



Sustainability-Driven Business Transformation in Indonesian Industries: The Role of Environmental Strategy and Stakeholder Pressure

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Abstract. This study investigates the impact of environmental strategies and stakeholder pressures on sustainability-driven business transformation in, **resource-intensive Indonesian industries, such as energy, mining, manufacturing, and maritime sectors**, within the broader context of the blue-green economy, global trade dynamics, and governance challenges. Using secondary data from the Indonesian Financial Services Authority (OJK), Central Bureau of Statistics (BPS), World Bank reports, and ESG disclosures of 120 listed companies between 2015 and 2023, multiple regression analysis was employed to test causal relationships. Results indicate that both proactive environmental strategies and stakeholder pressures significantly enhance transformation outcomes, particularly in innovation, operational efficiency, and market reputation. Firms that integrate sustainability into core business processes demonstrate greater adaptability to regulatory changes, international trade requirements, and evolving stakeholder expectations. Furthermore, the study emphasizes that companies embedding sustainability as a central element of corporate strategy are better positioned to achieve long-term competitiveness, resilience, and legitimacy in global markets. These findings highlight the strategic importance of aligning corporate initiatives with sustainability goals, reinforcing governance mechanisms, and engaging stakeholders effectively within the blue-green economy context. Beyond theoretical contributions, this research provides actionable insights for managers, policymakers, and regulators in Indonesia and other emerging economies.

Keywords: Sustainability, Business transformation, Environmental strategy, Stakeholder pressure, Blue-green economy.

1 Introduction

Sustainability has become a central concern for both scholars and practitioners due to escalating environmental challenges, regulatory demands, and rising stakeholder expectations. Global debates on climate change, ESG (Environmental, Social, and Governance) standards, and corporate accountability emphasize the importance of aligning business strategies with sustainability imperatives [1]. The adoption of the

United Nations' Sustainable Development Goals (SDGs) has further reinforced the need for companies worldwide, including Indonesian industries, to integrate sustainability into their operations [2].

In the global business environment, sustainability transformation is closely linked to international trade dynamics, investor expectations, and governance issues. Trade wars, carbon border adjustment mechanisms, and international climate agreements place additional pressure on firms to adopt environmentally responsible practices [3]. Companies failing to comply with global sustainability standards risk losing competitiveness, as global supply chains increasingly require transparency, eco-friendly processes, and adherence to sustainable innovation principles. This creates a strategic imperative for firms in Indonesia to incorporate sustainability into their core strategies.

Emerging economies such as Indonesia face unique challenges and opportunities in implementing sustainability transformation. Indonesia is rich in natural resources, with industries such as energy, mining, agriculture, and maritime sectors playing pivotal roles in national economic growth [4]. At the same time, these industries are often resource-intensive and environmentally impactful, which increases the pressure to adopt sustainable practices. Regulatory initiatives, such as the Financial Services Authority (OJK) regulations on sustainability reporting (POJK No. 51/2017), aim to foster transparency and responsible business conduct [5]. Despite these efforts, many firms still approach sustainability reactively, focusing on compliance rather than strategic innovation [6].

Internal organizational strategies, particularly environmental strategies, are recognized as critical drivers of sustainability transformation. Firms can gain competitive advantages by adopting clean technologies, reducing emissions, implementing circular economy practices, and innovating eco-friendly products [7]. By embedding sustainability into core business processes, organizations can better anticipate regulatory changes, meet market expectations, and respond to shifting consumer demands. Nevertheless, research indicates that many firms in emerging markets face constraints such as limited resources, technological gaps, and weak institutional support, which hinder the full integration of environmental strategies [8].

External pressures, particularly from stakeholders, play an equally important role. Stakeholder theory emphasizes that firms must actively engage with regulators, investors, customers, employees, and NGOs to maintain legitimacy and competitiveness [9]. In Indonesia, stakeholder pressures are intensifying as investors increasingly integrate ESG criteria, customers demand sustainable products, and regulators strengthen disclosure requirements. However, the degree of responsiveness varies across industries, indicating that certain sectors face stronger incentives and constraints than others [10].

