



Role of Political Connections and Corporate Performance in Mediation by Green Innovation in Case Study in Indonesia

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Abstract. This study aims to see if the political school experience factor is able to provide political connections and company performance implied by green innovation, in case studies of all manufacturing companies listed on the stock exchange. This study uses 511 companies in Indonesia that are engaged in manufacturing listed on the stock exchange in 2017–2019 as a sample. The analytical method used is path analysis in testing existing hypotheses. The results of this study indicate that green innovation is successful in mediating the political connections of commissioners to company performance. The educational effect of the commissioner's political connection strengthens the company's performance, through the good image that is also obtained from green innovation actions.

Keywords: Green Innovation · Corporate Performance · Political Connection

1 Research Background

Party schools are the interests of political parties in educating citizens, especially political parties that have a strong influence. Political education and political connections can be likened to two sides of a coin that are interrelated and difficult to separate. The existence of education in politics today is not a taboo subject, the more experience with political school education, the greater the political opportunity to take part in the management of companies when they are not active in government. Political connection can simply be defined as the percentage of closeness a company has with an individual or a government agency that results in a political relationship. Political connection is a condition where there is a relationship between certain parties and parties who have an interest in politics that is used to achieve certain things that can benefit both parties (Purwanto & Sugiarto, 2017). With political education tends to establish political connections both explicitly and implicitly (Hazmi et al., 2018), this relationship develops through private/personal bonds between politicians and businessmen. In Indonesia itself, political education has a role in the running of a company, the size of the company is a determining factor that plays an important role in establishing political relations in Indonesia. This is the only characteristic that significantly affects a company if it has political relations. Large

companies tend to build political education to support and sustain their companies, because the bigger a company is, the greater the connection (Harymawan et al., 2016). Large companies certainly have increasingly complex needs which result in companies needing a lot of support from parties who can help provide these needs with greater power.

The importance of political education provides some quick access in terms of corporate governance, especially those related to the wider community and corporate defense, both in terms of credit applications and in terms of policy intervention. The development of the education economy in recent years has not been able to go hand in hand with sustainable resource management and reductions in polluting (Wang & Song, 2019). Along with carrying out company goals, it often results in a decrease in environmental quality. Environmental pollution is currently a concern for humans and future stability due to the growth of environmental damage and the occurrence of global warming.

Currently, companies are required to be able to identify economic education activities that produce added value but are still environmentally friendly. One of the issues that is also in the spotlight is the existence of green innovation within the company. A production company must have residual production waste which often has a negative impact on the environment, be it through production methods, or the products produced. Green innovation is here to minimize to eliminate the impact of destruction on the environment. Green innovation itself means the company's strategic plan designed with innovation in the form of products, services, the production process of a new system that is packaged in such a way with the aim of reducing the negative impact on the environment but still having its main value, namely contributing to economic development. According to Wong et al., (2012) stated that green innovation is a process by using environmentally friendly technology to produce goods and services and reduce negative impacts on the environment. Green innovation consists of green product innovation and green process innovation designed to reduce energy use and pollution, recycle waste and utilize sustainable resources (Chen et al., 2006). Environmentally friendly product innovation involves the creation of goods and services that do not have a negative impact on the company for the environment.

The issue of environmental conditions emerged along with the development of the complexity of the need to support company performance and began to become a challenge for companies in this era. Green innovation is a concept that can reduce negative environmental impacts and improve company performance to increase public trust, cost efficiency, productivity and open new market shares (Agustia, Sawanjuwono and Dianawati, 2019). The company's performance is also influenced by the public's trust in the company, having a good image in the community means the company has succeeded in gaining the trust of the community which will then produce output in the form of increasing product use and being loved by the community (Reich, 1998 in Gary O'donovan, 2002).

It is generally recognized that the main purpose of the company is to make a profit, but also has an obligation to be responsible for its production actions in a social environment. Green innovation is one of the best solutions that can be applied to overcome this problem, but it is not an easy step to adopt this green innovation. Due to its complex

nature, starting from production techniques, process management, reconstruction of the old work ecosystem to a more pro-environmental work system.

