

ABSTRACT

This study examined the role of good corporate governance mechanisms and corporate culture in creating a collective intelligence that will drive competitive advantage and sustainable performance based on the Resource Based View and agency theory. The GCG mechanism is proxied by board independence, managerial ownership, performance-based compensation system and corporate social responsibility. This study proposed a new proposition that is the collective intelligence which is proxied with ethical business innovation and harmonious collaboration. This study empirically tested two models with 16 hypotheses.

The first empirical model examined the relation between GCG mechanisms, corporate culture, knowledge management, collective intelligence and business performance. The second empirical model examined the relation between GCG mechanisms, corporate culture, knowledge management, collective intelligence and social performance. The data was collected by mail survey of public companies listed on the Indonesian Stock Exchange that represented by the ranks of top management. Testing hypotheses using structural equation modeling and lead to the conclusion that the GCG mechanism is able to create a collective intelligence that can drive competitive advantage and sustainable performance.

Strategic research findings suggest that board independence is more powerful in creating ethical business innovations that will enhance ethical business best practice and ultimately drive business performance. While corporate social responsibility is more powerful in creating harmonious collaboration that will enhance the recognition of reputation and ultimately encourage corporate social performance. Creativity is a dimension of corporate culture that is more powerful influencing knowledge creation that can promote ethical business innovation, while empowerment is more powerful influencing knowledge sharing that can encourage harmonious collaboration. Thus, the collective intelligence that proxied with ethical business innovation and harmonious collaboration can explain the relationship between good corporate governance mechanisms and sustainable performance.

Key words: mechanisms of good corporate governance, collective intelligence, corporate culture, ethical business innovation, harmonious collaboration, and sustainable performance

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