

ESG Strategies and Innovation Capabilities in Strengthening Corporate Performance in Indonesian Public Companies

Meiske Wenno¹, Rani Eka Arini², Dila Padila Nurhasanah³

¹Universitas Pattimura

^{2,3}Universitas Nusa Putra

Article Info

Article history:

Received May, 2026

Revised May, 2026

Accepted May, 2026

Keywords:

ESG Strategies

Innovation Capabilities

Corporate Performance

Sustainability

Indonesian Public Companies

ABSTRACT

This study examines the influence of Environmental, Social, and Governance (ESG) strategies and innovation capabilities on corporate performance among Indonesian public companies. The increasing emphasis on sustainability and innovation has encouraged organizations to adopt responsible business practices while continuously enhancing their capacity to develop new products, services, and processes. This research employs a quantitative approach using a survey method. Data were collected from 125 respondents representing managerial and professional employees working in Indonesian public companies. The variables were measured using a five-point Likert scale, and data were analyzed using Statistical Package for the Social Sciences (SPSS) version 25. The analytical procedures included descriptive statistics, validity and reliability testing, classical assumption testing, multiple regression analysis, and hypothesis testing. The findings reveal that ESG strategies have a positive and significant effect on corporate performance, indicating that organizations implementing stronger environmental, social, and governance practices tend to achieve superior performance outcomes. Innovation capabilities also demonstrate a positive and significant effect on corporate performance, suggesting that firms with greater innovation capacity are more capable of improving competitiveness and organizational effectiveness. Furthermore, ESG strategies and innovation capabilities simultaneously exert a significant influence on corporate performance, explaining 47.3% of the variance in performance. The results suggest that sustainability-oriented strategies and innovation capabilities function as complementary strategic resources that enhance long-term organizational success. This study contributes to the literature on sustainability and strategic management by providing empirical evidence from Indonesian public companies and offers practical implications for managers seeking to strengthen corporate performance through integrated ESG and innovation initiatives.

This is an open access article under the [CC BY-SA](#) license.



Corresponding Author:

Name: Meiske Wenno

Institution Address: Universitas Pattimura

e-mail: meiske46@gmail.com

1. INTRODUCTION

The contemporary business environment has undergone profound transformation as stakeholders increasingly demand that firms balance economic objectives with broader social and environmental responsibilities. Investors, regulators, customers, employees, and communities are no longer concerned solely with financial outcomes but also with how organizations manage environmental, social, and governance (ESG) issues [1], [2]. Consequently, ESG strategies have evolved from voluntary corporate initiatives into critical components of strategic management and long-term value creation. Organizations are expected to demonstrate responsible environmental stewardship, social accountability, and transparent governance practices to maintain legitimacy, attract investment, and sustain competitive advantage in increasingly complex and uncertain markets [3], [4]. The growing emphasis on sustainability has further elevated ESG considerations as key indicators of corporate resilience and organizational quality.

The increasing importance of ESG has been reinforced by global sustainability frameworks, including the United Nations Sustainable Development Goals (SDGs), climate-related regulations, and rising stakeholder expectations regarding corporate transparency. Firms with strong ESG performance are generally perceived as more capable of managing risks associated with environmental degradation, social inequality, and governance failures [3], [5]. As a result, ESG implementation has become closely associated with enhanced corporate reputation, stakeholder trust, operational efficiency, and long-term organizational sustainability. Although numerous studies have examined the relationship between ESG practices and firm performance, empirical findings remain inconclusive. While many scholars report positive effects of ESG on organizational outcomes, others suggest that the benefits may vary across institutional settings, industrial sectors, and stages of

economic development [4], [6]. These inconsistencies indicate the need for further investigation, particularly within emerging economies where sustainability practices continue to evolve.

Alongside the growing focus on sustainability, innovation capabilities have become a fundamental source of organizational competitiveness and growth. Rapid technological advancements, digital transformation, and changing customer preferences require firms to continuously develop innovative products, services, processes, and business models. Innovation capabilities refer to an organization's ability to generate, assimilate, and implement new knowledge and ideas that contribute to value creation [7], [8]. From a strategic perspective, firms with stronger innovation capabilities are better positioned to adapt to environmental uncertainty, exploit emerging opportunities, and respond effectively to competitive pressures. Consequently, innovation has become a critical organizational capability that supports productivity improvement, market differentiation, and sustainable business growth.