As Shleifer & Vishny (1994) point out in Faccio 2006, many countries practice a form of capitalism in which politicians channel resources to favored companies, distort incentives, misallocate investments and increase levels of corruption. Fisman (2001) finds that companies with political connections in Indonesia rely heavily on the benefits of existing connections. Based on research by Handayani et al. (in Agustia: 2021) states that there is a positive influence between green innovation and company performance, which shows that technological advances in innovation that take into account environmental impacts will be able to improve company performance. This is in line with (Zhang, Rong & Ji: 2019) that the implementation of green innovation can increase sales growth and higher net profit thereby improving company performance. It is generally recognized that environmental innovation provides an important key to environmental sustainability (Frenken and Faber: 2009).

Therefore, political actors who are savvy with environmental issues have increased steadily over the last decade. Through the implementation of green innovation, the company can withstand the pressure of competitors and can increase sales which will have an impact on the company's performance. Meanwhile, companies with educated political connections can outperform politically unconnected companies according to market-based performance and financial performance. This finding is in line with previous research on the relationship between political connectedness and firm performance (Faccio 2006 and Goldman, Rocholl, 2007).

Related to agency theory, which states that a company has two parties, namely the owner of the company and other agents who are given the task of helping manage the company to achieve its goals. In this study, these parties are directors and commissioners of the company, as for the goals to be achieved by a company, of course, economic benefits and company growth in the market. Looking at the current issues, in terms of selecting the commissioners themselves, they are chosen based on political relations and no longer absolutely based on their competence. This condition can be detrimental to the company because it triggers a fairly high agency cost that must be incurred by the company just to obtain the political connection.

According to previous research, it is known that there is a positive influence between green innovation and company performance, which shows that technological advances in innovation that take into account environmental impacts will be able to improve company performance (Handayani, 2017). Despite the complexity, green innovation is not impossible to implement, green innovation can be achieved if companies consider the impact on the environment, such as pollution, unstable climate and scarce natural resources. Companies adopt green innovation because of external pressure, namely to improve company performance (Burki, 2018). Ma et al., 2018 said that companies that implement green innovation can improve company performance by: 1) using recycled materials that can reduce costs and increase revenue, and 2) changing the design of environmentally friendly products that can increase the company's sales and profits. In this study, we will review whether a company with political connections to its commissioners can improve company performance by mediating green innovation as a direct

action taken by the company. The actions of the commissioners in managing the company will raise questions for the company, whether the commissioners who are elected on the basis of political connections are able to handle the company, and whether their presence will ultimately increase or weaken a company whose policies have undergone several changes and are certainly influenced by the commissioners and directors.

That the company utilizes educated political connections can boost the company's performance by inserting green innovation as a superior product makes this research unique to explore. So far, companies that take advantage of political connections in democratic countries, such as Indonesia, will be affected by the stability of the country's political situation, which will directly affect the performance of a company. The more stable the political education that a country gets, the commissioners with political connections will smoothly run their programs so that they can support the company and vice versa if the situation turns out to be the other way around. In addition, this study will also examine whether green innovation as an intervening variable,

This research itself aims to see the role of political connections and company performance implied by green innovation, in case studies of manufacturing companies in Indonesia in 2017–2019. In Indonesia, environmental protection has been regulated since 2009, which gives local governments autonomy to implement regulations related to this issue. Manufacturing companies need to implement green innovations to reduce the impact of the manufacturing process on the environment. This study is to assess how Indonesian companies can improve company performance through political education, which is implied in green innovation, so that it is known how these three variables are related in helping increase company production and profits while still paying attention to the value of environmental sustainability.

2 Literature Review

2.1 Political Connection (PC)

A company is defined as connected to a politician if “at least” one of its major shareholders (anyone who controls at least 10 percent of the voting stock) or one of its top officers (CEO, president, vice president, chairman, or secretary) is a member of parliament, a minister, or closely associated with a top politician or party” (Faccio, 2006). Fisman (2001) finds that politically connected companies in Indonesia rely heavily on the benefits of their connections. Evidence on “crony capitalism” suggests that dominant political leaders use their power to benefit their family and friends, Connections provide significant benefits to companies in terms of easier access to debt financing (i.e., improper credit), taxes lower income, and stronger market power.

This is consistent with research conducted by Leuz and Oberholzer-Gee (2006) which showed that connected firms face financing difficulties when their political connections fall from power. Hellman, Jones and Kaufmann (2000) examined the extent to which firms influence and collude with the public economy to extract private profits in 22 transitions, finding that firms are able to shape and influence the formulation of laws and regulations through private payments to public and political officials (“fishing

companies”) showed higher growth rates. Companies that are able to “influence” politics without resorting to private payments (these are generally large companies with established historical links to politics) enjoy superior performance.

