ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) PERFORMANCE FOR BUSINESS SURVIVAL IN THE ERA OF DOUBLE DISRUPTION

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ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) PERFORMANCE FOR BUSINESS SURVIVAL IN THE ERA OF DOUBLE DISRUPTION

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ABSTRACT

In the current era of double disruption, companies certainly want to have a good performance in order to maintain its business survival. In order to strive for business survival, companies need to pay attention to several aspects, one of which is the performance of ESG (Environmental, Social, and Governance) which is included in one of the pillars of the Sustainable Development Goals (SDGs). This ESG performance means that the company pays attention to the environmental, social, and governance pillars, so that the company's reputation can improve and be good in the eyes of stakeholders and the community. This reputation can guarantee a sustainable company. This study aims to examine the effect of ESG performance on company performance. The sample of this research is all companies listed on the Indonesia Stock Exchange and Thomson Reuters in 2014-2019 based on the purposive sampling method. This study conducted multiple linear regression testing to see whether ESG performance had an effect on company performance. The results of this study indicate that ESG performance has no effect on company performance. This creates a new mindset that the era of double disruption requires companies to do more than sustaining innovation. Companies are required to carry out what is called disruptive innovation which requires company executives who are able to carry out self-disruption. The limitation of this study is the lack of data on ESG scores from Indonesian companies at Thomson Reuters. Suggestions for further research are to use other ESG performance measurements and add samples from other countries.

Keywords: *ESG performance, company performance, business survival, era of double disruption.*

1. INTRODUCTION

One of Charles Darwin's concepts that became very famous was survival of the fittest. Living things that survive are not the strongest or the fastest, but the ones that are most adaptable to the environment. The development of science and technology has changed human behavior and the environment. The dynamics of change are getting faster, especially when information technology penetrates the joints of human life and makes humans enter the era of disruption. The word "disruption" has actually gone viral and has become a trending topic since the industrial revolution 4.0 was announced. Disruption is basically change. A change that occurs as a result of the presence of the future into the present (Kasali, 2017). Such changes make everything that was originally running normally suddenly have to change and stop suddenly due to the presence of

something new, such as new technology, new business processes, new players, new applications, new business models, or a combination of these factors. Companies that do not change and still use the old and conventional business patterns will leave the ecosystem and lose the competition with companies that use new business patterns that are certainly more effective and efficient. New ideas need to be raised in order to help companies survive in this era of disruption.

Disruption can be seen as something positive because it is a dynamic innovation that is efficient, effective, and sophisticated. Characters from the 21st century, also known as the industrial revolution era 4.0, are fast, surprising and moving. The industrial revolution 4.0 can be a hope and a challenge for Indonesia, especially for the environmental sustainability sector. All elements should improve and side with the carrying capacity of the environment. All energy used in Indonesia should already use renewable energy, because this is an increase in the carrying capacity of the environment by no longer polluting. However, industry players are not necessarily able to do this. Increasing industrial demands and increasingly advanced technology have caused a lot of environmental damage as a result of overexploitation of natural resources.

The environmental damage that is happening lately is caused by the lack of human care for the environment. Companies that act as economic actors may become perpetrators of environmental damage due to their lack of care for the surrounding environment (Aniktia & Khafid 2015). These environmental problems make the company demanded by many parties ranging from stakeholders to the community to be more open in disclosing all the performance of the company. Measurement of company performance can be measured through financial aspects, contributions to the environment, and the welfare of the surrounding community (Putra & Adrianto 2019). A sustainable company has the concept of being able to survive in the long term both financially and non-financially (Giovannoni & Fabietti 2013).

United Nations Principles for Responsible Investment (UN-PRI) invites investors to consider ESG performance when evaluating company performance, especially now that corporations' contribution to sustainable development is the main concern of investors, creditors, governments, and other environmental institutions (Atan, Alam, Said & Zamri 2018).

For companies financially, it is certainly important to have good financial performance considering the purpose of establishing a company is to seek profit so that later it can maintain its business survival. In order to strive for business survival, companies need to pay attention to several aspects, one of which is the performance of ESG (Environmental, Social, and Governance) which is included in one of the pillars of the Sustainable Development Goals (SDGs). The pillars of SDGs are the pillars of social, economic, environmental development, as well as law and governance. The concept of sustainability, previously known as 3P with 8 major goals, has changed to 5P (People, Planet, Prosperity, Peace, Partnership) with 17 major goals (United Nations 2015).