The importance of innovation capabilities can be explained through the Resource-Based View (RBV), which argues that sustainable competitive advantage is derived from valuable, rare, inimitable, and non-substitutable organizational resources. Innovation capabilities represent such strategic resources because they enable firms to continuously create and renew competitive advantages through learning, technological development, and knowledge integration [9], [10]. Previous studies generally suggest that innovation capabilities contribute positively to organizational performance by improving efficiency, facilitating product development, and strengthening market responsiveness. However, similar to ESG research, empirical evidence remains mixed regarding the magnitude and consistency of these effects across different organizational and institutional contexts. Therefore, understanding how innovation capabilities contribute to corporate performance remains

an important area of strategic management research.

More importantly, ESG strategies and innovation capabilities should not be viewed as independent organizational initiatives. Rather, they represent complementary mechanisms through which firms create sustainable value. Effective ESG implementation often requires innovative technologies, processes, and managerial practices to achieve environmental objectives, improve social outcomes, and strengthen governance quality. Likewise, innovation initiatives increasingly incorporate sustainability considerations to meet stakeholder expectations and regulatory requirements. Despite the growing recognition of this interrelationship, existing studies have predominantly examined ESG strategies and innovation capabilities separately, resulting in a fragmented understanding of how these factors jointly influence organizational performance. Furthermore, empirical evidence concerning their combined effects remains relatively limited, particularly in the context of emerging markets such as Indonesia.

Indonesia provides a particularly relevant setting for investigating this issue due to the increasing pressure on publicly listed companies to enhance both sustainability performance and innovation capacity. Regulatory developments related to sustainability reporting, corporate governance, and environmental responsibility have encouraged firms to adopt ESG principles more extensively. Simultaneously, digital transformation and intensifying market competition have heightened the importance of innovation capabilities as drivers of organizational success. Nevertheless, limited empirical evidence exists regarding the simultaneous influence of ESG strategies and innovation capabilities on corporate performance among Indonesian public companies. Addressing this gap, the present study draws upon Stakeholder Theory and the Resource-Based View to examine how ESG strategies and innovation capabilities affect corporate performance. By providing evidence from an

emerging market context, this study contributes to the growing literature on sustainability and strategic management while offering practical insights for managers, investors, and policymakers seeking to enhance long-term organizational performance.

2. LITERATURE REVIEW

2.1 Stakeholder Theory

Stakeholder Theory, developed by R. Edward Freeman, posits that organizational success depends not only on creating value for shareholders but also on fulfilling the expectations of various stakeholders, including employees, customers, suppliers, communities, regulators, and investors. In the modern business environment, stakeholders increasingly demand responsible environmental practices, social accountability, and transparent governance, making ESG strategies an important mechanism for addressing these expectations [11], [12]. Through effective ESG implementation, organizations can strengthen stakeholder trust, enhance legitimacy and reputation, reduce potential conflicts, and ultimately improve corporate performance. Therefore, Stakeholder Theory suggests that firms that effectively manage stakeholder relationships through ESG initiatives are more likely to achieve superior organizational outcomes and sustainable long-term success [12], [13].

2.2 Resource-Based View (RBV)

The Resource-Based View (RBV) argues that sustainable competitive advantage originates from valuable, rare,

inimitable, and non-substitutable organizational resources and capabilities. Within this framework, innovation capabilities are considered strategic assets because they enable firms to develop new products, improve processes, adopt emerging technologies, and respond effectively to market changes, thereby enhancing organizational performance. In addition [14]–[16], ESG-related competencies can also be viewed as strategic resources that strengthen environmental management, stakeholder engagement, and governance quality. Therefore, RBV suggests that both innovation capabilities and ESG strategies serve as important organizational resources that contribute to superior corporate performance and long-term competitive advantage [17], [18].

2.3 Corporate Performance

Corporate performance refers to the extent to which an organization achieves its strategic objectives and desired outcomes through both financial and non-financial achievements [19]–[21]. Traditionally measured by indicators such as profitability, return on assets, return on equity, revenue growth, and market value, corporate performance is now viewed as a multidimensional construct that also includes operational efficiency, customer satisfaction, employee productivity, innovation outcomes, and sustainability performance [22], [23]. For public companies, strong corporate performance reflects effective resource utilization, stakeholder management, and organizational

adaptability, making it a critical indicator of long-term competitiveness and business success.