The party school experience factor tends to develop political connections both explicitly and implicitly. Explicit connections develop through politics between politics and business. For example, a company develops political connections when a politician officially joins a board or becomes a major shareholder in a company (Faccio, 2010; Faccio, 2006; Fisman, 2001). On the other hand, implicit political connections develop through friendships between the company’s senior management personnel and political figures (Faccio et al., 2006). In addition, implicit political connections may emerge, among other things, as a result of companies making campaign contributions or donations to political parties at (or near) election time (Cooper et al., 2010; Claessens et al., 2008; Aggarwal et al., 2012). The concrete political connections referred to here include the following relationships: 1) companies whose top executives or major shareholders have been described in the press as having friendships with heads of state, government ministers, or members of parliament; 2) relations with officials who have served as heads of state or prime ministers in the past; 3) companies whose former top executives or large shareholders are involved in politics; 4) relations with foreign politicians; and 5) other connections identified in previous research (Faccio, 2010).

2.2 Company Performance

A company is a legal entity consisting of one or more people and is separate from its owners (Ross et al., 2008). Firm value is an investor’s perception of the company’s level of success (Hermuningsih, 2013). Company performance is influenced by several factors, measured by different business outputs in various studies. The output can be an economic outcome such as a profit margin, an increase in income, a new investment or some kind of different characteristic that cannot be measured with certainty.

2.3 Green Innovation (GI)

The current study defines green innovation as new or modified products and processes, including technological, managerial, and organizational innovations, that help sustain the surrounding environment (Weng: 2015). Green innovation is also defined as a new technology (hardware or software) related to a product or production process that will lead to energy efficiency, pollution reduction, waste recycling, green product design and corporate environmental management (Chen, 1994 in Agustia et al., 2019), innovations include some major improvements to current products or changes to better performing materials, components and other characteristics.

Many programs must be implemented to integrate environmental and innovation policies as part of strategic decisions and also green innovation policies must be aligned with other innovation-related policies (Iker: 2015). Green innovation contributes to improving

the company's environmental performance in three ways (Ramus: 2002 in Küçükoğlu and Pinar: 2015):

1. Green innovation will reduce the environmental impact caused by the company's activities by using items that can be reused in the reuse process and recycle waste before being discharged into the community.
2. *Green innovation* able to deal with environmental problems by reducing the use of hazardous materials not only in the manufacturing process but also to the content of the final product.
3. *Green innovation* build environmentally friendly and effective production processes by using raw materials and energy efficiently. With minimal use of raw materials the company is able to maintain environmental quality for future generations.

3 Hypothesis

3.1 The Influence of Political Connections on Company Performance

Knowledge of political connections is no longer a taboo subject in building relationships that are forged by stakeholders in companies with individuals who have positions and need education in politics. party education. In its implementation, this established relationship brings several advantages for both political agents and the company itself. The experience of party schools having good political connections for companies can be in the form of easy access to financing for capital and debt, easy investment allocations with links to these political connections.

This in turn will have an impact on corporate governance and ultimately have an impact on improving company performance. In this study, the political connection variable will be represented by two subjects, namely the political connection by the director (PCD) and the political connection by the company commissioner (PCK). Therefore, we decided to examine the following hypothesis:

H1: The political connection of the commissioner affects the company's performance

H2: Director's political connection affects the company's performance

3.2 The Effect of Political Connections on Green Innovation

Green innovation itself is known as a big step to realize a business that still protects the environment. With so many demands from outside to protect the environment from the impact of production, company managers are trying to realize this as part of the social responsibility of the existence of the business. Companies may not be able to stand alone to implement them, so this political connection is needed again at least support to make it easier for companies to gain access to their needs. Therefore, we decided to examine the following hypotheses:

H3: The effect of the commissioner's political connections on green innovation

H4: The effect of director's political connections on green innovation

3.3 Mediation Effect of Green Innovation on Political Connections of Commissioners and Company Performance

It is known that realizing green innovation is not an easy thing, green innovation which is divided into green processes and green products certainly has its own difficulties to be applied in companies that previously had standard operating procedures. To realize green innovation requires complexity in preparation so that it can be implemented successfully. In this case, green innovation has a fairly basic role in the management of a company, it is undeniable that a company is created to gain profits by utilizing the smallest capital. With the demands for green innovation, a company is obliged to overhaul its production process to its products, in order to minimize the negative impact on the environment. With this innovation, the position holders in the company must readjust the company's standards so that the business can continue to run, the preservation of nature is maintained and the company's performance remains excellent. It is not an easy thing to maintain the quality of the company's performance so that every policy taken should be calculated in such a way so as not to cause unwanted losses. So in this study formulate the following hypotheses:

H5: Green innovation affects company performance

H6: Green innovation mediates the political connection of commissioners-company performance

H7: Green innovation mediates the corporate director-performance political connection

4 Research Methods

4.1 Research Design

This study uses 511 Indonesian companies engaged in manufacturing listed on the 2017–2019 stock exchange as samples. The analytical method used is path analysis in testing existing hypotheses. Ghazali (2013: 249) suggests path analysis is an extension of multiple linear regression analysis, or path analysis is the use of regression analysis to estimate causal relationships between causal variables that have been determined based on theory. Ghazali (2013: 251) states that a direct relationship occurs if one variable affects another variable without a third variable mediating the relationship between the two variables. An indirect relationship is if there is a third variable that mediates the relationship between the two variables.

The path coefficient is calculated by making two structural equations, namely the regression equation showing the hypothesized relationship. In this case there are two equations:

$$GI = a + \beta_1 PCK + e \quad (1)$$

$$FV = a + \beta_2 PCK + \beta_3 GI + e \quad (2)$$

$$\text{Multiple} = a + \beta_1 PCD + e \quad (3)$$

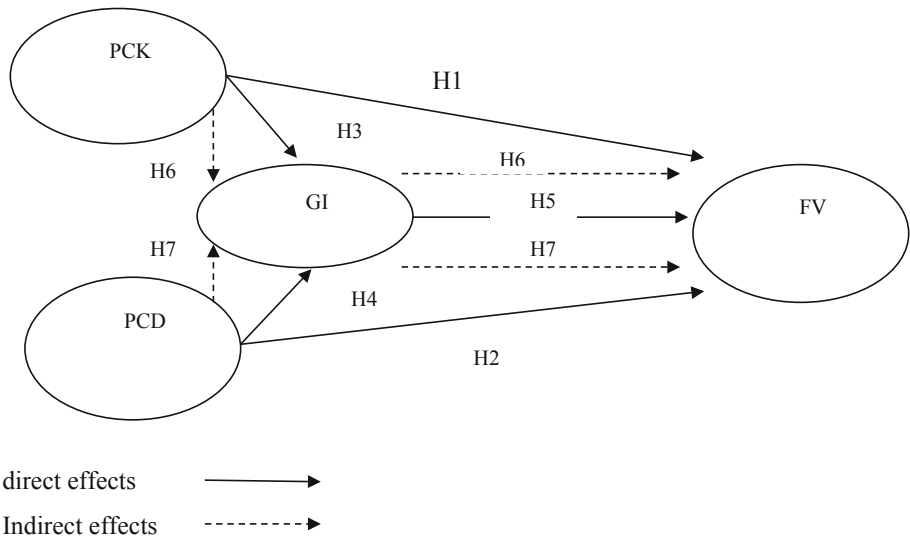


Fig. 1. Conceptual Framework

The total effect of PCK to FV is the same as the direct effect of PCK to FV plus an indirect effect, namely the path coefficient of PCK on the GI.

PCK direct effect on FV = β_2
 Indirect effect of PCK on FV = $\beta_1 \times 3$
 Total GI effect on FV = $\beta_2 + (\beta_1 \times 3)$

The conceptual framework in this research is described in Fig. 1 (Table 1).

4.2 Variable Operational Definition

4.2.1 Political Connection

Political connection is a condition in which a company that is represented by an individual or more from the company is indicated to be close to an individual who has a political position, which ultimately results in a reciprocal relationship between the two. Political connections can also be interpreted as the involvement of educational figures in corporate governance.