Indonesia itself has issued Presidential Regulation Number 59 of 2017 concerning the Implementation of Achieving Sustainable Development Goals as the basis for implementing sustainable development goals (ICCTF, 2019). The 5P concept exists with the hope that humans can use resources more effectively so that nature is maintained, and peace, security, and preservation of living things can be created for a better earth. In companies, these pillars are in accordance with ESG performance itself which usually refers to non-financial performance and is related to investor decisions in the capital market (Atan et al. 2018).

As time goes by, more companies are concerned about their environment, not just about profit. This ESG performance means that the company pays attention to the ESG pillars so that the company's reputation can improve and be good in the eyes of stakeholders and the community. ESG performance itself is used by investors in order to make decisions about investing in the best companies, seen from the company's ability to manage ESG risks (Aberdeen Standard Investments

2020). A good corporate image makes investors want to continue investing, people will feel safe and happy to buy the company's products. This image can guarantee a sustainable company because if investors and the public do this continuously, the company will have a long-lasting business survival.

After paying attention to ESG performance in order to support a high level of business survival, companies certainly must not forget to pay attention to their company's performance. Company performance is an assessment of the company's achievements resulting from a complex and difficult management decision-making process, because it relates to the effectiveness of the use of capital, efficiency and profitability of the company's activities (Meriewaty & Setyani 2005). According to Gunawan & Sukartha (2013), companies can take advantage of ESG performance to improve their company performance that has 2 categories, namely financial performance and market performance.

The world today is not only being disrupted, but is being double disrupted. While some of the companies are still trying to adapt to changes caused by the pressures of digitalization and smartphones, companies are again faced with the challenge of major changes triggered by the Covid-19 pandemic. The Covid-19 pandemic is challenging business, society and the economy in unexpected ways. Companies that are facing double disruption are challenged to be able to continue to improve their company's performance through new ideas that can become a competitive advantage for the company. Environmental, social, and governance performance can be one of the new ideas for company competitive advantage.

Several studies related to the performance of ESG have also begun to be carried out, however the results that appear are inconsistent. Yawita & Handayani (2019) showed that environmental performance had a negative impact on market performance. On the other hand, governance performance has a positive effect on financial performance, but has a negative effect on market performance. In this study, financial performance was measured using the profitability ratio Return on Assets (ROA) and EBITDA margin, and firm value was measured using Market Book Value (MBV). This measurement is different from this study which uses Return on Equity (ROE) and Tobin's Q as a measurement of financial performance and market performance. This difference is expected to give different results. Another difference occurred in the study of Taliento et al. (2019) where the value of each ESG performance component has no effect. From some of the results above, it can be seen that the two studies show inconsistent results. The limitations of previous research, such as the lack of research samples because not many companies have ESG scores, suggest extending the research period (Syafrullah and Muharam 2017, Atan et al. 2018, Taliento et al. 2019, Yawita & Handayani 2019). Researchers found that these things are interesting things, so this study was made to be able to contribute to ESG performance research based on previous research suggestions.

Furthermore, this study was carried out based on the suggestions data from previous ESG performance' studies, namely by using the ESG score from Thomson Reuters, in contrast to previous studies using the ESG score from Bloomberg. Also using a sample of all Indonesian companies listed on the IDX and Thomson Reuters respectively during the 2014-2019 period. This is a longer period because of the research gap in previous studies, as well as adding control variables, namely firm size and leverage. The results of research based on the use of different data with a longer period is expected to be a novelty for current research. This study aims to examine the effect of environmental, social, and governance (ESG) performance on company performance, particularly financial performance and market performance, with new data structures and settings. This research was conducted with the hope of contributing scientifically in becoming a reference and comparison for further research on environmental, social, and governance (ESG) performance.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Stakeholder Theory

Stakeholder is a theory that explains that the company as an entity does not only operate for its own sake but must be able to contribute to its stakeholders (Ghozali & Chariri 2014). What is meant by stakeholders here are stakeholders, namely shareholders, creditors, consumers, suppliers, governments, communities, analysts and other parties.