2.4 ESG Strategies

Environmental, Social, and Governance (ESG) strategies refer to organizational policies and practices that promote sustainable and responsible business conduct through environmental stewardship, social responsibility, and transparent governance [1], [24]. The environmental dimension focuses on resource efficiency, emissions reduction, and environmental management; the social dimension emphasizes employee welfare, customer relations, and community engagement; while the governance dimension involves accountability, ethical leadership, compliance, and transparency [25], [26]. Increasingly regarded as a strategic business imperative rather than merely a compliance requirement, ESG implementation helps organizations strengthen stakeholder trust, enhance reputation, reduce risks, and create long-term value. According to Stakeholder Theory, firms that effectively implement ESG strategies are more likely to gain stakeholder support and achieve superior corporate performance. Consistent with this perspective, empirical studies generally indicate that strong ESG performance contributes positively to financial outcomes, market valuation, organizational resilience, and overall corporate performance [1], [24], [26].

H1: ESG strategies have a positive and significant effect on corporate performance.

2.5 Innovation Capabilities

Innovation capabilities refer to an organization's ability to develop, adopt, and implement new ideas, technologies, products, services, and processes that enhance value creation and competitiveness. These capabilities encompass technological, managerial, organizational, and strategic innovations supported by continuous learning, knowledge sharing, research and development, and adaptability to change [27], [28]. From the Resource-Based View perspective, innovation capabilities represent strategic assets that are difficult for competitors to imitate and serve as important sources of sustainable competitive advantage. Through product, process, and organizational innovation, firms can improve efficiency, reduce costs, enhance customer satisfaction, and strengthen market competitiveness [28], [29]. Consequently, empirical studies generally suggest that innovation capabilities positively influence corporate performance by increasing organizational adaptability, productivity, and long-term growth.

H2: Innovation capabilities have a positive and significant effect on corporate performance.

3. METHODS

This study employs a quantitative explanatory research design to examine the influence of Environmental, Social, and Governance (ESG) strategies and innovation

capabilities on corporate performance in Indonesian public companies. The quantitative approach was selected because it enables systematic measurement of relationships among variables and hypothesis testing through statistical analysis. The population consists of managers, executives, supervisors, and professionals working in public companies listed on the Indonesian Stock Exchange (IDX), as these respondents are considered to have sufficient knowledge of ESG practices, innovation activities, and corporate performance. Using purposive sampling, 125 respondents were selected based on specific criteria, namely being employed in an IDX-listed company, occupying managerial or professional positions, having knowledge of ESG and innovation practices, and having worked for at least one year.

Primary data were collected through a structured questionnaire distributed electronically to respondents. The questionnaire was developed based on previous literature related to ESG strategies, innovation capabilities, and corporate performance, and all items were measured using a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. ESG strategies were measured through indicators of environmental sustainability, resource efficiency, social responsibility, community engagement, governance transparency, ethical practices, and regulatory compliance. Innovation capabilities were measured through product innovation, process innovation, technology adoption, research and development, organizational learning, knowledge sharing, and responsiveness to market changes. Corporate performance was measured through revenue growth, profitability, operational efficiency, market competitiveness, customer satisfaction, organizational productivity, and overall effectiveness.

The collected data were analyzed using Statistical Package for the Social Sciences (SPSS) version 25. Prior to hypothesis testing, validity and reliability tests were conducted to ensure the quality of the research instrument. Item validity was

assessed using Pearson Product-Moment Correlation, with a significance value below 0.05 indicating valid items, while reliability was evaluated using Cronbach's Alpha, with values above 0.70 considered reliable. The data analysis also included descriptive statistics, classical assumption tests, and multiple linear regression analysis. Classical assumption testing consisted of normality testing using the Kolmogorov-Smirnov test, multicollinearity testing using tolerance and Variance Inflation Factor (VIF), and heteroscedasticity testing using the Glejser test. The regression model was expressed as $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$, where Y represents corporate performance, X_1 represents ESG

strategies, and X_2 represents innovation capabilities. Hypothesis testing was conducted using the t-test, F-test, and coefficient of determination (R^2) to assess the partial, simultaneous, and explanatory effects of the independent variables on corporate performance.

4. RESULTS AND DISCUSSION

4.1 Respondent Profile

A total of 125 valid questionnaires were collected and analyzed. The respondents consisted of managers, supervisors, executives, and professional employees from Indonesian public companies.

