

## Strategic Management Quality and Sustainable Performance: The Mediating Role of Decision Quality

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**Abstract**

Organizations are increasingly required to achieve sustainable performance that integrates long-term growth with environmental and social responsibility. Although strategic management quality is widely viewed as essential, the mechanism through which it shapes sustainable outcomes remains unclear. A cross-sectional survey was conducted with 468 middle- and senior-level managers from multiple industries in China. Strategic management quality, decision quality, and sustainable performance were measured using validated scales. Data were analyzed using SPSS and Hayes' PROCESS macro (Model 4) with 5,000 bootstrap samples. Strategic management quality was positively associated with both decision quality and sustainable performance. Decision quality was strongly related to sustainable performance and partially mediated the effect of strategic management quality. The indirect effect was significant. Strategic management enhances sustainability primarily by improving how organizations make decisions. Decision quality serves as a micro-level mechanism translating strategy into durable performance.

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### 1. Introduction

In an increasingly complex and uncertain global environment, organizations face mounting pressure to not only survive but also thrive in ways that are socially, environmentally, and economically sustainable. Traditional performance paradigms focusing solely on financial outcomes are no longer sufficient; stakeholders now demand broader measures of success that incorporate environmental, social, and governance (ESG) considerations alongside long-term growth and resilience. This shift is reflected in academic research, which emphasizes the importance of integrative approaches that link strategic management practices with sustainable performance outcomes (Wijaya, 2025).

Strategic management quality has emerged as a critical determinant of organizational success in this broader sustainability context. Rather than viewing strategy as a static document or plan, recent studies highlight the dynamic and integrative role that strategic management plays in aligning organizational structures, processes, and decision-making with sustainability objectives. For example, bibliometric analyses show that strategic management research increasingly incorporates sustainability challenges—including polycrises and global disruptions—underscoring the urgency of integrating sustainable development goals into strategic frameworks (Sedovs, 2025).

Parallel to this evolution in strategic focus, governance quality has been identified as a key enabler of sustainable performance. Effective governance practices enhance transparency, accountability, and stakeholder trust—foundational elements for long-term viability in the face of environmental and social challenges (Yolanda et al., 2025). Empirical research also suggests that specific governance mechanisms, such as board composition and tenure, significantly influence various aspects of sustainability performance, including environmental and social outcomes, indicating that governance structures are not merely administrative, but play a substantive role in shaping sustainable trajectories.

Despite the growing recognition of strategic management and governance as drivers of sustainable performance, the literature still lacks a nuanced understanding of the mechanisms through which these macro-level constructs translate into measurable outcomes. One promising avenue for unpacking this “black box” is the concept of decision quality—the degree to which organizational decisions are based on accurate information, systematic analysis, and long-term orientation. Decision quality has been linked to better performance outcomes in various contexts, including the impact of information format and completeness on decision-making processes (Hjelle et al., 2024).

Furthermore, recent studies demonstrate that strategic decision processes can serve as mediators between organizational capabilities and performance outcomes. For instance, research exploring the mediating role of strategic decision-making between enterprise systems and performance underscores the centrality of decision quality for translating strategic planning into organizational results. This is consistent with work showing that governance practices not only set the stage for sustainability but also influence decision-making pathways that lead to favorable performance results. Taken together, these findings suggest that decision quality may be the mechanism through which strategic management and governance exert influence on sustainable performance.

However, empirical work linking these constructs in a comprehensive model remains limited. Most research has examined strategic management, governance, and sustainability in isolation or through bivariate relationships, neglecting the mediating pathways that are essential for theory building and practical guidance. This gap is particularly important because practitioners often struggle to operationalize strategic and governance frameworks in ways that consistently improve decision-making quality and sustainability outcomes.

Accordingly, this study seeks to address this gap by examining how strategic management quality influences sustainable performance through the mediating role of decision quality. Grounded in emerging research on governance, sustainable performance, and decision dynamics, the present study contributes to a more integrated understanding of how organizations can align strategy with sustainability in practice.