According to Ghozali & Chariri (2014), sustainability in a company depends on stakeholders as support providers and companies must get as much support as possible through company activities, to be able to adapt and survive. Stakeholders here are also able to control the use of the company's economic resources, usually the strength of a stakeholder is seen from the size of the ability to control resources.

According to Dahlberg & Wiklund (2018), by maximizing the welfare of stakeholders through ESG performance, the financial welfare between the company and its shareholders will also be maximized. Stakeholder theory can increase environmental awareness and open opportunities for companies to expand their company goals to be able to adapt to social demands (Elijido-Ten 2007).

Impression Management Theory

According to Aerts (1994), this theory states that individuals/organizations provide explanations for their activities in order to be seen as successful, competent, and responsible by those around them. The explanation of these activities will later be used to guide the interpretation of users of financial statements. According to Schlenker (1980), management impressions are real or socially imagined images controlled by individual/organizational efforts both consciously and unconsciously for the desired goal.

According to Cho, Michelon & Patten (2012), companies also use impression management in their sustainability reports to project a better image in their ESG performance. According to Jones (2011), the use and presentation of information in impression management is consistent with efforts to portray a more favorable view of the company's performance.

Stewardship Theory

Stewardship is a theory that explains that the behavior of the company's management is based on the interests of the entity, not on its own (Donaldson & Davis 1991). This theory is based on service and is rooted in psychological and sociological aspects to ascertain how stewards act for the principal. This theory is based on servants who have the behavior to be able to work together in an organization well and are willing to serve higher than their individualism (Davis et al. 1997).

The behavior of the stewards themselves is motivated by the wishes of the principal and as much as possible the steward will try to achieve the goals of his organization. This means that the company's executives do not act according to their own desires, but all they do is as a form of service to stakeholders. According to Jefri (2018), company managers are stewards of the company's assets who are good and loyal to the company. Executives in the company will feel the desire to have high company performance which will be effective for the good of the stakeholders. Including ESG performance, by increasing ESG performance, the company's performance will be affected in accordance with the objectives of the entity. If the objectives have been met, the stakeholders will be satisfied, as well as the executives, because the service is successful.

Environmental, Social, and Governance (ESG) Performance

Investors have long recognized that environmental, social and governance (ESG) factors are important measures for corporate valuation, risk management, and even regulatory compliance (Thomson Reuters 2017). According to Ferrero-Ferrero (2016), ESG is the main dimension in a sustainable company development strategy that theoretically provides benefits in terms of reputation, customer trust and loyalty, cost savings, access to capital, human resource management, innovation capacity, and risk management. According to Taliento et al. (2019), ESG performance refers to 3 different areas related to social awareness, namely environmental, social, and governance.

According to Taliento et al. (2019), the environmental field includes climate change, greenhouse gas emissions, resource exploitation, waste, pollution, and deforestation. The second area is social which relates to gender equality, diversity, working conditions, health and safety, employee relations, and human rights. The third and final area is governance which involves the practice of corporate governance, including managerial compensation, composition of the board of directors, audit procedures and the behavior of seniors and company executives in terms of compliance with the law as well as ethical principles and codes of conduct.

ESG Score

Thomson Reuters (2017) sees that more managers are now incorporating ESG into their asset allocation processes, taking advantage of a holistic approach, and more attractive thematic investment tools are emerging for investors with specific investment goals. The ESG score also appears as a representation of the ESG framework which is designed to transparently and objectively measure a company's relative ESG performance across ten main ESG themes, namely resource use, carbon emissions, product innovation, workforce, human rights, society, product responsibility, management, stakeholders, and corporate social responsibility. According to Melinda & Wardhani (2020), the ESG score is the average of all the assessment scores of each ESG pillar and is the company's sustainability performance. This ESG score is between 0-100 (Taliento et al. 2019). It is hoped that the ESG score can be used as a standard for comparison between companies and become a benchmark for better performance.