Table 1. Respondent Characteristics

Characteristics	Category	Frequency	Percentage (%)
Gender	Male	72	57.6
	Female	53	42.4
Age	25–34 years	38	30.4
	35–44 years	51	40.8
	45–54 years	28	22.4
	>54 years	8	6.4
Position	Supervisor	35	28.0
	Manager	54	43.2
	Senior Manager	22	17.6
	Executive	14	11.2
Working Experience	1–5 years	29	23.2
	6–10 years	47	37.6
	11–15 years	33	26.4
	>15 years	16	12.8

Based on Table 1, the respondents were predominantly male, accounting for 72 individuals (57.6%), while female respondents totaled 53 individuals (42.4%). In terms of age distribution, most respondents were between 35 and 44 years old (40.8%), followed by those aged 25–34 years (30.4%), 45–54 years (22.4%), and above 54 years (6.4%). Regarding organizational position, managers represented the largest group with 54 respondents (43.2%), followed by supervisors with 35 respondents (28.0%), senior managers with 22 respondents (17.6%), and executives with 14 respondents (11.2%).

Based on working experience, the majority of respondents had worked for 6–10 years (37.6%), followed by 11–15 years (26.4%), 1–5 years (23.2%), and more than 15 years (12.8%). These findings indicate that the respondents generally possessed substantial managerial experience and organizational knowledge, making them well-positioned to provide informed assessments regarding ESG strategies, innovation capabilities, and corporate performance.

4.2 Descriptive Statistics

Table 2. Descriptive Statistics of Variables

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ESG Strategies	125	2.30	5.00	4.08	0.61

Innovation Capabilities	125	2.45	5.00	4.16	0.57
Corporate Performance	125	2.50	5.00	4.12	0.59

Table 2 presents the descriptive statistics of the study variables. The results indicate that respondents generally perceived ESG strategies, innovation capabilities, and corporate performance positively, as reflected by mean scores above 4.00 on a five-point Likert scale. Innovation capabilities recorded the highest mean value ($M = 4.16$; $SD = 0.57$), suggesting that Indonesian public companies place considerable emphasis on developing innovative products, processes, technologies, and organizational practices to enhance competitiveness. Corporate performance also exhibited a high mean score ($M = 4.12$; $SD = 0.59$), indicating favorable perceptions regarding organizational effectiveness, profitability, productivity, and market

competitiveness. Meanwhile, ESG strategies showed a mean value of 4.08 ($SD = 0.61$), reflecting a relatively strong commitment to environmental, social, and governance initiatives among the sampled firms. The relatively low standard deviation values across all variables further suggest a consistent pattern of responses, indicating broad agreement among respondents regarding the implementation of ESG practices, the importance of innovation capabilities, and the achievement of corporate performance objectives.

4.3 Validity Test

The validity test was conducted using Pearson Product-Moment Correlation

Table 3. Validity Test Results

Variable	Number of Items	Correlation Range	Sig. Value	Result
ESG Strategies	7	0.621–0.843	0.000	Valid
Innovation Capabilities	7	0.645–0.872	0.000	Valid
Corporate Performance	7	0.608–0.854	0.000	Valid

Table 3 presents the results of the validity test for all research constructs. The findings indicate that all measurement items used to assess ESG strategies, innovation capabilities, and corporate performance are valid, as evidenced by correlation coefficients ranging from 0.621 to 0.843 for ESG strategies, 0.645 to 0.872 for innovation capabilities, and 0.608 to 0.854 for corporate performance. Furthermore, all items produced significance

values of 0.000, which are well below the accepted threshold of 0.05. These results demonstrate that each indicator has a strong and significant correlation with its respective construct, confirming that the questionnaire items are capable of accurately measuring the intended variables and are therefore suitable for further statistical analysis.

4.4 Reliability Test

Table 4. Reliability Test Results

Variable	Cronbach's Alpha	Result
ESG Strategies	0.891	Reliable
Innovation Capabilities	0.913	Reliable
Corporate Performance	0.887	Reliable

Table 4 presents the reliability test results for the study variables. The findings show that all constructs achieved Cronbach's Alpha values exceeding the recommended threshold of 0.70, indicating a high level of internal consistency among the measurement items. Specifically, innovation capabilities

recorded the highest reliability coefficient ($\alpha = 0.913$), followed by ESG strategies ($\alpha = 0.891$) and corporate performance ($\alpha = 0.887$). These values demonstrate that the questionnaire items consistently measure their respective constructs and produce stable results. Therefore, the research instrument can be

considered reliable and suitable for subsequent statistical analyses and hypothesis testing.

4.5 Classical Assumption Tests

4.5.1 Normality Test

The results of the Kolmogorov–Smirnov normality test conducted on the unstandardized residuals. The analysis produced a Kolmogorov–Smirnov statistic of 0.072 with a significance value of 0.200. Since the significance value is greater than the

recommended threshold of 0.05, the null hypothesis of normal distribution cannot be rejected. This result indicates that the residuals are normally distributed and that the normality assumption required for multiple linear regression analysis has been satisfied. Therefore, the data are considered appropriate for further regression analysis and hypothesis testing.