4.2.2 Company Performance

The company’s performance is a reflection of the company’s stakeholders in improving the quality of the company in obtaining maximum profit by providing information to stakeholders (Novitasari et al., 2021). Good company performance can increase market competition, market share, loyalty, customer and stakeholder satisfaction. The company’s performance becomes the perception of the percentage of achievement obtained by a company through the efforts that have been carried out by the company’s management. Measurement of company performance in this study was measured using firm

Table 1. Variable Identification

Hypothesis	Independent Variable	Mediation Variable	Dependent Variable
H1	Commissioner Political Connections		Company performance
H2	Director's Political Connections		Company performance
H3	Commissioner Political Connections		Green Innovation (GI)
H4	Director's Political Connections		Green Innovation (GI)
H5	Green Innovation (GI)		Company performance
H6	Commissioner Political Connections	Green Innovation (GI)	Company performance
H7	Director's Political Connections	Green Innovation (GI)	Company performance

value, namely the Tobins'Q ratio. Tobin's Q ratio is calculated by the following formula (Chang and Wang, 2007):

$$Q = (OS \times P) + (D + I) - CA(TA)$$

Information:

OS = Extraordinary number of shares

P = Hstock price

D = Total debt

I = Supply

CA = Current Asset

TA = Total assets

4.2.3 GI

Green innovation is a company's technological advancement to produce environmentally friendly products, save energy, prevent pollution, recycle waste, and improve environmental management practices that support sustainability. Green innovation is an important factor for companies in production and resources in calculating environmental impacts.

5 Results and Discussions

5.1 Results

Table 2 describes the data held for this research, there are 511 data on manufacturing companies listed on the stock exchange during 2017–2019. Furthermore, this research is continued by testing the relationship of each variable which is then continued by testing the mediating effect of green innovation on company performance and political connections, while the test results are presented as follows:

Table 2. Descriptive Statistics

	N	Minimum	Maximum	mean	Std. Deviation
GI	511	.00	1.00	.5191	.32237
KP	511	.00	23.29	1.5410	1.82436
PCK	511	.00	1.00	.0548	.22780
PCD	511	.00	1.00	.0020	.04424
Valid N (listwise)	511				

Table 3. Correlations

		PC_K	KP
PC_K	Pearson Correlation	1	.148**
	Sig. (1-tailed)		.000
	N	511	511
KP	Pearson Correlation	.148**	1
	Sig. (1-tailed)	.000	
	N	511	511

** . Correlation is significant at the 0.01 level (1-tailed).

5.1.1 The Influence of Commissioner's Political Connections on Company Performance

The correlation between the political connections of the commissioners and the company's performance is $r = 0.148$ and $p < 0.00$ means that there is a positive relationship between the political connections of the commissioners and the company's performance (Table 3).

5.1.2 The Influence of Director's Political Connections on Company Performance

The correlation between the director's political connection and the company's performance is $r = -0.009$ and $p < 0.422$ means that there is no significant relationship between the director's political connection and the company's performance, so the hypothesis that the director's political connection affects the company's performance is rejected (Table 4).

5.1.3 The Influence of Commissioner's Political Connections on Green Innovation

Correlation between commissioners' political connections and green innovation (GI) with $r = 0.146$ and $p < 0.00$ means that there is a positive relationship between PCK and GI (Table 5).

Table 4. Correlations

		PCD	KP
PCD	Pearson Correlation	1	-.009
	Sig. (1-tailed)		.422
	N	511	511
KP	Pearson Correlation	-.009	1
	Sig. (1-tailed)	.422	
	N	511	511

Table 5. Correlations

		PCK	GI
PCK	Pearson Correlation	1	.146**
	Sig. (1-tailed)		.000
	N	511	511
GI	Pearson Correlation	.146**	1
	Sig. (1-tailed)	.000	
	N	511	511

** . Correlation is significant at the 0.01 level (1-tailed).

5.1.4 The Effect of Director's Political Connections on Green Innovation

Correlation between director's political connection and green innovation (GI) with $r = 0.032$ and $p < 0.237$ means that there is no relationship between PCD and GI. So the hypothesis is rejected (Table 6).

Table 6. Correlations

		PCD	GI
PCD	Pearson Correlation	1	.032
	Sig. (1-tailed)		.237
	N	511	511
GI	Pearson Correlation	.032	1
	Sig. (1-tailed)	.237	
	N	511	511

Table 7. Correlations

		GI	KP
GI	Pearson Correlation	1	.154**
	Sig. (1-tailed)		.000
	N	511	511
KP	Pearson Correlation	.154**	1
	Sig. (1-tailed)	.000	
	N	511	511

** . Correlation is significant at the 0.01 level (1-tailed).

5.1.5 Green Innovation Affects Company Performance

The correlation between company performance and green innovation with $r = 0.154$ and $p < 0.00$ means that there is a positive relationship between company performance and green innovation. The higher the company's performance, the higher the green innovation, on the contrary, the lower the company's performance, the lower the green innovation (Table 7).

