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DOES ENVIRONMENTAL CULTURE AND INTELLECTUAL CAPITAL ENHANCE FIRM VALUE AMID POLITICAL INFLUENCE?

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Abstract

Corporate sustainability has been a key concern for investors and stakeholders, particularly in the Consumer Non-Cyclical (CNC) sector. Previous studies suggested that Environmental Organizational Culture (EOC) and Intellectual Capital (IC) could enhance firm value, but their impact remained debated. This study examined the effect of EOC and IC on firm value, with Political Connections (PC) as a moderating variable. Using panel data regression analysis on financial and sustainability reports from 2021–2022, the findings revealed that EOC and IC had a significant negative relationship with firm value. Additionally, PC moderated the relationship between EOC and firm value but did not significantly affect the IC-firm value relationship. These results suggested that investments in sustainability and intellectual capital might burden firms in the short term, whereas political connections favored tangible operational investments. This study provided insights for stakeholders in balancing sustainability strategies, intellectual capital, and firm value.

INTRODUCTION

A business worked to accomplish its objectives. Companies primarily operated to maximize firm value, ensure sustainable growth, and maintain investor confidence (Jamaluddin Ali & Ali, 2021). Firm value, often represented by market valuation indicators such as stock prices, reflected a company's financial health and long-term growth potential (Ardianto, 2023). Investors relied on firm value as a

critical metric when making investment decisions, particularly in industries with stable market demand, such as the consumer non-cyclical sector (Saputra & Aryani, 2024).

There were provisions for increasing company value that were influenced by various financial, operational, and company policy aspects (Hristozov, 2021). Company value was one of the main focuses when making investment decisions. Rising investor expectations regarding environmental responsibility prompted companies like Nestlé to prioritize enhancing their value. In 2017, Nestlé faced criticism from environmental activists for contributing to deforestation and habitat destruction in Indonesia, which had broader implications for environmental health in Southeast Asia. A report revealed that the company was still sourcing palm oil from unsustainable sources, significantly impacting Nestlé's global reputation (Giannopoulos et al., 2022; Sunrowiyati et al., 2019). This pressure from activists and the resulting reputational damage caused Nestlé to experience a short-term decline in share value. In response, Nestlé announced its commitment to using palm oil from sustainable sources, collaborating with the Roundtable on Sustainable Palm Oil (RSPO) to ensure its supply chain was no longer linked to deforestation (Giannopoulos et al., 2022; Wijaya & Hendriyeni, 2021). This change demonstrated how environmental issues could affect company value through investor and consumer pressure on reputation.

Increasing company value required effective financial management and well-structured company systems. Corporate value reflected financial aspects and encompassed reputation, sustainability, and the company's social impact on the surrounding environment (Saputra & Arifin, 2024). Therefore, companies needed to maintain and develop organizational cultural values properly. The organizational culture environment was a critical factor that company management had to prioritize, as it directly related to human resources (Masrudin, 2022). By ensuring good governance of the organizational culture environment, companies could motivate employees to enhance their performance, ultimately increasing company value. Bakhsh Magsi et al. (2018) found that a pro-environmental organizational culture directly improved a company's environmental performance, which positively impacted company value. However, other studies, such as those conducted by Yadav et al. (2016), showed varying results depending on environmental performance measurement, with some inconsistencies regarding its effect on firm value.

Intellectual Capital (IC) and Environmental Organizational Culture (EOC) have frequently been linked to firm value. While some studies suggested that IC, primarily measured by Tobin's Q, enhanced firm value, others argued that physical capital played a more dominant role (Xu & Liu, 2020). Similarly, EOC was believed to improve corporate sustainability and market perception, but the high costs of environmental initiatives could financially burden firms in the short term (Piwowar-Sulej, 2020). These inconsistencies suggested the need to explore moderating factors such as Political Connections (PC), which could influence how EOC and IC contributed to firm value by providing regulatory advantages, access to resources, or financial stability.