4.5.2 Multicollinearity Test

Table 5. Multicollinearity Test

Variable	Tolerance	VIF
ESG Strategies	0.612	1.634
Innovation Capabilities	0.612	1.634

Table 5 presents the results of the multicollinearity test for the independent variables. The findings indicate that both ESG strategies and innovation capabilities have tolerance values of 0.612, which are well above the minimum acceptable threshold of 0.10, and Variance Inflation Factor (VIF) values of 1.634, which are substantially below the critical value of 10. These results suggest that there is no significant correlation between the independent variables that could distort

the regression estimates. Therefore, multicollinearity is not present in the model, indicating that ESG strategies and innovation capabilities independently contribute to explaining variations in corporate performance and that the regression coefficients can be interpreted with confidence.

4.5.3 Heteroscedasticity Test.

Table 6. Glejser Test

Variable	Sig.
ESG Strategies	0.441
Innovation Capabilities	0.327

Table 6 presents the results of the Glejser test used to examine the presence of heteroscedasticity in the regression model. The findings show that ESG strategies have a significance value of 0.441, while innovation capabilities have a significance value of 0.327. Both values exceed the commonly accepted threshold of 0.05, indicating that neither independent variable significantly influences the absolute residual values. Therefore, the

model does not suffer from heteroscedasticity, suggesting that the variance of the residuals remains constant across observations. This result confirms that the homoscedasticity assumption of multiple linear regression has been satisfied, supporting the reliability and validity of the regression estimates.

4.6 Multiple Regression Analysis

Table 7. Multiple Regression Results

Variable	B	Std. Error	Beta	t-value	Sig.
Constant	0.782	0.291	-	2.687	0.008
ESG Strategies	0.371	0.083	0.352	4.470	0.000
Innovation Capabilities	0.458	0.089	0.405	5.149	0.000

The results of the multiple linear regression analysis indicate that the regression model can be expressed as $CP = 0.782 + 0.371(ESG) + 0.458(IC)$, where corporate performance (CP) is positively influenced by both ESG strategies and innovation capabilities. The positive coefficients suggest that improvements in ESG implementation and innovation capabilities are associated with higher levels of corporate performance. The partial hypothesis testing (t-test) further confirms these relationships. ESG strategies have a significant positive effect on corporate performance ($t = 4.470, p = 0.000, \beta = 0.352$), supporting H1 and indicating that firms with stronger environmental, social, and

governance practices tend to achieve better organizational outcomes. Likewise, innovation capabilities exhibit a significant positive effect on corporate performance ($t = 5.149, p = 0.000, \beta = 0.405$), supporting H2 and suggesting that organizations with greater capacities for innovation, technological adaptation, and organizational learning are more likely to enhance their competitiveness and effectiveness. Moreover, the higher standardized coefficient of innovation capabilities indicates that innovation serves as a slightly stronger predictor of corporate performance than ESG strategies within the context of Indonesian public companies.

4.7.2 Simultaneous Test (F-test)

Table 8. ANOVA Results

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	29.816	2	14.908	54.822	0.000
Residual	33.164	122	0.272		
Total	62.980	124			

The F-statistic value of 54.822 with a significance level of 0.000 confirms that ESG strategies and innovation capabilities jointly influence corporate performance. Therefore, H3 is supported.

4.7.3 Coefficient of Determination

The model summary results, showing a correlation coefficient (R) of 0.688, which indicates a moderately strong positive relationship between the independent variables and corporate performance. The coefficient of determination (R^2) is 0.473, while the adjusted R^2 is 0.464, indicating that ESG strategies and innovation capabilities collectively explain 47.3% of the variance in corporate performance among Indonesian public companies. This finding suggests that nearly half of the variation in corporate performance can be attributed to differences in ESG implementation and innovation capabilities. Meanwhile, the remaining 52.7% of the variance may be influenced by other factors not included in the model, such as leadership effectiveness, organizational culture, digital transformation, market dynamics, financial resources, and external

environmental conditions. The standard error of estimate of 0.521 further indicates that the model provides a reasonably accurate prediction of corporate performance, supporting the explanatory power of the proposed research framework.