While substantial research exists on environmental strategies and stakeholder pressures, most studies focus on developed economies, leaving a gap in understanding these dynamics in emerging markets such as Indonesia [11]. Moreover, prior studies often analyze environmental strategies or stakeholder pressures independently, without examining how their interaction drives sustainability-driven business transformation. Understanding this interplay is crucial for designing effective strategies that integrate

internal capabilities with external expectations within the blue-green economy framework [12].

Given these gaps, this study explores how environmental strategies and stakeholder pressures influence sustainability-driven business transformation in Indonesian industries. Specifically, it seeks to (1) Examine the impact of proactive environmental strategies on sustainability transformation and (2) Assess how stakeholder pressures, including regulators, investors, customers, and NGOs, motivate firms to adopt sustainable practices. The research contributes theoretically by combining institutional and resource-based perspectives [13] and practically by offering guidance to managers, policymakers, and regulators on implementing sustainability strategies aligned with a blue-green economy framework [14]. The findings are expected to inform academic discussions and practical decision-making, offering insights into how firms can achieve operational efficiency, innovation, and long-term competitiveness while fulfilling social and environmental responsibilities [15].

2 Literature Review

2.1 Environmental Strategy

Environmental strategy refers to a firm's proactive measures to reduce environmental impact and incorporate ecological concerns into its operations. Firms adopting environmental strategies can leverage clean technologies, eco-innovation, and emission reduction programs to differentiate themselves in competitive markets while improving operational efficiency [7]. Environmental capabilities are considered strategic resources that provide long-term value creation, as suggested by the natural-resource-based view of the firm [3].

In emerging economies such as Indonesia, the implementation of environmental strategies often faces challenges such as limited technological capacity, financial constraints, and weak regulatory enforcement [8]. These barriers create a gap between global expectations and local practices, prompting many firms to adopt environmental measures reactively rather than strategically [5]. Nevertheless, integrating sustainability into core operations enables firms to enhance competitiveness, improve efficiency, and foster innovation.

Proactive environmental strategies also interact with broader sustainability frameworks, such as circular economy principles and the blue-green economy [16]. Firms that align internal strategies with sustainability-oriented business models, including responsible management of marine, coastal, and terrestrial resources, are more likely to achieve long-term success, resilience, and compliance with both national and international sustainability standards [17]. Effective environmental strategies thus serve not only as a competitive advantage but also as a foundational driver for sustainability-driven business transformation, enabling firms to meet stakeholder expectations, innovate sustainably, and strengthen market positioning.

2.2 Stakeholder Pressure

Stakeholder pressure is a critical external driver that influences firms' adoption of sustainable practices, particularly within the context of the blue-green economy. Organizations are expected to address the interests of multiple stakeholders, including regulators, investors, customers, employees, and NGOs, to maintain legitimacy and long-term success [9]. Stakeholder engagement ensures alignment between corporate objectives and societal expectations, which is increasingly essential in emerging markets such as Indonesia [10].

In practice, stakeholder pressures manifest through regulatory requirements, ESG-focused investment criteria, and consumer demands for eco-friendly products and sustainable use of natural resources [6]. Evidence from Indonesia shows that ESG practices are increasingly driven by both market and institutional stakeholders, although firms' responsiveness varies across sectors [10]. Resource-intensive industries and those dependent on marine and coastal resources often face higher pressures, emphasizing the need to integrate stakeholder considerations into strategic planning.

The influence of stakeholder pressure extends beyond compliance, serving as a catalyst for innovation and sustainable business model redesign aligned with blue-green economy principles [12]. Firms that engage effectively with stakeholders can enhance corporate legitimacy, strengthen market positioning, and access new opportunities, including sustainable financing, green partnerships, and collaborative innovation [14]. Integrating stakeholder pressures with internal environmental strategies amplifies the impact of sustainability initiatives, guiding firms toward comprehensive sustainability-driven business transformation in both terrestrial and marine contexts.