5.1.6 Effect of Mediation Green Innovation Against Commissioner-Company Performance Political Connections

The results of the path analysis test state that there is an influence between the GI structure on the political connections of the commissioners. That is, GI can mediate the relationship between PCK and company performance. Based on the test results, namely (Sig = 0.000, Beta = 0.352) there is a direction that shows that gi can mediate the effect of pck on company performance (Table 8).

Table 8. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	1.088	.150		7.238	.000			
	PCK	1.025	.352	.128	2,911	.004	.148	.128	.127
	GI	.764	.249	.135	3.074	.002	.154	.135	.134

a. Dependent Variable: KP

Table 9. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	1.089	.152		7.187	.000			
	GI	.873	.248	.154	3.516	.000	.154	.154	.154
	PCD	-.564	1.809	-.014	-.312	.755	-.009	-.014	-.014

a. Dependent Variable: KP

5.1.7 Mediation Effect Green Innovation Against Director-Performance Political Connections

From the calculation results, it is known that there is no influence between the GI variables on the director’s political connections. This means that GI cannot mediate the relationship between directors’ political connections and company performance. Based on the test results, namely (Sig = 0.000, Beta = 0.154) (Table 9).

5.2 Discussions

See Table 10.

5.2.1 The Influence of Commissioner Political Connections and Director Political Connections on Company Performance

Agency theory states that in corporate governance there are two parties, namely the owner of the company or shareholders and other agents who are given the task and authority to manage the company on behalf of the shareholders (principals). In this study, both can be understood as directors and commissioners, both of which have a working relationship in realizing good corporate. Based on the results of the study, it is known that the percentage of the relationship between PCK and KP is higher when compared to the percentage of PCD and KP, so it can be concluded that the political connection made by the commissioners has more influence on firm value. The correlation between PCK and KP is $r = 0.148$ and $p < 0.00$ means there is a positive relationship between PCK and KP, while between PCD and KP is $r = -0.009$ and $p < 0,422$ means that there is no significant relationship between PCD and KP. The higher the political connection commissioner, the higher the company’s performance and vice versa, the lower the political connection commissioner, the lower the company’s performance.

In accordance with agency theory which states that the board of commissioners has a role in reducing agency costs in the relationship between shareholders and company management, this is because the board of commissioners plays a role in overseeing the performance of company management. The more active the board of commissioners is supported by political connections, the more effective the supervision will be, thereby increasing the company’s performance.

Table 10. Summary of the results of hypothesis testing

Direct Effects					
Hypotheses	Independent Variable	Dependent Variable	Values	P Value	Conclusion
H1	PCK	FV	0.148	0.000	Received
H2	PCD	FV	-0.009	0.422	Rejected
H3	PCK	GI	0.146	0.000	Received
H4	PCD	GI	0.032	0.237	Received
H5	PCK	FV	0.148	0.000	Received
Indirect Effect					
Direct Effects	Indirect Effect			Changes in - Value and P-Value	Conclusion
PCK – FV – p 0.148 – 0.000	PCK-GI – p 0.146 – 0.000	GI-FV – p 0.154 – 0.000	PCK-FV – p 0.148 – 0.000	Increase and become important	H6: Full Mediation
PCD – FV – p -0.009 – 0.422	PCD- GI – p 0.032 – 0.237	GI-FV – p 0.154 – 0.000	PCD-FV – p -0.009 – 0.422	Decline and become ineffective	H7: Partial Mediation

It is known that politics and education are closely related, especially for a country that adheres to a democratic system like Indonesia, politics can influence whatever it wants, because basically stakeholders in a company are the same agents or are related to party schools. Furthermore, agency theory is also in line with previous research on the relationship between political connectedness and firm performance Faccio (2006), who has the view that political relationships are valuable for a company. Assuming that a company is willing to pay more money to delegates if the delegation provides more value to the company,

In this study, the PC variable includes two indicators, namely the PC performed by the commissioner and the PC performed by the director. Statistical results state that PC performed by the commissioners has a significant effect on KP. With the PC, a company experiences convenience in several ways related to company management. Connections provide added value to companies such as preferential access to credit (Cull and Xu, 2005), government contracts, protection from regulations and government assistance for financially troubled companies. With these supports the company has backups to help management at critical times and make a company more competitive and produce more optimal performance for the company. According to research by Niessen (2009), politically connected firms tend to be larger, well-established and low-risk with growth challenges ahead. More importantly, companies with political connections outperform companies with no political connections in terms of competitiveness in the market. Because with positive political connections, it will improve the image of a company that can attract new consumers and even increase consumer loyalty.