## 2. Literature Review and Hypotheses

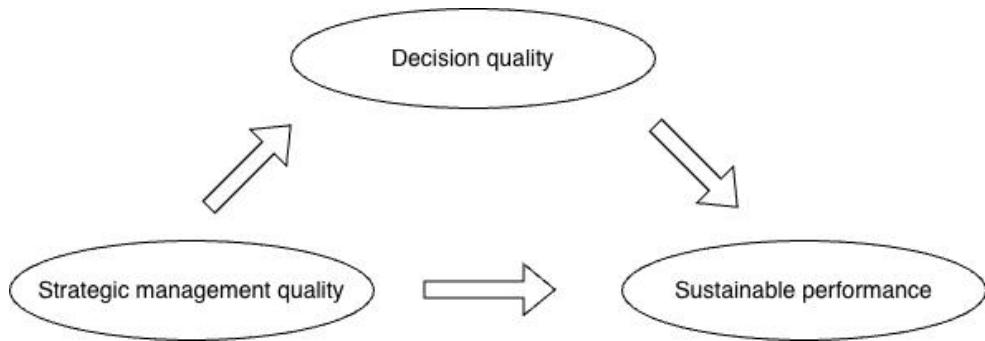


Figure 1 Conceptual Model of Strategic Management Quality, Decision Quality, and Sustainable Performance

As illustrated in Figure 1, this study proposes that strategic management quality exerts both a direct effect on sustainable performance and an indirect effect through decision quality.

### 2.1 Strategic Management Quality and Sustainable Performance

Strategic management has long been regarded as the central mechanism through which organizations align internal resources with external environments to achieve long-term success (Alkhodary, 2023). Classic strategic theory emphasizes that organizations do not merely compete through operational efficiency, but through coherent strategic direction, governance alignment, and long-term orientation (Mintzberg, 1994; Rumelt, 2011). Within this framework, *strategic management quality* refers not simply to the existence of strategic plans, but to the extent to which strategy is integrated into governance structures, communicated across the organization, and consistently enacted in managerial practice.

Upper Echelons Theory (Hambrick & Mason, 1984) provides a foundational lens for understanding how strategic management shapes organizational outcomes. The theory argues that organizational performance reflects the values, cognitive frames, and interpretive processes of top decision-makers. In this view, strategic management quality represents a systemic extension of executive cognition: it structures how problems are defined, which alternatives are considered, and how trade-offs are evaluated. High-quality strategic management therefore creates an organizational environment oriented toward coherence, foresight, and disciplined action (Suriyankietkaew & Petison, 2019).

In the context of sustainability, this logic becomes particularly salient. Sustainable performance, as conceptualized by Elkington's (1997) triple bottom line framework, encompasses long-term economic viability, environmental responsibility, and social legitimacy. Unlike short-term financial outcomes, sustainable performance requires organizations to balance competing objectives, tolerate delayed returns, and navigate high levels of uncertainty. These demands exceed the capacity of ad hoc or intuition-driven management. Instead, they require stable strategic architectures that embed long-term orientation into everyday operations.

However, empirical evidence suggests that many organizations struggle to translate strategic intent into sustained outcomes. Mintzberg (1994) famously criticized formal strategy for becoming ritualistic, detached from real organizational behavior. Similarly, Bromley and Powell (2012) demonstrated that organizations often engage in “decoupling,” whereby

symbolic commitments to reform coexist with unchanged internal practices. These critiques imply that strategic management affects performance only when it penetrates operational decision structures.

Nevertheless, when strategic management is coherent, embedded, and governance-aligned, it can reshape organizational priorities and routines, thereby enhancing long-term outcomes (Osei, 2025). Prior research has shown that organizations with clearer strategic direction and stronger governance integration exhibit superior adaptability, innovation continuity, and resilience under uncertainty (Pearce & Robinson, 2015; Rumelt, 2011). In sustainability-oriented contexts, such qualities are especially critical.

Accordingly, this study proposes:

**H1:** Strategic management quality is positively associated with sustainable performance.

## 2.2 Decision Quality as a Mediating Mechanism

While the relationship between strategic management and performance is widely acknowledged, the *mechanism* through which this relationship unfolds remains theoretically under-specified. Much of the literature treats strategy as a macro-level capability, implicitly assuming that better strategy naturally yields better outcomes. Yet, organizations do not act; they *decide*. Performance emerges from countless managerial choices regarding resource allocation, risk tolerance, prioritization, and timing. Thus, the critical question is not whether organizations have strategies, but how those strategies shape *decision processes*.

Decision-making research offers a powerful bridge between strategic structures and organizational outcomes. Eisenhardt and Zbaracki (1992) conceptualized strategic decision-making as a dynamic process involving information search, interpretation, and choice under uncertainty. Dean and Sharfman (1996) empirically demonstrated that decision effectiveness depends not only on content, but on process characteristics such as rational analysis, information integration, and future orientation. These studies highlight *decision quality* as a central determinant of organizational success.