2.3 Sustainability-Driven Business Transformation

Sustainability-driven business transformation involves embedding environmental and social considerations into a firm's core operations to ensure long-term viability, particularly within the context of the blue-green economy. This requires shifting from reactive compliance to proactive strategies that balance economic growth with ecological stewardship of both land and marine resources and social responsibilities [1]. Firms adopting such transformations often achieve operational efficiency, foster innovation, and enhance corporate reputation while contributing to sustainable management of terrestrial and coastal ecosystems.

Business model innovation is central to sustainability transformation, as firms redesign processes, products, and value propositions around sustainability and blue-green economy principles [6]. Corporate sustainability is distinct from corporate responsibility, reflecting strategic integration rather than peripheral philanthropic activities [13]. Firms that provide high-quality sustainability disclosure and assurance can also improve access to capital, attract ESG-focused investors, and strengthen stakeholder trust [15].

In emerging economies like Indonesia, sustainability-driven transformation faces barriers such as limited access to green technologies, high implementation costs, and insufficient institutional support, particularly for industries reliant on natural and

marine resources [8]. Despite these challenges, proactive sustainability initiatives aligned with blue-green economy principles offer opportunities to enhance competitiveness, foster stakeholder trust, and integrate into global supply chains. The dual focus on internal capabilities and external stakeholder pressures is key to achieving successful and comprehensive sustainability-driven transformation [18].

2.4 Sustainability Transformation in Emerging Economies

Emerging economies face distinct challenges in pursuing sustainability transformation due to weak regulatory enforcement, limited access to green technologies, and financial constraints [8]. These barriers often impede firms from embedding sustainability into their core strategies, resulting in slower adoption compared to developed countries. Nonetheless, integrating sustainability particularly within the blue-green economy framework remains essential, as it can enhance operational efficiency, stimulate eco-innovation, and strengthen competitiveness while ensuring responsible management of terrestrial and marine resources [7].

Firms in emerging markets that proactively implement sustainability initiatives benefit from improved trust among stakeholders, particularly investors and customers who increasingly value eco-friendly practices [14]. Compliance with international standards and alignment with blue-green economy principles is also crucial for integration into global supply chains, offering both pressure and opportunity for adaptation. Companies capable of adopting such practices can secure long-term advantages, mitigate reputational risks, and access sustainable financing [15]. In Indonesia, sustainability adoption is increasingly influenced by regulations such as POJK No. 51/2017, stakeholder pressures, and the strategic importance of resource-intensive sectors like energy, maritime, and agribusiness [5]. Overall, despite structural constraints, emerging economies present significant opportunities for firms to leverage sustainability transformation grounded in the blue-green economy as a competitive differentiator [18].

2.5 Integration of Environmental Strategy and Stakeholder Pressure

A successful sustainability-driven transformation requires the integration of internal environmental strategies with external stakeholder expectations, particularly within the blue-green economy context [7]. Firms combining proactive environmental practices with stakeholder engagement are more likely to achieve measurable improvements in environmental performance, social responsibility, and financial outcomes, while also advancing sustainable management of terrestrial and marine resources. Integration ensures sustainability initiatives are embedded in decision-making processes rather than being symbolic.

Environmental strategies, such as carbon reduction, adoption of clean technologies, circular economy practices, and sustainable maritime resource management, become more effective when reinforced by stakeholder pressure [16]. Regulators, investors, customers, and communities play pivotal roles in motivating firms to pursue sustainability beyond minimum compliance. Transparent communication of

sustainability achievements enhances corporate legitimacy, strengthens market positioning, and improves access to sustainable financing [13].

The mutual reinforcement of internal strategies and stakeholder engagement positions firms for long-term transformation, especially in resource-intensive sectors such as energy, manufacturing, and maritime industries [8]. Strategies provide internal capacity to innovate and improve operations, while stakeholder pressures ensure accountability, compliance with blue-green economy principles, and alignment with societal expectations. This interaction underscores the importance of considering both internal and external factors when designing comprehensive sustainability-driven business models in Indonesia.