Company Performance

Company performance shows the results of the company's achievements in order to achieve company goals without violating applicable ethics, morals, and laws (Rivai & Basri 2004:16). Company performance is a company's ability to generate profit at a certain level of sales, assets and share capital. According to Putra & Adrianto (2019), the company's performance can be described from the company's ability in the financial sector, the company's many contributions to environmental sustainability, and the welfare of the surrounding community. The decisions taken in running a company can be reflected in the company's performance, the company's performance has 2 categories, namely financial performance and market performance (Gunawan & Sukartha 2013).

Company performance can be measured based on financial and non-financial information (Ghozali & Chariri 2014). Company performance can also be measured based on accounting and based on the market (Malarvizhi & Matta 2016). According to Li et al. (2018), market-based performance measurement prioritizes forward looking and focuses on market performance (Tobin's Q is used to calculate market value ratios), while accounting-based ones focus on historical aspects of the company's financial performance. So, what is meant here is that the company's financial performance describes the company's performance in the past, while the company's market performance describes the company's performance in the future.

Financial Performance

Financial performance is a description of the quality of company management based on financial reports that have been issued in a certain period which can be measured from aspects of capital adequacy, liquidity, and profitability (Jumingan 2006:239). According to Fahmi (2012:2), financial performance describes the results of the company's achievement of its activities, by analyzing financial performance it can be seen how far the implementation of financial rules that have been carried out by the company. Financial performance can be measured using financial ratios (Syamsuddin 2009:37). There are various financial ratios, namely profitability ratios, liquidity ratios, activity ratios, solvency ratios, and investment ratios. According to Yawika & Handayani (2019), financial performance refers to sales, profitability, inventory turnover, and equity earnings. The results of these ratios are historical, which means they only describe activities from the past until the time the financial statements were made.

Market Performance

The company's internal and external parties use market performance as an index to measure how advanced and developing a company is (Muallifin & Priyadi 2016). Market performance shows how valuable the company is in the capital market (Sudana 2015:26). According to Gunawan & Sukartha (2013), market performance describes how good the company's opportunities or opportunities are in the eyes of investors, this is closely related to the value of the company in the capital market. According to Wibowo (2016), Tobin's Q is one of the market performance measurements that can best inform the other existing measurements, this is because with Tobin's Q not only fundamental aspects are described, but also the extent to which the market assessment of the company according to various aspects based on the views of outsiders including investors. According to Sudana (2015) market performance can also be measured by Price Earning Ratio and Price Book Value.

Company Size

According to Rudangga & Sudiarta (2016), the number of assets in a company can describe the size of the company, so that a company can be considered large when it has a high number of assets. This illustrates the condition of a company that is developing well and has good performance so that it will increase the value of the company in the market (Pratama & Wiksuana 2016). The bigger the company, the more confident investors will be with the company's performance, so it will be easier for the company to get funding sources.

Leverage

Companies that have healthy financial reports because of their ability to manage debt well, the company's survival rate in the long term is believed to be high (Putra & Adrianto 2019). Good debt management indicates good financial performance as well, this is because with debt, there is also a risk of non-payment of debt, so the use of debt needs to pay attention to the company's ability to generate profits (Prasetyorini 2013). According to Rahmadani & Rahayu (2017), if a company's leverage is low, investors will be more interested in investing. More company profits are used as dividends, so the company's value will increase.

Hypothesis Development

The Effect of Environmental, Social, and Governance (ESG) Performance on Financial Performance

According to Faisal (2018), the power of stakeholders in influencing company management is considered a function of control over the resources needed by the company. According to Dahlberg & Wiklund (2018), by maximizing the welfare of stakeholders through ESG performance, the financial welfare between the company and its shareholders will also be maximized. According to Cho, Michelon & Patten (2012), companies also use impression management in their sustainability reports to project a better image in their ESG performance. Environmental, social, and governance (ESG) performance is important for companies as a form of service to stakeholders because by having high ESG performance, the company will look good in the eyes of information users, and that image will later make the company sustainable.

Another study was conducted by Karyawati, Yuniarta & Sujana (2017), who said that the company's ESG performance can prove if the company's production process by paying attention to social and environmental issues can increase stakeholder trust so that it will have an impact on increasing investment and increasing company profits. According to Friede, Busch & Bassen (2015), a meta-analysis combining findings from approximately 2200 studies shows that most studies report a positive relationship between ESG performance and financial performance. Based on this explanation, the following hypothesis is made:

H1a: Environmental, social, and governance (ESG) performance has a positive effect on the company's financial performance.