Strategic management quality can be understood as the institutional context within which decisions are made. High-quality strategic management clarifies evaluative criteria, stabilizes long-term goals, and structures information flows. It reduces ambiguity about what “good decisions” look like and creates shared cognitive frames across managerial levels. In contrast, weak strategic management leaves decisions fragmented, short-term oriented, and overly dependent on individual intuition.

This logic suggests that strategic management exerts its influence on performance primarily by reshaping decision environments. Rather than directly producing outcomes, strategic systems modify *how* choices are made:

- what information is considered relevant,
- how alternatives are generated and compared, and
- how long-term consequences are weighted against short-term gains.

In sustainability contexts, this mediating role becomes even more pronounced. Sustainable performance requires decisions that integrate economic, environmental, and social considerations—often in tension with one another (Elkington, 1997). Without high-quality

decision processes, sustainability goals risk remaining rhetorical. Organizations may articulate ESG commitments yet continue to prioritize short-term efficiency in practice, producing the decoupling observed by Bromley and Powell (2012).

Therefore, decision quality functions as the *micro-level conduit* through which strategic management becomes operational. High-quality strategic management enhances decision rationality, coherence, and temporal depth, which in turn enable organizations to pursue sustainable trajectories.

Accordingly, this study proposes:

**H2:** Decision quality mediates the relationship between strategic management quality and sustainable performance.

### **3. Method**

#### **3.1 Participants**

This study employed a cross-sectional survey design. Participants were middle- and senior-level managers from enterprises in manufacturing, technology, energy, and service industries in China. These sectors were selected because strategic management practices in these contexts are closely linked to long-term competitiveness and sustainability orientation.

A total of 512 questionnaires were distributed through executive training programs and professional networks. After removing incomplete and patterned responses, 468 valid questionnaires were retained (valid response rate = 91.4%). Participants ranged in age from 26 to 59 years ( $M = 40.12$ ,  $SD = 6.85$ ). Among them, 55.8% were male and 44.2% were female. Regarding managerial position, 29.5% were senior managers, 46.2% were middle managers, and 24.3% were department heads or project leaders. The average organizational tenure was 8.9 years ( $SD = 5.1$ ).

#### **3.2 Measures**

All variables were measured using five-point Likert-type scales ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). Higher scores indicated higher levels of the construct.

##### **3.2.1 Strategic management quality**

Strategic management quality was measured using a 12-item scale adapted from prior studies on strategic leadership and governance integration (Hambrick & Mason, 1984; Pearce & Robinson, 2015). The scale captures the extent to which organizations integrate governance mechanisms with strategic direction, including clarity of strategic vision, board involvement, and alignment between managerial actions and long-term goals (e.g., “Top management provides a clear long-term strategic direction,” “Strategic decisions are guided by well-defined governance principles”). In the present study, Cronbach’s  $\alpha$  for this scale was 0.90.

##### **3.2.2 Decision quality**

Decision quality was assessed using an 8-item scale adapted from Dean and Sharfman (1996) and Eisenhardt and Zbaracki (1992), reflecting rationality, information integration, and long-term orientation in managerial decision-making (e.g., “Major decisions are based on systematic analysis,” “Long-term consequences are carefully evaluated before decisions are made”). The internal consistency of this scale was satisfactory (Cronbach’s  $\alpha = 0.87$ ).

### 3.2.3 Sustainable performance

Sustainable performance was measured using a 10-item scale capturing long-term growth and ESG-oriented outcomes, adapted from Elkington (1997) and subsequent sustainability performance research (e.g., “Our organization achieves stable long-term growth,” “Environmental and social responsibilities are effectively integrated into business operations”). The scale demonstrated high reliability (Cronbach’s  $\alpha = 0.92$ ).

### 3.3 Procedure

Data were collected between March and May 2025 using an online questionnaire. Participation was voluntary and anonymous. Before completing the survey, all participants were informed of the study purpose and assured that their responses would be used solely for academic research.

To reduce common method bias, respondents were reminded that there were no right or wrong answers and that honest responses were essential. Items from different constructs were interspersed rather than grouped by variable.

### 3.4 Data analysis

All analyses were conducted using SPSS 27.0. Missing values ( $<3\%$ ) were handled using mean imputation. Skewness and kurtosis values for all variables fell within acceptable ranges ( $|\text{Sk}| < 2$ ,  $|\text{Ku}| < 7$ ), indicating approximate normality.