2.6 Challenges and Opportunities in Sustainability-Driven Transformation

Despite its benefits, sustainability-driven transformation faces several challenges, including high financial costs, lack of technical expertise, organizational resistance, and limited infrastructure support [8]. These barriers are especially pronounced in emerging economies such as Indonesia, where institutional support and market incentives for the blue-green economy may be weaker. Overcoming these challenges requires structured approaches, such as integrating sustainability frameworks including the sustainable management of terrestrial and marine resources into business strategy and investing in employee training [13].

At the same time, sustainability transformation presents numerous opportunities. Green technologies, sustainability-linked financing, and strategic collaborations with stakeholders enable firms to innovate, strengthen competitiveness, and develop eco-friendly products and services aligned with blue-green economy principles [7]. Proactive adoption of sustainability measures also helps firms differentiate themselves in global markets, improve resilience against regulatory or market shocks, and access new capital opportunities, particularly in resource-intensive and maritime sectors [15].

Firms that effectively leverage these opportunities while addressing challenges can maximize both business value and societal benefits. Combining internal environmental strategies with active stakeholder engagement ensures that sustainability initiatives are operationally effective, aligned with broader societal and ecological objectives, and integrated into the blue-green economy framework [9]. This dual focus is crucial for long-term success in sustainability-driven business transformation in Indonesia.

2.7 Institutional Theory and Resource-Based View (RBV) in the Blue-Green Economy Context

Institutional theory explains how external pressures shape organizational behavior, suggesting that firms conform to norms, regulations, and stakeholder expectations to gain legitimacy and ensure survival [9]. In the context of sustainability, pressures from regulators, investors, customers, and society strongly motivate firms to adopt environmentally responsible practices. This framework is particularly relevant in the blue-green economy, where firms are expected to integrate environmental stewardship across terrestrial and marine ecosystems. For instance, Indonesian maritime and

resource-intensive industries face both regulatory and societal pressures to adopt sustainable practices that protect coastal and ocean resources while maintaining economic growth [6]. Institutional theory thus provides a foundation for understanding the role of stakeholder pressure as an external driver of sustainability-driven business transformation.

In contrast, the Resource-Based View (RBV) emphasizes internal capabilities as sources of sustainable competitive advantage [3]. Firms that develop unique resources such as environmental strategies, green innovation, sustainability expertise, and blue-green operational practices can differentiate themselves and achieve long-term performance benefits. Environmental and marine-resource management strategies embedded in the value chain become strategic resources that are difficult to imitate and generate lasting advantages. Integrating institutional theory with RBV offers a comprehensive understanding of sustainability-driven transformation, highlighting that firms must balance external legitimacy with internal competitiveness. In the blue-green economy context, this integration ensures that sustainability initiatives are credible, strategically valuable, and aligned with both land-based and maritime ecological objectives [14]. Overall, applying institutional theory and RBV in tandem helps explain how Indonesian firms navigate stakeholder pressures, leverage internal capabilities, and contribute to sustainable development goals while supporting long-term competitiveness in the blue-green economy.

2.8 Blue-Green Economy and Sustainable Governance

The blue-green economy integrates the principles of a green economy low-carbon growth, resource efficiency, and eco-innovation with those of a blue economy, which emphasizes sustainable management of marine and coastal resources [6]. This framework balances economic growth with environmental protection across land and ocean ecosystems, offering firms a holistic approach to sustainability. The Indonesian government's commitment to this approach is evidenced by the Blue Economy Roadmap 2023-2045, which provides a strategic framework for sustainable marine resource management [19].

In Indonesia, industries such as energy, maritime, fisheries, and natural resource-based manufacturing are particularly relevant to the blue-green economy due to their high resource intensity and environmental impact [8]. For these industries, aligning with blue-green economy principles requires proactive internal environmental strategies and active engagement with external stakeholders, including regulators, investors, customers, and local communities [5]. Firms that integrate sustainability into core operations and respond effectively to stakeholder pressures can achieve operational efficiency, drive eco-innovation, enhance market reputation, and access sustainable financing.