Although the impact of intellectual capital on business value has been debated (Ovechkin et al., 2021; Van et al., 2022), with some research highlighting its significance and others emphasizing the role of physical capital, political connections have been identified as another critical factor influencing firm value. A business's relationship with a political figure or organization that can provide advantages is known as a political connection. This was evident in research by Wong & Hooy (2018), which showed that companies with political connections could influence firm value through various mechanisms, including preferential access to resources, favorable government policies, and protection from regulatory risks. Political connections also influenced how environmental factors, organizational culture, and intellectual capital impacted a company's value. Additionally, research by Gama et al. (2023) examined how political connections on a company's board affected the relationship between media coverage and market value.

Some studies have focused on the interaction between external and internal corporate governance mechanisms, leading to a better understanding of how these mechanisms function together. Wong & Hooy (2018) found that having politically connected board members could reduce the negative impact of media attention on a company's market value. Overall, these findings suggested that one corporate governance mechanism could influence the legitimacy of another. In other words, a company's market

value might be affected by the interaction between internal governance mechanisms, such as political ties within the board of directors, and external governance mechanisms, such as media coverage. Additionally, Boubakri et al. (2012) found that companies with political connections reported more comprehensive and transparent information. This protection allowed companies to manage their capital structure more flexibly without excessive regulatory intervention (Rahman et al., 2024). Based on the research described, political connections provided companies with access to resources, regulatory protection, and market opportunities that were not available to firms without such connections.

Previous research demonstrated how political connections could moderate the increase in firm value, making them a critical factor for investors when making sustainable decisions (Boubakri et al., 2012; Rahman et al., 2024; Wong & Hooy, 2018). Understanding the concrete impact of implementing this practice provided essential insights into how political connections strengthened firm stability and value in a dynamic and often challenging business environment. Furthermore, political connections offered crucial insights into their influence on a company's board of directors and how they affected market reactions to media coverage. This highlighted the importance of considering the interaction between various corporate governance mechanisms when analyzing firm value. Additionally, political connections played a moderating role in maintaining and enhancing firm value, emphasizing their significance in corporate governance discussions.

Despite extensive research on Environmental Organizational Culture (EOC) and Intellectual Capital (IC), their impact on firm value remains debated. While some studies have highlighted their positive contributions, others have emphasized their financial burden, particularly in the short term. Additionally, the role of Political Connections (PC) as a moderating variable remains underexplored. This study aims adressing these gaps by examining whether PC strengthens or weakens the impact of EOC and IC on firm value in the consumer non-cyclical sector. It seeks to provide insights into the financial trade-offs associated with sustainability and intellectual capital investment. Furthermore, this research is expected to assist regulators, shareholders, investors, and other stakeholders in making informed decisions regarding company policies.

In contrast to previous research, this study incorporates political connections as a moderating variable, which has not been extensively examined concerning the impact of Intellectual Capital (IC) and Environmental Organizational Culture (EOC) on firm value. Most prior studies have overlooked the moderating influence of political connections, focusing solely on the direct correlation between these factors. As a result, this study not only examines the direct relationship between IC, EOC, and firm value but also explores how political connections influence this relationship.

This study is expected to provide new insights into the combined effects of political connections as a moderating variable, Intellectual Capital (IC), and Environmental Organizational Culture (EOC) on firm value. Additionally, it aims to assist stakeholders, investors, shareholders, decision-makers, and regulators in enhancing the transparency and accountability of firm value while contributing to the body of academic knowledge.

According to Stakeholder Theory, businesses must consider the interests of all key stakeholders, including employees, customers, suppliers, local communities, and governments, while also maximizing value for their owners (Wallace, 2003). Magill et al. (2015) defined stakeholders as individuals or groups who can influence or be influenced by the achievement of organizational goals, encompassing corporate culture, local communities, and even the environment. This theory emphasizes that company management must prioritize the well-being of all stakeholders to achieve sustainable and ethical performance (Magill et al., 2015).

This theory serves as the most appropriate foundation for studying Intellectual Capital (IC) and Environmental Organizational Culture (EOC). Deegan (2014) stated that Stakeholder Theory emphasizes an organization's accountability in carrying out activities deemed essential. As a result, organizations tend to disclose information related to their environmental, social, and intellectual performance. According to Ulum (2009), stakeholders seek to influence management in utilizing the company's resources, including structural, human, and employed capital.