Common method bias was examined using Harman’s single-factor test. The first unrotated factor accounted for 31.2% of the total variance, below the 40% threshold, suggesting that common method variance was not a serious concern (Podsakoff et al., 2003).

Data analysis proceeded in four steps. First, descriptive statistics and Pearson correlation analyses were conducted. Second, reliability analyses (Cronbach’s  $\alpha$ ) were performed for all scales. Third, hierarchical regression analyses were used to test the direct effects of strategic management quality on sustainable performance. Finally, the mediating effect of decision quality was examined using Hayes’ PROCESS macro (Model 4) with 5,000 bootstrap samples. The indirect effect was considered significant if the 95% confidence interval did not include zero (Hayes, 2013).

Age, gender, managerial level, and organizational tenure were included as control variables in all regression models.

## 4. Results

### 4.1 Preliminary analyses

Means, standard deviations, and correlations among the main variables are presented in Table 1. Strategic management quality was positively correlated with decision quality ( $r = 0.56$ ,  $p < 0.01$ ) and sustainable performance ( $r = 0.49$ ,  $p < 0.01$ ). Decision quality was also significantly and positively associated with sustainable performance ( $r = 0.62$ ,  $p < 0.01$ ).

Overall, the correlation pattern was consistent with the proposed mediation model, providing preliminary support for the hypothesized relationships.

**Table 1 Descriptive statistics and correlations among variables**

Variable	M	SD	1	2	3
1. Strategic management quality	3.87	0.64	1		
2. Decision quality	3.91	0.6	0.56**	1	
3. Sustainable performance	3.84	0.66	0.49**	0.62**	1

Note. \*\*p < 0.01.

## 4.2 Testing for mediation effect

Hayes' PROCESS macro (Model 4) with 5,000 bootstrap samples was used to test the mediating role of decision quality.

As shown in Table 2, strategic management quality significantly predicted sustainable performance ( $b = 0.43$ ,  $p < 0.001$ ). Strategic management quality also positively predicted decision quality ( $b = 0.59$ ,  $p < 0.001$ ), and decision quality significantly predicted sustainable performance ( $b = 0.48$ ,  $p < 0.001$ ).

When decision quality was entered into the model, the direct effect of strategic management quality on sustainable performance remained significant but was substantially reduced ( $b = 0.15$ ,  $p < 0.01$ ), indicating a partial mediation effect. Bootstrapping results further revealed that the indirect effect of strategic management quality on sustainable performance through decision quality was significant ( $b = 0.28$ , 95% CI [0.20, 0.37]). Because the confidence interval did not include zero, the mediating role of decision quality was supported.

These results indicate that strategic management quality enhances sustainable performance not only directly but also indirectly by improving organizational decision quality.

Table 2 Testing the mediation effect

Outcome variable	Predictors	R <sup>2</sup>	F	b	Boot LLCI	Boot ULCI	t
Sustainable performance	Strategic management quality	0.24	92.46***	0.43	0.34	0.52	9.61***
Decision quality	Strategic management quality	0.31	134.18***	0.59	0.5	0.68	11.58***
Sustainable performance	Strategic management quality	0.43	161.77***	0.15	0.05	0.25	2.94**
	Decision quality			0.48	0.39	0.57	9.84***

Note. \*\*p < 0.01, \*\*\*p < 0.001.

## 5. Discussion

The present study examined how strategic management quality contributes to organizational sustainable performance and whether this relationship is transmitted through decision quality. The results provide consistent support for the proposed mediation model: strategic management quality significantly predicts sustainable performance both directly and indirectly

via decision quality. Importantly, once decision quality is introduced, the direct effect of strategic management quality is substantially reduced, indicating that a large proportion of the impact of strategic management operates through the quality of organizational decisions.

This finding moves beyond the conventional assumption that “good management naturally leads to good performance.” Much of the strategic management literature treats strategy as an abstract asset—vision, planning, or alignment—without sufficiently specifying *how* it becomes operationalized in everyday organizational behavior (Mintzberg, 1994; Rumelt, 2011). Our results suggest that strategic management exerts its influence primarily by reshaping the *decision environment*: it structures information flows, clarifies evaluative criteria, and embeds long-term orientation into routine judgment. In this sense, decision quality functions as the *micro-mechanism* through which macro-level management systems translate into sustainable outcomes.