Embedding sustainability within the blue-green economy framework also contributes to long-term transformation by enabling firms to adapt to evolving regulatory standards, meet international trade requirements, and strengthen competitiveness. Moreover, these practices support national sustainability goals, such as marine resource preservation, emission reduction, and responsible utilization of

natural resources. By combining internal capabilities with external stakeholder engagement, Indonesian industries can leverage the blue-green economy as a strategic pathway for sustainable growth and resilience in emerging markets.

3 Research Methodology

This study adopts a quantitative approach with an explanatory research design to investigate the influence of environmental strategy and stakeholder pressure on sustainability-driven business transformation among Indonesian listed companies, within the context of the blue-green economy. The study integrates institutional theory and the Resource-Based View (RBV) to justify the selection of independent variables, emphasizing both external stakeholder pressures and internal strategic capabilities as drivers of sustainability transformation [3].

Secondary data from 2015–2023 were collected from multiple sources, including the Indonesian Financial Services Authority (OJK), Central Bureau of Statistics (BPS), World Bank reports, and ESG disclosures of 120 listed companies. This period was chosen to capture long-term trends in sustainability practices, corporate responses to evolving regulatory and stakeholder expectations, and initiatives aligned with blue-green economy principles [10].

The study examines environmental strategy and stakeholder pressure as independent variables, with sustainability-driven business transformation as the dependent variable. Environmental strategy is measured through the adoption of clean technologies, eco-innovation, and circular economy practices, while stakeholder pressure is operationalized using regulatory compliance, ESG-focused investment criteria, and customer or societal expectations. The dependent variable, sustainability-driven business transformation, is assessed through indicators such as innovation, operational efficiency, and corporate reputation. To control for firm-level heterogeneity, firm size, profitability, and industry type are included as control variables. Hypotheses were tested using multiple regression analysis in SPSS 25, with the regression model specified as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 C + \epsilon \quad (1)$$

Where:

Y = Sustainability-driven business transformation

X₁ = Environmental strategy

X₂ = Stakeholder pressure

C = Control variables (firm size, profitability, industry type)

ε = Error term

This methodological framework allows examination of how corporate environmental initiatives and stakeholder demands interact to shape sustainability-driven business transformation, particularly in the context of Indonesian industries engaging with both terrestrial and marine ecosystems. By incorporating both internal strategic capacity and external pressures, this study provides empirical evidence for

firms, policymakers, and researchers in emerging economies pursuing blue-green economy initiatives.

4 Results

Multiple regression analysis was conducted to examine the influence of environmental strategy (X1) and stakeholder pressure (X2) on sustainability-driven business transformation (Y) among Indonesian listed companies. The analysis controlled for firm size, profitability, and industry type. Data from 2015–2023 were used, capturing trends in sustainability adoption within the context of the blue-green economy.

Table 1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.642	.412	.376	2.947

Source: Author’s own calculation using SPSS 25 (2025)

Table 1 shows the regression model, with R = 0.642 indicating a moderate-to-strong relationship between environmental strategy, stakeholder pressure, and sustainability-driven business transformation. The model explains 41.2% of the variance (R² = 0.412; Adjusted R² = 0.376) with a standard error of 2.947, demonstrating the predictive influence of internal strategies and stakeholder pressures on transformation in Indonesian firms.

Table 2. Regression Coefficients

Variable	Unstandardize d B	Std. Error	Beta	t	Sig.
Constant	-12.341	6.118	-	-2.017	0.048
Enviromental Strategy (X1)	0.457	0.128	0.436	3.573	0.001
Stakeholder Pressure (X2)	0.322	0.141	0.294	2.287	0.023
Firm Size (Control)	0.105	0.061	0.118	1.721	0.089
Profitability (Control)	0.074	0.055	0.097	1.345	0.181
Industry Type (Control)	0.089	0.043	0.152	2.070	0.041

Source: Author’s own calculation using SPSS 25 (2025)

The regression equation can be expressed as:

$$Y=-12.341+0.457X_1+0.322X_2+0.105C_1+0.074C_2+0.089C_3+\epsilon$$

(2)

Based on Table 2, Environmental Strategy (X1) has a positive and significant effect on sustainability-driven business transformation, with a coefficient of 0.457 (p = 0.001 < 0.05). This indicates that companies implementing stronger environmental strategies

are more likely to carry out sustainability-focused transformations. Similarly, Stakeholder Pressure (X_2) shows a positive and significant impact, with a coefficient of 0.322 ($p = 0.023 < 0.05$), suggesting that higher pressure from stakeholders encourages firms to adopt sustainable business practices.