Discussion

The findings reveal that ESG strategies have a positive and significant effect on corporate performance, supporting Stakeholder Theory, which posits that organizations achieve superior outcomes when they effectively address the expectations and interests of their stakeholders. Companies that actively implement environmental sustainability initiatives, social responsibility programs, and sound governance practices tend to strengthen relationships with investors, customers, employees, regulators, and communities. These stronger stakeholder relationships enhance organizational legitimacy and trust, which subsequently contribute to improved business outcomes. The results suggest that ESG practices have evolved beyond compliance requirements

and are increasingly viewed as strategic instruments that generate value through improved reputation, stronger stakeholder engagement, enhanced investor confidence, and reduced operational risks [5], [30], [31]. In the context of Indonesian public companies, ESG implementation appears to function as a strategic resource that supports both financial and non-financial dimensions of performance.

The positive relationship between ESG strategies and corporate performance also reflects the growing importance of sustainability-oriented management in emerging markets. Firms that successfully integrate environmental, social, and governance considerations into their business operations are better positioned to manage uncertainty, respond to stakeholder demands, and create long-term value. Sustainability initiatives can improve resource efficiency, strengthen risk management practices, and enhance organizational resilience in an increasingly competitive business environment [24], [26]. These findings are consistent with prior studies reporting that ESG performance positively contributes to organizational effectiveness and market competitiveness. Therefore, the results reinforce the view that sustainability is no longer merely a corporate responsibility initiative but a critical source of competitive advantage and long-term business success.

The study further demonstrates that innovation capabilities significantly and positively influence corporate performance, supporting the Resource-Based View (RBV), which emphasizes the importance of unique organizational capabilities in generating sustainable competitive advantage. Among the independent variables examined, innovation capabilities exhibited the strongest standardized coefficient, indicating that innovation is a particularly influential driver of corporate success [8], [32], [33]. Organizations with strong capabilities in product development, process improvement, technology adoption, organizational learning, and knowledge management are more capable of adapting to changing market conditions and responding effectively to

evolving customer needs. Through continuous innovation, firms can improve operational efficiency, enhance productivity, differentiate their products and services, and exploit new business opportunities, all of which contribute to superior organizational performance. These findings are consistent with previous research highlighting innovation as a critical strategic asset in today's increasingly digital and knowledge-based economy.

The simultaneous analysis confirms that ESG strategies and innovation capabilities jointly exert a significant influence on corporate performance, explaining 47.3% of the variance in organizational outcomes. This finding suggests that sustainability and innovation should not be viewed as separate organizational priorities but rather as complementary strategic resources that reinforce one another. ESG initiatives provide the foundation for responsible and sustainable business operations, while innovation capabilities enable organizations to transform sustainability objectives into practical solutions, new technologies, and improved organizational processes. Companies that successfully integrate ESG principles with innovation-driven strategies are likely to achieve higher levels of competitiveness, resilience, and long-term value creation. For Indonesian public companies, these findings emphasize the importance of adopting an integrated strategic approach that simultaneously prioritizes sustainability and innovation in order to meet stakeholder expectations, maintain competitive advantages, and achieve sustainable growth in dynamic business environments.

5. CONCLUSION

This study examined the influence of ESG strategies and innovation capabilities on corporate performance among Indonesian public companies using data collected from 125 respondents and analyzed with SPSS version 25. The findings demonstrate that both ESG strategies and innovation capabilities have positive and significant

effects on corporate performance. ESG strategies contribute to improved organizational outcomes by strengthening stakeholder trust, enhancing corporate reputation, improving risk management, and supporting long-term value creation through effective environmental, social, and governance practices. Likewise, innovation capabilities enhance corporate performance by increasing competitiveness, productivity, operational efficiency, and organizational adaptability through innovation, technological advancement, organizational learning, and knowledge management. The results further reveal that ESG strategies and innovation capabilities jointly exert a significant influence on corporate performance, indicating that sustainability-

oriented practices and innovation capabilities function as complementary strategic resources rather than independent initiatives. Overall, the study concludes that ESG strategies and innovation capabilities are critical determinants of corporate performance in Indonesian public companies, highlighting the importance of integrating sustainability objectives with innovation-driven strategies to achieve long-term organizational success. Future studies are encouraged to incorporate additional factors such as digital transformation, organizational culture, leadership effectiveness, and corporate governance quality to provide a broader understanding of corporate performance determinants.