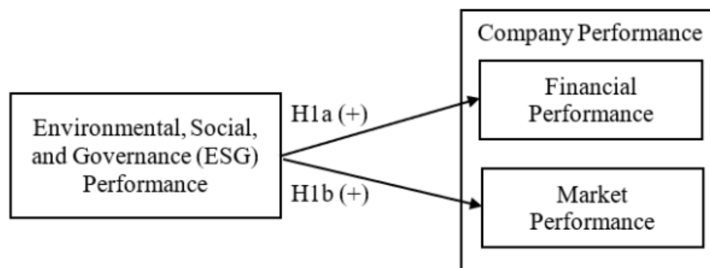
Effect of Environmental, Social, and Governance (ESG) Performance on Market Performance

The behavior of the stewards (companies) is motivated by the wishes of the principal (stakeholders) and as much as possible the steward will try to achieve the goals of the organization. This means that the company's executives do not act according to their own desires, but all they do is as a form of service to stakeholders. Including ESG performance, by improving ESG performance, the company will have a good image so that it will become a sustainable company. According to Jones (2011), the use and presentation of information in impression management is consistent with efforts to portray a more favorable view of the company's performance. If the company has a long survival, the stakeholders will be satisfied, as well as the executives, because the service is successful.

According to Tarmuji et al. (2016) the company will strive to grow and provide a high return on investment through efficient resource management to increase revenue. Tarmuji et al. (2016) also state that stronger environmental performance can increase firm value and attract stakeholders. Another study was conducted by Belkaoui & Karpik (1989), who found that market performance is positively influenced by ESG performance. This is in line with El Ghoul et al. (2016) and Li et al. (2018), which states that ESG performance and market performance have a positive relationship. Based on this explanation, the following hypothesis is made:

H1b: Environmental, social, and governance (ESG) performance has a positive effect on the company's market performance.

Research Model



3. RESEARCH METHOD

Research Design

This study has a quantitative research design with hypothesis testing in order to test the environmental, social, and governance (ESG) performance that affects the company's performance, namely financial performance and market performance.

Research Sample and Data

The population in this study are all companies listed on the Indonesia Stock Exchange and Thomson Reuters in 2014-2019, respectively. Sourced from the population, several were drawn to be used as samples by using purposive sampling technique, which is based on a number of criteria as follows:

1. Companies listed on the Indonesia Stock Ex-change (IDX) in a row in 2014-2019.
2. Indonesian companies that have ESG scores on Thomson Reuters in a row in 2014-2019.
3. Companies that release annual reports in a row in 2014-2019 in rupiah currency.

This study uses secondary data, namely quantitative data in the form of annual reports and ESG scores of all companies listed on the IDX (Indonesian Stock Exchange) and Thomson Reuters in 2014-2019, respectively. The company's annual report data is obtained through the website www.idx.co.id which is the official website of the IDX and the websites of each company, while the ESG score data is obtained through the website www.refinitiv.com which is the site where Thomson Reuters publishes its ESG score.

Operational Definitions of Variables

The independent variables used in this study are environmental, social, and governance (ESG) performance.

ESG Performance

According to Ferrero-Ferrero (2016), ESG is the main dimension in a company's sustainability development strategy which theoretically provides benefits in terms of reputation, customer trust and loyalty, cost savings, access to capital, human resource management, innovation capacity, and risk management. According to Taliento et al. (2019), this ESG performance refers to 3 different areas related to social awareness, the first is environmental, the second is social, and the last is governance. ESG performance has a broader scope than just non-financial performance on

environmental, social and corporate governance, but can be used to evaluate the company's management capabilities and to support risk management (Galbreath 2013). Environmental, social, and governance (ESG) performance in this study was measured by the ESG score index which contains a value between 0-100 from Thomson Reuters, this is in accordance with the research of Melinda & Wardhani (2020).

The dependent variable used in this study is company performance as measured by financial performance and market performance.

Company Performance

According to Putra & Adrianto (2019), the company's performance can be described from the company's ability in the financial sector, the company's many contributions to environmental sustainability, and the welfare of the surrounding community. The company's performance has 2 categories, namely financial performance and market performance (Gunawan & Sukartha 2013).