Among the control variables, only Industry Type is significant (coefficient = 0.089, $p = 0.041$), indicating that the sector in which a company operates influences its sustainability transformation. In contrast, Firm Size ($p = 0.089$) and Profitability ($p = 0.181$) do not have significant effects. Overall, the model explains 41.2% of the variance in sustainability-driven business transformation, implying that additional factors not included in this study may also contribute to the transformation process.

5 Discussion

The findings confirm that internal environmental strategies play a pivotal role in sustainability-driven business transformation. Firms that proactively implement measures such as clean technologies, emission reduction programs, and eco-friendly products demonstrate higher performance in embedding sustainability into core operations, consistent with prior studies highlighting the strategic value of environmental capabilities [7]. These findings align with recent meta-analysis research confirming that green innovation consistently correlates with improved corporate financial performance across emerging markets [20]. Quantitatively, the regression coefficient for Environmental Strategy ($\beta = 0.457$, $p = 0.001$) indicates that a one-unit increase in environmental strategy adoption leads to a 0.457 increase in sustainability-driven transformation, holding other factors constant. This supports the Resource-Based View perspective that internal capabilities can drive sustainable competitive advantages [3].

External stakeholder pressures also significantly influence firms' sustainability practices. Regulatory requirements, investor expectations, customer preferences, and NGO interventions create strong incentives for adopting sustainable business models [6]. The coefficient for Stakeholder Pressure ($\beta = 0.322$, $p = 0.023$) suggests that firms experiencing higher stakeholder pressure are more likely to engage in sustainability-driven transformation. These results reinforce institutional theory arguments that external pressures are critical in shaping organizational behavior and legitimizing sustainability initiatives.

The significance of Industry Type as a control variable ($\beta = 0.089$, $p = 0.041$) indicates that firms in resource-intensive sectors such as energy, mining, and manufacturing face stronger imperatives to implement sustainability strategies compared to service-based industries. Meanwhile, Firm Size and Profitability were not significant, suggesting that structural or financial characteristics are less influential than strategic and institutional factors in driving sustainability transformation [18].

Overall, the results highlight the necessity of integrating internal capabilities with external pressures to achieve comprehensive sustainability-driven transformation. Voluntary environmental strategies alone are insufficient; effective transformation requires alignment with stakeholder expectations, industry norms, and governance

frameworks [8]. The study provides empirical guidance for managers and policymakers in emerging economies to design strategies that leverage both internal strengths and external incentives in promoting sustainable business practices. Future research could explore additional organizational and contextual factors, such as leadership commitment or supply chain integration, to account for the remaining variance in sustainability-driven transformation.

6 Conclusion

This study demonstrates that sustainability-driven business transformation in Indonesian industries is significantly influenced by both environmental strategies and stakeholder pressures within the blue-green economy context [7]. Firms that proactively implement sustainability-oriented policies achieve higher operational efficiency, foster innovation, and enhance market reputation, highlighting that sustainability functions as a strategic lever rather than merely a compliance requirement.

Environmental strategies act as core internal resources, enabling firms to adopt clean technologies, emission reduction programs, and eco-innovations, thereby enhancing adaptability to regulatory changes and market expectations, consistent with the Resource-Based View [3]. Concurrently, stakeholder pressures including regulatory requirements, investor expectations, and community engagement serve as external drivers, motivating firms to align corporate actions with societal and governance expectations [5].

The significance of resource-intensive and maritime industries in Indonesia underscores the necessity of integrating internal environmental strategies with stakeholder engagement. Embedding corporate initiatives within the blue-green economy framework, which balances terrestrial and marine resource management, provides a holistic approach for emerging economies, promoting resilience, long-term competitiveness, and sustainable societal value creation [14].

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