According to the legitimacy theory of Ulum (2009), businesses sought methods to ensure that their operations remained within the bounds of existing social norms and standards. The concept was

based on the premise that a social contract existed between a company and the community in which it operated. Legitimacy theory and reporting on intellectual capital were closely related. According to this theory, businesses were motivated to incorporate their intellectual property into their financial statements to validate their intellectual assets.

A pro-environmental organizational culture, as described by Piwowar-Sulej (2020), promoted sustainability and ecological awareness at all levels within a company. This approach aligned with ethical standards and strengthened relationships with stakeholders, improving firm legitimacy and value.

Stakeholder Theory, which emphasized that businesses had to consider the interests of all stakeholders including employees, customers, investors, suppliers, and the wider community provided a strong foundation for understanding the impact of environmental organizational culture on firm value (Freeman, 2010). Firms that aligned their strategies with stakeholder expectations, particularly in environmental sustainability, tended to build stronger reputational capital and achieve long-term financial resilience.

Research by Alrazi et al. (2015) showed that companies that integrated environmental values into their operations and transparently reported their sustainability efforts gained public trust. This trust led to stronger brand loyalty and potentially higher equity valuations (Castro et al., 2015). From a Stakeholder Theory perspective, companies that met the expectations of investors, customers, and regulators regarding sustainability were more likely to receive continued support, enhancing their market performance and value.

Similarly, Castro et al. (2015) found that firms with strong environmental management systems performed better. Stakeholder engagement in environmental initiatives reinforced corporate legitimacy and financial success, as companies that prioritized environmental responsibility tended to attract more investors and customer support. Schneider et al. (2013) further highlighted that fostering a sustainability culture boosted employee morale and productivity, contributing directly to financial performance. Coelho et al. (2022) emphasized that firms advocating environmental responsibility enhanced their attractiveness to potential employees, further strengthening their competitive advantage.

Stakeholder Theory suggested that firms adopting environmental sustainability practices created shared value for all stakeholders, strengthening their long-term profitability and market standing. By incorporating environmental responsibility into corporate culture, companies mitigated risks associated with regulatory compliance and enhanced their stakeholder relationships, leading to increased firm value.

Intellectual capital (IC) consisted of human, structural, and relational capital, all contributing to a firm's success (Doğan & Kevser, 2020; Maditinos et al., 2011). These intangible assets were crucial in maintaining competitiveness and increasing firm value. Human capital included employees' skills, knowledge, and expertise, which drove innovation and efficiency. Companies that invested in employee development tended to achieve better financial performance and long-term growth (Crook et al., 2011; Rodríguez & Orellana, 2020). Structural capital, such as systems and processes, improved operational efficiency and reduced costs, making firms more competitive (Tarigan et al., 2019). Relational capital, which referred to relationships with customers and stakeholders, strengthened trust and brand reputation, positively influencing firm value (Maditinos et al., 2011; Sharabati et al., 2010). From the Legitimacy Theory perspective, firms needed to align with societal expectations to gain stakeholder trust and maintain credibility (Suchman, 1995). Intellectual capital played a key role in enhancing legitimacy, as firms that demonstrated substantial knowledge assets, transparent management practices, and stakeholder engagement were perceived as more credible and reliable. This, in turn, attracted investors and strengthened firm value.

Moreover, firms that effectively managed and disclosed their intellectual capital reduced legitimacy risks. Companies that failed to communicate their intellectual assets faced scepticism from investors and the market. By integrating IC into legitimacy-building strategies, businesses reinforced their credibility, improved transparency, and enhanced stakeholder confidence, contributing to higher market valuation (Chiu & Chen, 2017; Doğan & Kevser, 2020).

Political connections referred to relationships that firms had with individuals or groups in government or political circles, including board members or significant shareholders directly connected to government officials or political parties (Ang et al., 2011). In some contexts, such as in countries with strict regulations or high levels of corruption, political connections provided access to economic opportunities, such as favorable government contracts, credits, or subsidies, which ultimately increased firm value (Tao et al., 2017). On the other hand, political connections also posed risks, especially in business environments vulnerable to political or regulatory fluctuations.