REFERENCES

- [1] Y. Prayogo, A. Mutia, P. Hardiningsih, and I. Setiawati, "The Relationship of Sustainability Report with Firm Values Jakarta Islamic Index," *Jabe (Journal Account. Bus. Educ.*, vol. 8, no. 2, p. 99, 2023, doi: 10.17977/jabe.v8i2.46032.
- [2] S. Rachev and W. B. Lindquist, "Editorial on the Volume 'ESG Investing and ESG Finance,'" *J. Risk Financ. Manag.*, 2023.
- [3] Y. Zhang and Y. Song, "Tax rebates, technological innovation and sustainable development: Evidence from Chinese micro-level data," *Technol. Forecast. Soc. Change*, 2022.
- [4] A. Gill, R. Moss, D. Beverly, and T. Thepthongsay, "The Power of Culture: How Passion, Trust, and Ethical Leadership Impact Environmental, Social, and Governance (ESG) Outcomes," *Trust. Ethical Leadersh. Impact Environ. Soc. Gov. Outcomes (January 11, 2023)*, 2023.
- [5] B. Narotama, N. A. Achسانی, and M. H. Santoso, "Corporate Environmental, Social, and Governance (ESG) and SMEs' Value (a Lesson From Indonesian Public SMEs)," *Indones. J. Bus. Entrep.*, vol. 9, no. 2, p. 197, 2023.
- [6] A. Oktavianti, I. Alpian, A. Mudzaki, and E. Savitri, "Leveraging Environmental, Social, and Governance Perspectives for Enhancing Marketing Strategies in Indonesia's Small to Medium Enterprises Across Digital Platforms," in *International Conference on Business, Economics, Social Sciences, and Humanities-Economics, Business and Management Track (ICOBEST-EBM 2024)*, Atlantis Press, 2024, pp. 4–26.
- [7] I. M. Parsa, T. C. Wijayanti, I. A. N. Yuliastuti, I. G. P. Kawiana, and P. Ly, "Technology Adoption and Competence in Improving Teacher Performance," *Int. J. Early Child. Spec. Educ.*, vol. 14, no. 1, pp. 1080–1088, 2022, doi: 10.9756/int-jecse/v14i1.221122.
- [8] N. Urbach and M. Röglinger, "Introduction to digitalization cases: how organizations rethink their business for the digital age," *Digit. cases how Organ. Rethink ...*, 2018, doi: 10.1007/978-3-319-95273-4_1.
- [9] D. M. West, "How 5G technology enables the health internet of things," *Brookings Center for Technology Innovation*. insidepolitics.org, 2016.
- [10] D. Kim and S. Jin, "Innovation capabilities and business performance in the smart farm sector of South Korea," *J. Open Innov. Technol. Mark. Complex.*, vol. 8, no. 4, p. 204, 2022.
- [11] A. D. A. Tasci, "A critical review and reconstruction of perceptual brand equity," *Int. J. Contemp. Hosp. Manag.*, vol. 33, no. 1, pp. 166–198, 2021, doi: 10.1108/IJCHM-03-2020-0186.
- [12] T. Dogru *et al.*, "Generative Artificial Intelligence in the Hospitality and Tourism Industry: Developing a Framework for Future Research," *J. Hosp. Tour. Res.*, p. 10963480231188664, Jul. 2023, doi: 10.1177/10963480231188663.
- [13] S. Aisjah, I. W. E. Arsawan, and D. Suhartanto, "Predicting SME's business performance: Integrating stakeholder theory and performance based innovation model," *J. Open Innov. Technol. Mark. Complex.*, vol. 9, no. 3, p. 100122, 2023.

