

CHAPTER V

CONCLUSION

5.1 Conclusion

This study aims to find the relationship between the performance of companies and green innovation in the ASEAN energy sector. The sustainable performance variables come from the ESG category in the Refinitiv Eikon Database. Data for green innovation also comes from the Refinitiv Eikon Database. The study also used three control variables: firm size, firm age and profitability. Based on the results of the study using STATA 17, there are some evidence for this study which will be explained below.

Social as the second pillar of ESG consists of four categories: workforce score, human rights score, community score and product responsibility score. The workforce score, human rights score and product responsibility score have a positive and significant relationship with the company's green innovation in the energy sector in Southeast Asia. Meanwhile, the community score has a negative and significant relationship with green innovation in the southeast Asian energy sector.

Governance as the third pillar of ESG consists of three categories: management score, shareholders score and CSR strategy score. The management score has a negative and significant relationship with green innovation in the energy sector of Southeast Asia. The shareholder score has a positive and significant relationship with the company's green innovation in the southeast Asian energy sector. And finally, the CSR strategy score has a positive and insignificant

relationship with the company's green innovation in the Southeast Asian energy sector.

5.2 Implications of Research

Based on the above analysis, there are several implications of this study. The implications of these findings suggest that companies aiming to improve their green innovation outcomes should prioritize sustainable workforce management practices, including fostering employee satisfaction, promoting diversity, and providing opportunities for skill development. By investing in a well-developed and engaged workforce, organizations can enhance creativity, collaboration, and problem-solving, which are crucial for driving innovation, especially in the context of green technologies. These practices not only contribute to a more sustainable work environment but also support the broader goals of environmental sustainability and corporate social responsibility. Therefore, businesses should recognize the strategic value of workforce development as a key driver of both organizational success and environmental performance, aligning with the principles of stakeholder theory.

The implications of these findings suggest that companies should view the protection and promotion of human rights as a strategic factor in driving green innovation. By respecting and upholding human rights, organizations can foster trust and goodwill among key stakeholders, including employees, communities, and regulators, which in turn enhances collaboration and creativity essential for sustainable innovation. As human rights practices contribute to a positive reputation and stakeholder engagement, companies are more likely to embrace

environmentally sustainable practices and technologies. Consequently, businesses that integrate human rights considerations into their operations not only fulfill ethical and legal responsibilities but also create a conducive environment for innovation, aligning with both stakeholder expectations and broader sustainability goals..

The implications of these findings suggest that companies need to reconsider their approach to community engagement when pursuing green innovation. The negative relationship between community support and green innovation highlights the importance of addressing perceptions of inequitable benefit distribution, mistrust, and resistance to change. To foster positive community involvement, companies must adopt a more inclusive and transparent approach, ensuring that communities are actively involved in the planning and implementation of green innovation projects. By ensuring equitable benefit-sharing, addressing local concerns, and demonstrating the tangible advantages of sustainable initiatives, companies can mitigate community resistance and build long-term support for green innovation. This approach not only enhances the success of green innovation but also aligns with the principles of corporate social responsibility and stakeholder engagement.

The implications of these findings emphasize the critical role of product responsibility in driving green innovation. Companies that prioritize product responsibility not only meet the increasing demands of consumers and regulators for environmentally responsible and socially conscious products but also gain a strategic advantage by positioning themselves as sustainability leaders. By aligning their product offerings with societal expectations, companies can foster trust among

stakeholders, enhance brand reputation, and create a competitive edge in the marketplace. Furthermore, integrating product responsibility with green innovation supports long-term sustainable business practices and contributes to achieving environmental goals. Thus, companies that embrace product responsibility are better equipped to innovate, satisfy stakeholder needs, and navigate regulatory landscapes, leading to improved performance in both sustainability and innovation.

The implications of these findings highlight the importance of rethinking management practices to effectively support green innovation. While high management scores typically reflect strong governance and adherence to corporate principles, they may inadvertently create internal barriers to innovation, particularly in the context of green technologies. Hierarchical structures, short-term financial priorities, and a lack of expertise in navigating the complexities of sustainability can hinder green innovation efforts. To overcome these challenges, companies must foster a culture that encourages long-term strategic thinking, promotes risk-taking, and integrates cross-departmental collaboration. Streamlining decision-making processes and investing in leadership development are crucial steps toward aligning management practices with the demands of green innovation and ensuring sustainable business growth.

The implications of these findings highlight the crucial role of shareholders in driving green innovation within companies. Shareholders, particularly institutional investors, exert significant pressure on management to prioritize sustainability, recognizing that long-term value creation is closely tied to environmental responsibility. The positive relationship between shareholder scores and green innovation suggests that as shareholders increasingly demand sustainable

practices, companies are more likely to invest in green technologies and initiatives to align with investor expectations. This trend underscores the growing importance of ESG factors in corporate governance, as companies that respond to shareholder pressures on sustainability can enhance their reputation, mitigate environmental risks, and secure a competitive advantage in the market. By aligning shareholder interests with green innovation, companies can foster long-term growth and meet the evolving demands of responsible investing.

The implications of these findings suggest that while CSR strategies play a role in promoting overall sustainability efforts, their direct impact on green innovation is limited. Although CSR initiatives can enhance a company's reputation and relationships with stakeholders, the positive but statistically insignificant relationship with green innovation indicates that CSR strategies often prioritize short-term, visible actions—such as community involvement and philanthropy—rather than the substantial, long-term investments required for green innovation. This reflects a disconnect between broader CSR goals and the specific resource allocation needed to drive sustainable innovations. To achieve more significant green innovation outcomes, companies should consider aligning their CSR strategies with more focused, long-term investments in sustainable technologies and processes, thus ensuring that CSR becomes a catalyst for environmental innovation rather than a symbolic framework.

5.3 Limitations of Research

This research has several limitations. It is hoped that this limitation can be corrected in future research with the same topic. The limitations contained in this study are as follows:

1. The research sample is limited to the southeast Asian energy sector
2. This study only uses green innovation as measured by the environmental innovation score from Refinitiv Eikon.

5.4 Suggestion

Suggestions that can be given for further research are as follows:

1. Further research that has topics related to sustainability such as this research is expected to add other research variables that are also related to sustainability
2. The second suggestion for future research is to be expected to be able to conduct research in a longer or shorter period of time. This aims to find out whether there is a difference in research results if measured by a long or short period.
3. The third suggestion is that further research is expected to conduct research on other sectors. Thus, this study can see a comparison of research results based on the company sector studied
4. The last suggestion is that further research can compare the influence of sustainability performance on green innovation in various countries, so that it can see if there are differences in results between the countries used as research samples.