Based on Stakeholder Theory, political connections served as a tool to manipulate or fulfil stakeholder expectations. Companies with strong political ties used their influence to shape public narratives regarding their environmental commitments while securing support from governments and regulators. This strengthened the company's legitimacy in the eyes of stakeholders, positively impacting firm value. Zhang (2017) found that political connections positively affected corporate environmental responsibility, particularly in state-owned companies and regions with strict environmental regulations.

Intellectual capital refers to the intangible assets owned by an organization. Abdullah and Sofian (2012) described how a company's intellectual capital (IC) is frequently linked to performance. IC is typically divided into three main categories: human capital, structural capital, and relational capital. Research on legitimacy theory suggested that politically connected businesses were often less inclined to disclose information about their intellectual capital or corporate social responsibility (CSR). Muttakin et al. (2018) asserted that political connections provided businesses with enough legitimacy to sustain their public image without relying on information sharing. In other words, political ties mitigated the link between company value and intellectual capital by reducing the need for businesses to seek legitimacy through CSR and intellectual capital disclosure.

Based on the discussion above, the following hypotheses are proposed: H1: Environmental Organizational Culture positively influences firm value. H2: Intellectual Capital has a positive effect on firm value. H3: Political Connection moderates and strengthens the relationship between Environmental Organizational Culture and firm value.H4: Political Connection moderates and strengthens the relationship between Intellectual Capital and firm value.

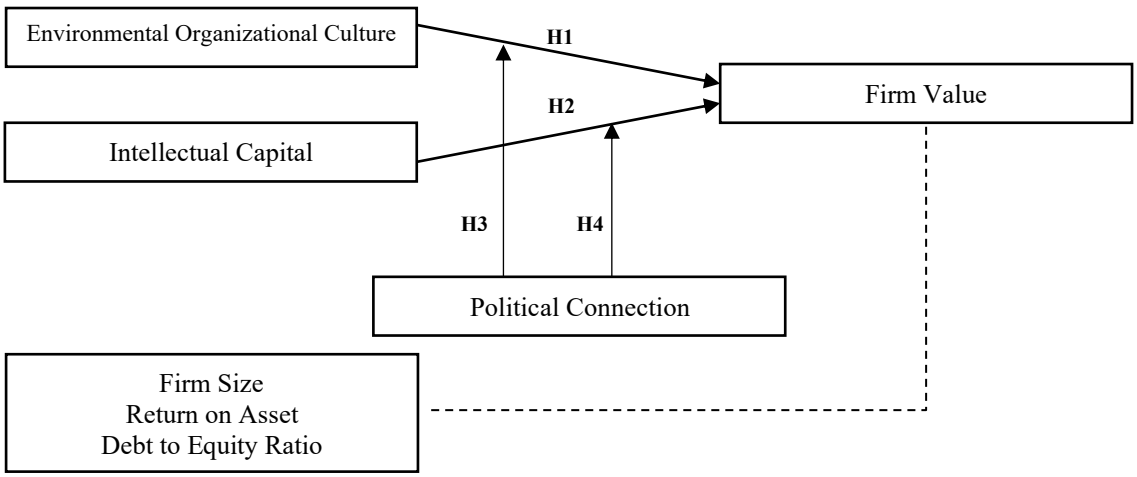

Figure 1. Conceptual Framework

METHOD

This study employed a quantitative method using Panel Data Regression analysis to evaluate the influence of Intellectual Capital and Environmental Organizational Culture on firm value in Non-Cyclical Consumer firms, with Tobin's Q serving as an indicator and Political Connection as a moderating variable. Information was collected from the sample companies' official websites and the 2021–2022 annual reports of corporations listed on the Indonesia Stock Exchange (IDX), particularly

non-cyclical consumer goods companies. Companies listed in 2021–2022, those with complete financial reports during the study period, and those that regularly released sustainability and annual reports during the study year were selected using purposive sampling. The year 2023 was a presidential and legislative election year in Indonesia, bringing significant changes to companies' political connections. Firms with political ties may have experienced shifts in influence due to leadership changes or new policies after the election. To maintain consistency and accuracy, this study used data only up to 2022, focusing on a more stable period before the political uncertainty and major transitions of 2023.