Financial Performance

Financial performance is a description of the quality of company management based on financial reports that have been issued in a certain period which can be measured from aspects of capital adequacy, liquidity, and profitability (Jumingan 2006:239). The results of these ratios are historical which means they only describe activities from the past until the time of the preparation of the financial statements. In this study, financial performance was measured using a profitability ratio, namely Return on Equity (Gunawan & Sukartha 2013). According to Melinda & Wardhani (2020), by using ROE, the effectiveness of management in generating returns from shareholder investment can be seen. The ROE value is an important consideration for investors in investing. Investors will be more interested in companies that have a higher ROE ratio because it is assumed that the company's management has a very good ability to generate profits. The interest of investors in companies that have a high value ratio can result in an increase in the value of the company in the market. ROE is measured by comparing net profit after tax with own capital.

Market Performance

According to Gunawan & Sukartha (2013), market performance describes how good the company's opportunities or opportunities are in the eyes of investors, this is closely related to the value of the company in the capital market. Market performance in this study is measured using Tobin's Q. According to Wibowo (2016), Tobin's Q is one of the market performance measurements that can best inform of several existing measurements, because not only fundamental aspects are described, but also the extent to which market assessment of the company according to various aspects based on the views of outsiders including investors.

Company Size

According to Rudangga & Sudiarta (2016), the number of assets in a company can describe the size of the company, so that a company can be considered large when it has a high number of assets. This illustrates the condition of a company that is developing well and has good performance so that it will increase the value of the company in the market (Pratama & Wiksuana 2016). The size of the company is also considered to be able to affect the company's financial performance, because if the company is large, then the company's opportunity to obtain funding sources will be even greater, both internally and externally (Dewi & Candradewi 2018). According to Dewi & Candradewi (2018), the size of the company can be known by the formula from Ln (total assets).

Leverage

Leverage is a reflection of the use of debt by a company to finance its operational activities (Rudangga & Sudiarta 2016). Good debt management indicates good financial performance as well, this is because with debt, there is also a risk of non-payment of debt, so the use of debt needs to pay attention to the company's ability to generate profits (Prasetyorini 2013). According to Dewi & Candradewi (2018), leverage can be determined by the formula from persentase of total debt divided by total equity.

Technical Data Analysis

Research on the effect of environmental, social, and governance (ESG) performance on company performance uses multiple linear regression analysis techniques. The data processing of this research uses the 23rd version of IBM Statistical Package for the Social Sciences (SPSS) and 9th version of EViews. In this analysis technique, the tested hypothesis has fulfilled the classical assumption test and the model's feasibility test.

4. DATA ANALYSIS AND DISCUSSION

Research on the effect of environmental, social, and governance (ESG) performance on company performance uses multiple linear regression analysis techniques. In this analysis, the hypothesis can be tested if it meets the classical assumption test and the model's feasibility test. This study uses the equation, namely:

$KK = \alpha + \beta_1 ESG_t + UK + LV + e$…(1a)

$KP = \alpha + \beta_1 ESG_t + UK + LV + e$….(1b)

Information:

KK = Company's Financial Performance.
KP = Company's Market Performance.
ESG=Environmental, Social, and Governance Performance.
UK = Company Size.
LV = Leverage.
e = Error.

Table 1: Statistic Descriptive

	N	Min	Max	Mean	Std. Deviation
KK	168	0,002	7,991	0,270	0,663
KP	168	0,601	23,286	2,943	3,795
ESG	168	7,650	81,720	45,084	19,173
UK	168	28,857	34,887	31,676	1,449
LV	168	0,153	18,192	2,183	2,749

Table 1 presents the minimum, maximum, mean, and standard deviation values of the variables used.

Table 2: Normality Test

	sig.	Result
KK, n = 154	0,065	Normal distribution
KP, n = 159	0,069	Normal distribution

Table 2 shows sig 0,05, meaning that the data has been normally distributed because the significance level of 0,0092 has met the requirements of a significance level of 0,05.