- [14] E. da S. Fernandes, I. H. Grochau, C. S. ten Caten, D. J. Horst, and P. P. Andrade Junior, "Determinants of the financial performance of social enterprises in an emerging economy: a quantitative analysis," *Soc. Enterp. J.*, vol. 20, no. 4, pp. 441–471, 2024, doi: 10.1108/SEJ-04-2023-0043.
- [15] Y. Liu, H. F. L. Chung, and L. Mi, "Fostering sustainable logistics businesses: the role of innovation ecosystems and institutional contexts for logistics firms in China," *Asia Pacific J. Mark. Logist.*, vol. 35, no. 1, pp. 35–53, Jan. 2023, doi: 10.1108/APJML-06-2021-0412.
- [16] H. Hermansyah, M. Tukiran, E. Herlina, and M. T. Andrianto, "A Review of Strategic Human Resources Management in Organization," *Budapest Int. Res. Critics Inst. Humanit. Soc. Sci.*, vol. 5, no. 2, pp. 14422–14429, 2022.
- [17] J. Freiling and T. Baron, "A resource-based view of entrepreneurial ecosystems," *Technol. Strateg. und Organ.*, pp. 65–84, 2017.
- [18] H. W. Aripardono, "COMPETITIVE ADVANTAGE USING A RESOURCE-BASED VIEW STARTUP EDUCATION TECHNOLOGY IN INDONESIA," in *Proceeding of The International Seminar on Business, Economics, Social Science and Technology (ISBEST)*, 2022.
- [19] S. P. A. Setiyaviani and L. Julian, "Evaluasi Lingkungan Pengendalian dengan Kerangka Pengendalian Internal COSO di KPP Pratama Jakarta Pesanggrahan," *Own. Ris. dan J. Akunt.*, vol. 7, no. 4 SE-, pp. 3350–3364, Oct. 2023, doi: 10.33395/owner.v7i4.1674.
- [20] J. Gao, N. Xu, and J. Zhou, "Does Digital Transformation Contribute to Corporate Carbon Emissions Reduction? Empirical Evidence from China," *Sustain.*, vol. 15, no. 18, pp. 1–20, 2023, doi: 10.3390/su151813414.
- [21] R. Santoso, B. Purwoko, H. Umar, and J. M. Renwarin, "The Effect of Business Environment on the Corporate Performance Through Business Strategies in the Construction Service Industry in DKI Jakarta, Indonesia," *Int. J. Manag. Stud. Res.*, vol. 8, no. 4, pp. 1–12, 2020.
- [22] M. Arslan, "Effect of ownership structure on firm performance evidence from non-financial listed firms: Ownership structure and performance," in *Corporate governance and its implications on accounting and finance*, IGI Global, 2021, pp. 143–170.
- [23] K. C. A. da Luz and N. T. K. Musial, "Can Organizational Culture Encourage Corporate Social Responsibility and Improve Environmental Performance in [B] ³ Companies?," *J. Manag. Sustain.*, vol. 13, no. 1, p. 215, 2023.
- [24] X. Wang, X. Song, and M. Sun, "How Does a Company's ESG Performance Affect the Issuance of an Audit Opinion? The Moderating Role of Auditor Experience," *Int. J. Environ. Res. Public Health*, vol. 20, no. 5, Mar. 2023, doi: 10.3390/ijerph20053878.
- [25] G. Makridou, M. Doumpos, and C. Lemonakis, "Relationship between ESG and corporate financial performance in the energy sector: empirical evidence from European companies," *Int. J. Energy Sect. Manag.*, vol. ahead-of-p, no. ahead-of-print, Jan. 2023, doi: 10.1108/IJESM-01-2023-0012.
- [26] C. Silva *et al.*, "Social, environmental, and corporate governance (ESG): Historical perspectives and key changes in organizations," in *Seven Editora*, 2024. doi: 10.56238/sevened2024.010-008.
- [27] G. Vial, "Understanding digital transformation," *Manag. Digit. Transform.*, pp. 13–66, 2021, doi: 10.4324/9781003008637-4.
- [28] Y. Zhu, H. Zhang, A. B. Siddik, Y. Zheng, and F. A. Sobhani, "Understanding Corporate Green Competitive Advantage through Green Technology Adoption and Green Dynamic Capabilities: Does Green Product Innovation Matter?," *Systems*, vol. 11, no. 9, 2023, doi: 10.3390/systems11090461.
- [29] C.-H. Chen, "Corporate Key Capabilities, Innovation Policy And Business Model Innovation," *Int. J. Innov. Manag.*, vol. 26, no. 10, p. 2250068, 2022.
- [30] A. A. Almulhim and A. A. Aljughaiman, "Corporate Sustainability and Financial Performance: The Moderating Effect of CEO Characteristics," *Sustain.*, vol. 15, no. 16, Aug. 2023, doi: 10.3390/su151612664.
- [31] Q. Ma, "Exploring the Multi-Dimensional Effects of ESG on Corporate Valuation: Insights into Investor Expectations, Risk Mitigation, and Long-Term Value Creation," *Adv. Econ. Manag. Polit. Sci.*, vol. 103, pp. 8–15, 2024.
- [32] M. Skare, M. de las Mercedes de Obesso, and S. Ribeiro-Navarrete, "Digital transformation and European small and medium enterprises (SMEs): A comparative study using digital economy and society index data," *Int. J. Inf. Manage.*, vol. 68, p. 102594, 2023, doi: <https://doi.org/10.1016/j.ijinfomgt.2022.102594>.
- [33] X. Yu, N. Cao, and H. Ren, "The Impact of Entrepreneurial Orientation on the Sustainable Innovation Capabilities of New Ventures: From the Perspective of Ambidextrous Learning," *Sustainability*, vol. 15, no. 11, p. 9026, 2023.