Table 1. Research Sample

Criteria	Total
CNC companies listed on the Indonesian stock exchange	128
CNC company registered in 2021-2022	(15)
Companies that do not publish annual reports and do not publish sustainability reports from 2021-2022	(33)
Companies that are sampled	80
Year of Observation (2021-2022)	2
Total Observation Data	160

Table 2. Definition of Variable and Measurement

Variable	Notation	Proxy and Measurement	Source
Dependent			
Firm Value	FV	$Q = \frac{MVE+D}{TA}$ Description : Q = Tobin's Q MVE = Stock market value (The number of outstanding common shares of the company multiplied by the closing stock price closing price), D = Book Value of total debt TA = Total Assets	(Dzahabiyya et al., 2020)(Desmiza, 2023)
Independent			
Environmental Organizational Culture	EOC	$EOC = \frac{Total\ items\ disclosed\ in\ each\ element}{The\ total\ number\ of\ items\ in\ each\ element} \times 100\%$	(Rachmawati, 2023) (Chen, 2011)
Intellectual Capital	IC	VA = OP + EC + D + A Description: OP : operating profit EC : employee cost D : depreciation A : amortisation VACA = VA/CE Description: CE : available funds (total assets and current liabilities) VAHU= VA/HC Description: HC : employee expenses STVA = SC/VA Description: SC : structural capital (VA-HC) VAIC™ = VACA + VAHU + STVA	(Pulic, 2000)
Moderating			
Political Connection	PC	A binary variable, worth 1 if the board of directors or commissioners, or at least one significant stakeholder with at least 10% of the total shares is a member or former member of: a political party, ministry, parliament, or associated with a government agency including the military and police. Otherwise, the value is 0.	(Kusnadi, 2019) (T.F. Abuhijleh & A.A. Zaid, 2023) (Firmansyah et al., 2022)

RESULTS

Table 3 presents the descriptive statistics for the firm value (FV) variable, which had a mean of 3.207, a maximum of 44.857, a minimum of -0.054, and a standard deviation of 5.525. The Environmental Organizational Culture (EOC) variable had a mean of 0.485, a maximum of 1.000, a minimum of 0.167, and a standard deviation of 0.221. The Intellectual Capital (IC) variable recorded a mean of 60.877, a maximum of 958.965, a minimum of -293.203, and a standard deviation of 125.399.

Table 3. Statistic Description

	N	Minimum	Maximum	Mean	Std. Dev.
EOC	160	0.167	1.000	0.485	0.221
IC	160	-293.203	958.965	60.877	125.399
FV	160	-0.054	44.857	3.207	5.525
Z	160	0.000	1.000	0.175	0.381
PC*EOC	160	0.000	1.000	0.091	0.221
PC*IC	160	-92.790	293.114	11.000	41.732
FS	160	25.303	32.826	28.848	1.676
ROA	160	-0.283	0.343	0.048	0.095
DER	160	-2.198	29.317	2.029	4.224

The Chow test results in Table 4 indicate that the cross-section chi-square probability value was 0.0005. Since this value was below the significance level of 0.05, the fixed effects model was initially considered the best fit (Gujarati, 2017). However, the Hausman test showed that the probability value for the random cross-section was 0.192, which exceeded the 5% significance level (0.192 > 0.05). This indicated that the random effects model was more appropriate than the fixed effects model for this study. Additionally, the Breusch-Pagan probability value from the Lagrange Multiplier test was 0.917, which also exceeded the 5% significance threshold (0.917 > 0.05). This result suggested that the standard effects model was the most suitable. Based on the findings from these three-panel data regression model tests, the Common Effect Model (CEM) was determined to be the most appropriate approach for this study.

Table 4. Selection of Regression Model

Test	Probability	Approach	Decision
Chow	0.001	FEM	Not Approved
Hausman	0.192	REM	Not Approved
Lagrange Multiplier	0.917	CEM	Approved

Figure 2 shows that the residuals do not exceed the boundaries of 500 and -500, indicating that the residual variance remains constant (Gujarati, 2017). Therefore, there is no evidence of heteroscedasticity, and the test confirms homoscedasticity (Gujarati, 2017).