Table 3: Coefficient of Determination Test Results

Variable	R	R^2	Adjusted R^2
KK	0,346	0,120	0,102
KP	0,558	0,312	0,298

Table 3 shows that the dependent variable financial performance produces an adjusted R square value of 0,102. This value means that the independent variable, namely ESG performance can affect the dependent variable by 0,102 or 10,2%. Meanwhile, the dependent variable of market performance produces an adjusted R square value of 0,298. This value means that the independent variable, namely ESG performance can affect the dependent variable by 0,298 or 29,8%.

Tabel 4: F Test Result

Variable	F	Sig.
KK	6,819	0,000
KP	23,396	0,000

Table 4 shows that the significant value of the financial performance variable is 0,000. The value is less than 0,05, then the regression model is feasible to use. Likewise with market performance variables, it can be seen that the significance value is 0,000. The value is less than 0,05, then the regression model is also feasible to use.

Table 5: t Test Result for Financial Performance

Variable	B	t	Sig.
Constant	1,278	5,001	0,000
ESG	0,000	-0,213	0,832
UK	-0,036	-4,372	0,000
LV	0,023	3,687	0,000

Table 5 shows the regression equation as follows:
KK = 1,278 + 0,000 ESG – 0,036 UK + 0,023 LV + e

Tabel 6: t Test Result for Market Performance

Variable	B	t	Sig.
Constant	31,682	8,293	0,000
ESG	0,011	1,338	0,183
UK	-0,949	-7,544	0,000
LV	0,133	1,571	0,118

Table 6 shows the regression equation as follows:
KP = 31,682 + 0,011 ESG – 0,949 UK + 0,133 LV + e

Findings 1: The Effect of Environmental, Social, and Governance (ESG) Performance on Financial Performance

The results showed that environmental, social and governance (ESG) performance had no effect on financial performance (KK). ESG performance has no effect on financial performance which in this study is measured by ROE, because investors are not familiar with the ESG score from Thomson Reuters. ROE is used to measure the company's ability to generate profits based on the capital of investors. Investors who are not familiar with ESG performance based on Thomson Reuters finally become unaffected by the published score. Financial performance based on ROE is not influenced by investors' decisions to invest based on the ESG score from Thomson Reuters.

Findings 2: Effect of Environmental, Social, and Governance (ESG) Performance on Market Performance

The results of this study indicate that environmental, social and governance (ESG) performance has no effect on market performance (KP). ESG performance has no effect on market performance because investors are not familiar with ESG performance as seen based on scores from Thomson Reuters. Thomson Reuters is not very popular in Indonesia because access is difficult and limited, only people who can access Thomson Reuters Eikon can get the ESG score (Thomson Reuters 2017). Eikon itself can be accessed if you have registered first. This limited access makes the ESG score from Thomson Reuters unable to reach investors in making investment decisions.

Discussion: Effect of Environmental, Social, and Governance (ESG) Performance on Company Performance

The results showed that environmental, social and governance (ESG) performance had no effect on company performance, both financial performance (KK) and market performance (KP). The results of this study are in line with the results of research from Atan et al. (2018) which states that there is no significant effect between individual and combined factors of ESG performance with company profitability (ROE) and company value. The results of testing the control variables are also in line, Atan et al. (2018) show that firms with higher leverage will record higher profitability, and firms with smaller sizes are expected to be more profitable.

The results of this study are also in line with research from Faisal (2018) which shows that there is no effect between ESG performance and financial performance (LnROE). ESG performance has no effect on financial performance which in this study is measured by ROE, because investors are not familiar with the ESG score from Thomson Reuters. ROE is used to measure the company's ability to generate profits based on the capital of investors. Investors who are not familiar with ESG performance based on Thomson Reuters eventually become unaffected by the published score. Financial performance based on ROE is not influenced by investors'

decisions to invest based on the ESG score from Thomson Reuters. This ineffective result does not imply that the company does not need to have good ESG performance, ESG performance is still needed as a form of management's impression. Activities in ESG performance can produce a positive image of the company, so that investors have a good view of the company and want to keep investing.

