between perceived partnership synergy and sustainability and societal and political contexts. Also, business law compliance needs to be consolidated for the success of the manufacturing sector in Indonesia. The current study is significant theoretically, practically and also for policy making, as it is the unique and first study of its kind in the manufacturing sector in Indonesia. The content of the study will increase the literature and add up to the theory of both dependent and independent variables discussed in this study. Practically, the manufacturers and policy makers in Indonesia can benefit from the study by introducing new reforms and making amendments as required. The current study had some limitations as the sample size was reduced and the study was limited only to Indonesia; the neighbouring countries could also be included. The study was undertaken only in the manufacturing sector of the country - other sectors could also be included. Only business law compliance was seen as having a moderating law. In future, by avoiding these limitations, further literature can be added to the study topic and the gaps can be filled.
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