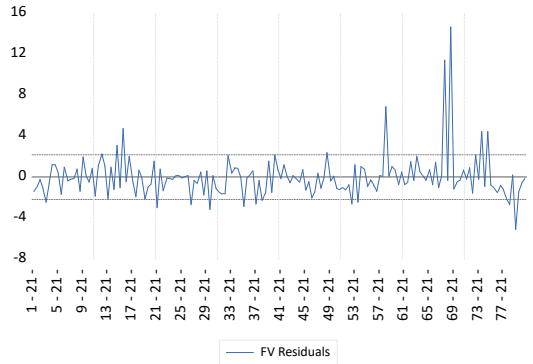

Figure 2. Heteroscedasticity Test

"The requirement for a model to be free from multicollinearity is that the correlation coefficient between variables should not exceed 0.8 (Gujarati, 2017). Table 5 shows that all correlation coefficients of the independent variables are below this threshold, indicating that multicollinearity is not present in this study's regression model."

Table 5. Multicollinearity Test

	EOC	IC	PC	PC*EOC	PC*IC	FS	ROA	DER
EOC	1.000	0.041	0.038	0.029	-0.073	0.004	-0.088	0.078
IC	0.041	1.000	0.883	0.729	-0.464	0.031	0.022	-0.005
PC	0.038	0.883	1.000	0.845	-0.518	-0.009	-0.031	0.026
PC*EOC	0.029	0.729	0.845	1.000	-0.291	0.029	0.029	-0.054
PC*IC	-0.073	-0.464	-0.518	-0.291	1.000	-0.017	-0.127	0.173
FS	0.004	0.031	-0.009	0.029	-0.017	1.000	0.325	-0.085
ROA	-0.088	0.022	-0.031	0.029	-0.127	0.325	1.000	-0.314
DER	0.078	-0.005	0.026	-0.054	0.173	-0.085	-0.314	1.000

Based on Table 6, the significance value obtained from the F-statistic is 0.000. Since this value is less than 0.05 (0.000 < 0.05), it indicates that environmental organizational culture and intellectual capital have a significant effect on firm value.

Table 6 shows that environmental organizational culture significantly and partially reduces firm value. The environmental organizational culture variable has a significance value of 0.037 and a coefficient of -1.631. The intellectual capital variable has a significance value of 0.018 with a coefficient of -0.088, suggesting that intellectual capital also significantly and partially decreases firm value. The moderating variable, political connection, has a coefficient of -1.011 and a significance value of 0.001, indicating that it partially moderates the relationship between environmental organizational culture and firm value. However, in the relationship between intellectual capital and firm value, political connection has a coefficient of 0.004 and a significance value of 0.086, suggesting that it does not significantly moderate this association.

Table 6 indicates that the coefficient of determination (R^2) is 0.593, suggesting that 59.3% of the variation in firm value can be explained by organizational culture, intellectual capital, and environmental factors. The remaining 40.7% is attributed to other independent variables not included in this study.

Table 6. Results of data analysis to test the first hypothesis

Variable	Coefficient	Prob.	Result
C	5.189	0.101	-
EOC	-1.631	0.037	H1 Rejected
IC	-0.088	0.018	H2 Rejected
PC	0.727	0.001	-
PC*EOC	-1.011	0.001	H3 Rejected
PC*IC	0.004	0.086	H4 Rejected
FS	-0.115	0.297	-
ROA	18.325	0.000	-
DER	0.569	0.000	-
R-squared	0.613	*Adjusted R-squared*	0.593
F-statistic	29.910	*Durbin-Watson stat*	1.998
Prob(F-statistic)	0.000		

DISCUSSION

The results indicated a negative effect of environmental organizational culture on firm value, leading to the rejection of H1. Piwowar-Sulej (2020) stated that implementing a pro-environmental organizational culture often required investments in environmentally friendly technology, operational process modifications, and employee training. These expenses could strain the company's finances in

the short term, making it less attractive to investors focused on immediate profitability. In the Consumer Non-Cyclicals industry, where stability and efficiency were key priorities, these additional costs reduced profit margins, further discouraging short-term investors.