Faisal (2018) also states that there is no effect between ESG performance and market performance (Tobin's Q). The results of previous studies that are also in line with this research are research from Taliento et al. (2019) which shows that each ESG pillar has no effect on market performance. ESG performance has no effect on market performance because investors are not familiar with ESG performance as seen based on scores from Thomson Reuters. Thomson Reuters is not very popular in Indonesia because access is difficult and limited, only people who can access Thomson Reuters Eikon can get the ESG score (Thomson Reuters 2017). Eikon itself can be accessed if you have registered first. This limited access makes the ESG score from Thomson Reuters unable to reach investors in making investment decisions. ESG performance is still needed even though it has no effect, because then the company will be judged to be successful, competent, and responsible for its surroundings. An explanation of the performance will produce a good impression on the company.

Although the issue of making the earth a better place is still a work that needs to be done, the results of this study indicate that the company's concern for the environment, social and governance alone is not enough to improve the company's performance in this era of double disruption. The development which originally only covered the economic dimension, in the 21st century aims to improve human well-being as social beings in the economic, social, and environmental order that was disrupted by the Covid-19 pandemic. Double disruption changes many things in such a way that the old ways of business become obsolete. Adaptive and exploratory abilities are becoming increasingly urgent to be possessed by anyone, including companies. Companies need to explore new value creation because of the emergence of a digital paradigm that is no longer limited by space and time. Double disruption puts businesses in a digital ecosystem. If the company does not innovate, then the company will be threatened with extinction. Companies need to change the mindset to a disruptive mindset in this era of double disruption, because it is no longer the owner of capital who is in charge but the most innovative company that will dominate the business in all areas of life.

Companies must boldly begin to decide how businesses can operate sustainably on a planet that is at the limit of its ecological capacity. Companies need to challenge themselves and everything they know, namely their goals, values, business models, and ways of operating in society to adapt in the face of double disruption. Companies need to innovate as an important part of their business strategy by having a different way of thinking or out of the box, so that they are able to make new breakthroughs or adjustments to the business to be more in line with the era of double disruption. Companies need to adopt digital technologies such as Big Data, Autonomous Robots, Cybersecurity, Cloud, and Augmented Reality. This is the embodiment of three smart solutions in the face of the industrial revolution 4.0, smart foundation, smart process, and smart connectivity. All employees in the company must quickly adapt to changes, and must dare to disrupt themselves first.

According to Kasali (2021), the era of double disruption requires every company to do more than sustaining innovation. This is because there are many companies that have been carrying out sustainable innovation, but are still experiencing failures. This condition is experienced by large companies that are well established and supported by continuous innovation. The era of double disruption requires companies to do what is called disruptive innovation. So it takes executives who are also capable of self-disruption. Unfortunately, many companies are satisfied with their sustainable innovation. They turn a blind eye or even do not know at all to the changes that are happening and

threaten their business. It should be remembered, in this era of double disruption, the opponents we face are no longer from the same industry, but very possibly from outside a completely different industry. Threats can come from invisible opponents who were never considered rivals at first. Companies need to come to terms with changes that present the future and the present, or accept this disruption. Companies need to face and adapt to changes that are happening so fast because only in this way can companies survive far into the future.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study aims to examine the effect of environmental, social, and governance (ESG) performance on company performance, which is divided into financial performance and market performance. After doing the research, it can be concluded that the environmental, social and governance (ESG) performance has no effect on the company's performance, both financial performance and market performance. This result means that the high or low ESG performance does not affect the high and low company performance and market performance. This insignificant result does not mean that the company does not need to have good ESG performance, but that ESG performance still has to be done as a form of management's impression. Activities in ESG performance can produce a positive image in the company, so that investors want to keep investing and be able to satisfy stakeholders.

The limitations of this study are that the ESG score data from Indonesian companies at Thomson Reuters is still small, so the company data is less diverse, and this research is only focused on companies in Indonesia, which are still unfamiliar with ESG performance based on scores from Thomson Reuters. Academic suggestion given by researchers for further research is to use other measurements for environmental, social, and governance (ESG) performance, so that it does not depend on the number of ESG scores in Thomson Reuters and allows for different research results, and adding samples from other countries that have more company score data on Thomson Reuters. The practical suggestion is companies need to carry out change management by changing the mindset and awareness of human resource elements in business organizations so that they can work together to make changes. Because the effect of disruption can change everything, including the culture of the organization in carrying out its business processes.

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