5.2.2 Influence Green Innovation (GI) on Company Performance (FV)

Based on the statistical correlation between GI and FV, it yields $r = 0.154$ and $p < 0.00$. This means that there is a positive relationship between GI and FV, this study results that the presence of GI can affect the company's performance. In order to meet the current demands of the government and society to realize environmental reform, the company is trying to innovate today, namely GI which is realized with green products.

In addition to meeting demands, GI is also carried out as a company effort that requires a strategy to deal with environmental problems, we know that strategy is the most important thing to win the market with environmentally friendly products and to continue business in the future, and therefore a green innovation strategy is considered as a the most important strategy in the era of environmental awareness. Companies develop and implement environmental strategies, innovate and produce green products to get better performance and increase competitive advantage (Chen et al., 2012), with a competitive advantage a company can determine the company's position in the market so that it can develop a mature position to be able to survive in today's competitive industry.

There are also previous studies that agree with this study, namely Ma et al., (2018) which stated that companies that implement green innovation can improve company performance by: 1) using recycled materials that can reduce costs and increase revenue, and 2) change the design. Environmentally friendly products that can increase sales and company profits.

5.2.3 Mediation Effect

Is known political connections of commissioners have a more significant relationship when compared to political connections made by directors, so that in the next test the political connections of commissioners have a positive influence on company performance mediated by green innovation as an intervening variable. As for the calculation of the sample data, it is known that GI can fully mediate the relationship between political connections and company performance. On the other hand, GI only produces partial mediation on company connections made by directors.

With Indonesia's current environmental conditions, the government together with the community demands more attention from companies to be more concerned about the environment. It is not an easy thing to realize GI, especially in green innovation, where the company's management must restructure the production method and work structure, product raw materials, and do not forget also in the marketing process until it reaches the consumer. All of these things need to be repackaged so that the existing quality is not damaged after the application of GI. With the inclusion of political cadres who have attended party schools, it can be helped to obtain the resources needed to improve company performance. This is in accordance with the research conducted by Koprowski et al. (2019) which states that companies are strengthened by political connections with the aim of easier access to resources, less regulatory control, and tax benefits. The green innovation strategy will encourage top, middle, lower and internal management of stakeholder companies to integrate organizational resources and direct employee behavior to reduce the risk of adverse impacts of manufacturing processes and outputs on

the environment. The political connections of the existing commissioners in a company improve the quality of company management through new policies that are taken and are supported by a line of connections. This policy can be realized of course by getting support from various agents who have power in the political world.

Thus, this kind of behavior will strengthen the identity of the organization (Soewarno, 2019). There are many benefits to politically connected companies which, according to research by Habib (2016), include preferential access to lenders; low cost of debt and equity; high probability of being redeemed; favorable government contracts and favorable regulations; lack of monitoring and supervision; lower taxes and preferential import permits and tariffs. This will indirectly affect the company's performance as a result of political connections and mediated by existing green innovations.

6 Conclusion

Based on the research results that have been discussed previously, the following conclusions are obtained:

- a. *Political connection* commissioners affect the company's performance. This is because the experience of party schools is able to create a strong network in the company because it has a political connection. With the education of political parties (political parties) providing learning about political connections, then it is useful to increase the power of the company through faster access to corporate governance, easier access to resources, less regulatory control and tax benefits. Some of these conveniences will ultimately improve the company's performance.
- b. *Green innovation* affect the company's performance. The positive relationship between green innovation and company performance in this study, according to research conducted by Küçükoğlu and Pınar (2015) and Ar (2012) which concluded that by doing green innovation, companies will be able to improve company performance and competitive advantage. Salvado, et al. (2015), concluded that green innovation has a positive effect on the company's market value. Green innovation increases market value through production process efficiency.
- c. The mediating effect of green innovation on company performance and political connection. It is concluded that green innovation has succeeded in fully mediating the political connections of the commissioners to the company's performance. The results of this study are supported by agency theory where the actions of commissioners as agents of political connections have succeeded in regulating new policies within the company to increase economic profits by mediating green innovation.

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