From the perspective of Legitimacy Theory, companies adopted sustainability practices to align with societal expectations and gain stakeholder trust (Suchman, 1995). However, when these efforts resulted in high costs without immediate financial returns, firms struggled to maintain legitimacy in the eyes of profit-driven investors. This misalignment between corporate sustainability commitments and investor expectations contributed to the observed negative impact on firm value. Although environmental initiatives enhanced long-term credibility and regulatory compliance, the financial strain they imposed in the short term led to a decline in market valuation.

Stakeholder Theory also provided insight into these findings. According to Freeman (2010), companies had to balance the interests of various stakeholders, including investors, customers, employees, and regulators. While environmental sustainability appealed to long-term stakeholders such as policymakers and socially responsible investors, short-term investors focused on immediate financial performance may have perceived these initiatives as detrimental. If companies failed to communicate the long-term benefits of sustainability investments effectively, they risked alienating key investor groups, which could further contribute to lower firm value.

Additionally, overly strict environmental policies may have reduced operational flexibility, slowed production, and weakened a company's competitiveness in the market. Investors and stakeholders who prioritized financial returns over sustainability commitments may have viewed such limitations as risks, further impacting firm valuation. Thus, while environmental culture was essential for long-term sustainability, its immediate cost pressures and operational challenges may have negatively influenced market perceptions and short-term firm value (Čadež & Galant, 2023; Castro et al., 2015).

These findings highlighted the complex relationship between corporate sustainability, legitimacy, and stakeholder expectations (Perdana et al., 2023; Saunila et al., 2023). Firms needed to carefully balance sustainability efforts with financial performance to maintain legitimacy among different investor groups while ensuring long-term corporate success.

Furthermore, the results showed that intellectual capital negatively influenced firm value, leading to the rejection of H2. While this finding aligned with the short-term financial constraints of many consumer non-cyclical firms, it contradicted the broader perspective that intellectual capital should be a long-term driver of innovation and competitiveness. From a managerial perspective, this raised concerns about whether firms were underinvesting in intellectual capital due to short-term market pressures. It also suggested a potential gap between investor expectations and managerial strategies—where market participants might undervalue intellectual capital investments that yield benefits over longer time horizons. Future discussions should consider whether market inefficiencies or conservative investment behaviors contributed to this result.

From the perspective of Legitimacy Theory, firms needed to align their practices with societal expectations and investor demands to maintain credibility (Suchman, 1995). However, the negative relationship between intellectual capital and firm value suggested that firms investing heavily in IC struggled to immediately demonstrate tangible financial returns, leading to perceived inefficiencies in the eyes of investors. Since intellectual capital—such as employee knowledge and organizational processes—lacked immediate visibility in financial statements, it might have failed to enhance firm legitimacy among short-term-focused investors. This misalignment between long-term strategic benefits and short-term investor expectations could have contributed to the observed adverse effect on firm value.

Stakeholder Theory further explained this phenomenon by emphasizing the diverse interests of different stakeholders (Freeman, 2010). While intellectual capital investments benefited employees, customers, and long-term investors through innovation and efficiency improvements, short-term investors might have perceived these expenditures as excessive costs without immediate financial rewards. This created a conflict where firms prioritizing intellectual capital development faced resistance from shareholders who prioritized short-term economic performance. If companies failed to

communicate the long-term advantages of intellectual capital investments effectively, they risked alienating key investor groups, further impacting their market valuation.

High expenditures on intellectual capital development burdened the company's finances without any immediate increase in profits or market value (Doğan & Kevser, 2020; Hanlon & Heitzman, 2010; Lisda & Anthony, 2019; Xu & Liu, 2020). Additionally, since intellectual capital was difficult to measure quantitatively, investors found it challenging to assess its contribution to firm performance. As a result, these investments were often perceived as reducing short-term value, even though their benefits materialized over the long run.

These findings highlighted the tension between short-term financial expectations and long-term strategic investments. Firms needed to align their intellectual capital strategies with investor perceptions, ensuring that these investments contributed to long-term sustainability while maintaining short-term legitimacy in the market (Grishunin et al., 2022).