The strong path from strategic management quality to decision quality underscores the idea that governance and strategy are not merely symbolic structures. When strategic management is coherent and well-implemented, organizations are more likely to rely on systematic analysis, integrate diverse information sources, and evaluate long-term consequences. This supports process-oriented views of strategy, which argue that performance differences arise less from the content of strategy than from the *quality of decision processes* that generate and revise it (Eisenhardt & Zbaracki, 1992; Dean & Sharfman, 1996). By empirically linking these perspectives to sustainability outcomes, the present study extends classical decision-making theory into the domain of long-term and ESG-oriented performance.

At the same time, the persistence of a direct effect from strategic management quality to sustainable performance suggests that not all managerial influence is mediated by conscious decision processes. This residual pathway may reflect structural or cultural channels—such as resource allocation routines, incentive systems, or legitimacy effects—that shape performance independently of specific decisions (Hambrick & Mason, 1984; Pearce & Robinson, 2015). In other words, strategic management does not only improve *how* organizations decide; it also defines *what becomes possible* by shaping institutional boundaries and expectations. This dual pathway highlights an important limitation of purely cognitive models of strategy: decision quality alone cannot fully capture the systemic power of management structures.

From a critical perspective, these findings challenge the widespread managerial rhetoric that equates sustainability with visionary leadership or formal ESG commitments. The results imply that sustainability is less a matter of symbolic alignment and more a function of *decision discipline*. Organizations may articulate ambitious sustainability goals, yet fail to achieve them if daily decisions remain short-term, fragmented, or intuition-driven. This helps explain why many firms exhibit “strategic decoupling,” in which sustainability narratives coexist with operational inertia (Bromley & Powell, 2012). Without high-quality decision processes, strategic management risks becoming performative rather than transformative.

Practically, the study suggests that improving sustainable performance requires more than redesigning governance frameworks or issuing strategic plans. Interventions must target the *cognitive infrastructure* of organizations: how information is gathered, how alternatives are evaluated, and how future consequences are weighed. Training programs, decision protocols, and feedback systems that enhance analytical rigor and long-term reasoning may yield greater sustainability gains than structural reforms alone. In this sense, sustainable performance is not

only a strategic outcome but also a behavioral achievement, rooted in everyday managerial judgment.

Several limitations should be acknowledged. First, the cross-sectional design precludes causal inference. Although the model is theoretically grounded, longitudinal or experimental designs are needed to confirm the temporal ordering of strategic management, decision quality, and performance. Second, all variables were measured via self-report, which may inflate associations due to perceptual consistency. Future studies could incorporate objective indicators of decision quality (e.g., decision cycle time, error rates, post-decision revisions) and archival measures of sustainability performance. Third, the model is intentionally parsimonious. While this enhances clarity, it omits contextual moderators such as environmental uncertainty, organizational size, or industry dynamics, which may condition the strength of the mediation process.

Despite these limitations, the present study contributes a mechanism-based perspective on strategic management and sustainability. It reframes strategic management not as an abstract capability but as a system that reshapes how organizations *think and decide*. Sustainable performance, from this view, is not the automatic reward of good intentions—it is the cumulative product of thousands of disciplined decisions shaped by coherent management structures.

## 6. Conclusion

This study provides empirical evidence that strategic management quality enhances organizational sustainable performance both directly and indirectly through decision quality. By opening the “black box” between strategy and outcomes, the findings reveal that strategic management exerts much of its influence by shaping how decisions are made—how information is processed, how alternatives are evaluated, and how long-term consequences are weighted. Sustainable performance, therefore, is not merely the product of visionary planning or formal governance structures, but the cumulative outcome of disciplined, high-quality decisions embedded in everyday managerial practice.

These results challenge the assumption that sustainability naturally follows from strategic intent. Instead, they suggest that sustainability is fundamentally a behavioral achievement, grounded in the quality of organizational judgment. Strategic systems that fail to penetrate decision routines risk remaining symbolic, producing the appearance of alignment without substantive change.

Future research should extend this model in three directions. First, longitudinal or experimental designs are needed to establish causal pathways between strategic management quality, decision quality, and sustainable performance over time. Second, incorporating objective indicators—such as archival ESG metrics or behavioral measures of decision effectiveness—would strengthen the robustness of findings beyond self-report data. Third, contextual moderators such as environmental uncertainty, digital maturity, or organizational size may condition the strength of the mediation process and should be systematically examined. By embedding decision processes within broader strategic architectures, future studies can further illuminate how organizations convert abstract sustainability aspirations into concrete, enduring outcomes.

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