The statistical test results indicated that the moderating effect of political connections on the relationship between environmental organizational culture (EOC) and firm value was significant but in an unexpected direction. While theoretically, political connections should have provided firms with regulatory advantages, our findings suggested that firms with strong political ties faced additional scrutiny when implementing environmental policies, possibly due to conflicting economic or political priorities. This distinction highlighted that while the statistical significance of political connections was evident, its theoretical implications diverged from the expected positive moderation effect. Prior research underscored the considerable benefits associated with political ties (Diningrum & Kurniawati, 2020; Wong & Hooy, 2018). However, our findings suggested that these benefits might not apply in contexts where environmental policies were involved. Political connections tended to focus more on short-term financial goals, so environmental policies requiring significant investments or reducing a firm's flexibility might have diminished the value gained from those political connections. In other words, allocating resources to environmental sustainability could have reduced the direct benefits of political connections, thereby lowering firm value.

From the perspective of Legitimacy Theory, firms with strong political connections were expected to maintain legitimacy by aligning their activities with government policies and societal expectations (Suchman, 1995). However, when political connections prioritized economic or industrial interests over sustainability, firms might experience a legitimacy conflict. Investors and stakeholders could have perceived such companies as engaging in symbolic compliance rather than genuine sustainability efforts, leading to increased scrutiny and potential reputational risks. This misalignment between political influence and environmental commitment might explain why political connections negatively moderated the EOC-firm value relationship.

Stakeholder Theory further clarified this phenomenon by emphasizing the need for firms to balance the interests of multiple stakeholder groups (Freeman, 2010). While political connections benefited firms by providing regulatory advantages and financial stability, they also created tensions with environmentally conscious investors, regulators, and consumers. Stakeholders who prioritized sustainability may have perceived politically connected firms as favoring short-term financial benefits over long-term environmental responsibility, weakening firm legitimacy and reducing investor confidence. This tension could have contributed to a decline in firm value despite political advantages.

“In contrast, political connections did not moderate the relationship between intellectual capital and firm value, leading to the rejection of H4. Intellectual capital was often more abstract and focused on long-term innovations, such as knowledge, training, or technology, which did not necessarily require direct political intervention or benefits. Companies with high intellectual capital typically invested in technology development and workforce improvement, aligning with the broader goal of long-term business sustainability. Legitimacy Theory suggested that firms investing in intellectual capital gained legitimacy through innovation, industry leadership, and knowledge creation rather than political affiliations (Suchman, 1995). Since these firms did not rely on political networks for competitive advantage, their value remained independent of political influence.

Thus, from a Stakeholder Theory perspective, firms driven by intellectual capital built legitimacy through knowledge-based strategies that aligned with customer expectations, employee development,

and innovation ecosystems rather than political leverage. This explained why political connections did not significantly moderate the relationship between intellectual capital and firm value, as intellectual capital operated independently of government influence.

CONCLUSION

This study concluded that environmental organizational culture (EOC) and intellectual capital (IC) negatively impacted firm value in the non-cyclical consumer sector. Although EOC and IC are typically linked to long-term sustainability and innovation, the findings suggested that their short-term financial implications reduced firm attractiveness to investors. Political connections moderated the relationship between EOC and firm value but did not influence the relationship between IC and firm value. This indicated that political ties favored tangible investments over long-term intangible assets like intellectual capital.

These findings contribute to Stakeholder and Legitimacy Theories by revealing that political connections do not always support sustainability or intellectual development. Instead, they may introduce complexities depending on regulatory pressures and market expectations. For practitioners, this underscores the importance of aligning sustainability strategies with investor priorities and effectively communicating the long-term value of intangible investments.

This research acknowledged several limitations. Political connections were measured based on formal affiliations, which may not have fully captured informal influence, such as lobbying or unofficial relationships. Data limitations and potential disclosure biases also restricted the accuracy of political affiliation assessments. Moreover, focusing on the non-cyclical consumer sector may have limited generalizability to other industries with different risk and innovation profiles.

Future studies should have explored political influence using more nuanced indicators, expanded the analysis to other sectors, and integrated qualitative methods such as interviews or case studies. This would have provided a more comprehensive understanding of how sustainability, intellectual capital, and political ties shaped firm value in different institutional contexts.

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