



The Impact of ESG Disclosure on Organizational Performance: Evidence from Emerging Markets

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ABSTRACT

Background: Environmental, Social, and Governance (ESG) disclosure has become increasingly important in corporate governance and global capital markets. However, in emerging markets, its effectiveness remains debated due to regulatory fragmentation, governance variability, and uneven enforcement mechanisms.

Purpose: This study aims to examine the impact of ESG disclosure on organizational performance within the institutional context of emerging markets.

Methods: This study employed a qualitative design based on document analysis. Data were obtained from the Scopus database using the keyword “ESG Disclosure on Organizational Performance”, limited to open-access publications from 2018 to 2026. A total of 34 documents, consisting of 33 journal articles and 1 institutional report, were analyzed using qualitative content analysis.

Results: The findings reveal that ESG disclosure functions as a legitimacy-building mechanism that enhances stakeholder engagement, reduces information asymmetry, and strengthens reputational capital. However, the effectiveness of ESG practices depends largely on institutional quality and the maturity of corporate governance systems. The study also shows that ESG disclosure has more meaningful performance implications when ESG principles are integrated into strategic decision-making, risk management, and performance evaluation processes, rather than treated merely as symbolic compliance.

Conclusions: ESG disclosure in emerging markets should not be viewed solely as a reporting requirement, but as a strategic mechanism that can influence organizational legitimacy, stakeholder trust, and long-term competitiveness.

Research Contribution: This study contributes to the ESG-performance literature by providing a qualitative perspective on how institutional constraints shape ESG practices in emerging markets and by emphasizing the strategic role of ESG integration in supporting sustainable organizational performance.

Keywords: ESG disclosure, organizational performance, emerging markets, stakeholder theory, institutional theory, sustainability governance.

INTRODUCTION

In recent years, Environmental, Social, and Governance (ESG) disclosure has become a central issue in corporate management and global capital markets (Mohammad et al., 2023). Stakeholders increasingly expect organizations not only to generate financial returns but also to demonstrate accountability in environmental protection, social responsibility, and governance practices (Kandpal et al., 2024a). However, despite growing regulatory pressure and investor awareness, many

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firms—particularly in emerging markets—still treat ESG disclosure as a symbolic or compliance-driven exercise rather than a strategic tool to enhance organizational performance. Ideally, ESG disclosure should strengthen transparency, improve stakeholder trust, reduce information asymmetry, and ultimately enhance firm performance. Yet, whether ESG disclosure truly contributes to organizational performance in emerging economies remains an open and debated question.

Empirical evidence suggests that ESG-related issues are not merely normative concerns but materially relevant factors affecting firm value and long-term sustainability. Global investment trends indicate a significant rise in sustainable investing, with institutional investors increasingly incorporating ESG metrics into decision-making processes (Dmuchowski et al., 2023). Furthermore, regulatory frameworks across various regions have introduced mandatory or semi-mandatory ESG reporting standards. Despite this progress, emerging markets often face challenges such as weak institutional enforcement, inconsistent reporting standards, limited investor protection, and varying levels of corporate governance quality. These structural conditions raise concerns about whether ESG disclosure in such contexts reflects substantive performance improvements or merely reputational signaling. Consequently, the relationship between ESG disclosure and organizational performance in emerging markets warrants deeper empirical investigation.

Growing global attention toward ESG is reflected in the rapid expansion of sustainable investment worldwide. According to the Global Sustainable Investment Review published by the Global Sustainable Investment Alliance (GSIA, 2022), global sustainable investment assets reached approximately USD 35.3 trillion in 2020, representing a substantial share of total professionally managed assets. In Europe, sustainable investments accounted for approximately 42% of total managed assets, while in the United States the proportion reached around 33%. In contrast, ESG integration in Asian and several emerging markets remains significantly lower and less institutionalized. This imbalance suggests that while ESG practices are becoming mainstream in developed economies, emerging markets are still in transitional phases of adoption.

Table 1. Sustainable Investment Assets by Region (GSIA, 2022)

Region	Sustainable Investment (USD Trillion)	% of Total Managed Assets
Europe	12.0	~42%
United States	17.1	~33%
Canada	2.4	~62%
Australia & NZ	1.3	~38%
Asia (incl. emerging markets)	0.8	Significantly lower

Source: Global Sustainable Investment Alliance (GSIA), 2022.

The data indicate a structural disparity between developed and emerging markets in terms of ESG adoption and institutional integration. Although ESG investment is expanding globally, the depth of regulatory enforcement, reporting standardization, and investor sophistication differs substantially across regions. In emerging markets, ESG disclosure may face institutional constraints such as weak governance enforcement, lower transparency standards, and limited sustainability awareness among investors. Consequently, it remains unclear whether ESG disclosure in such environments translates into measurable improvements in organizational

performance, thereby justifying further empirical investigation.

Previous studies have documented mixed findings regarding the impact of ESG disclosure on firm performance (Carnini Pulino et al., 2022; Khan, 2022; Malik & Kashiramka, 2024). Some research reports a positive association, arguing that ESG activities enhance reputation, reduce risk exposure, and improve access to capital (Wang, 2026; Yahaya, 2026). Other studies, however, find insignificant or even negative relationships, suggesting that ESG investments may increase operational costs without immediate financial benefits (Chen et al., 2023; Ellili, 2022; Ridwan & Alghifari, 2025). Moreover, much of the existing literature focuses predominantly on developed markets, where institutional environments are relatively stable and regulatory systems are well-established. Comparatively fewer studies examine emerging markets, and those that do often treat these markets as homogeneous, overlooking institutional heterogeneity and governance dynamics. Therefore, a significant research gap exists regarding how ESG disclosure influences organizational performance within the institutional complexities of emerging economies.

This study aims to examine the impact of ESG disclosure on organizational performance in emerging markets. Specifically, it investigates whether ESG transparency contributes to financial and non-financial performance outcomes under varying institutional conditions. The study is important because it provides empirical insights for managers, investors, and policymakers seeking to understand whether ESG disclosure functions as a value-creating mechanism or merely a symbolic compliance practice in emerging economies. The research contributes to the literature in three ways: first, by extending ESG-performance analysis to emerging markets; second, by incorporating institutional perspectives to explain contextual differences; and third, by providing empirical evidence that may inform corporate governance and sustainability reporting policies.

This study adopts a qualitative research design following Creswell (2016) to examine how ESG disclosure is interpreted, implemented, and associated with organizational performance in emerging markets. Data were collected from the Scopus database using the keyword “ESG Disclosure on Organizational Performance”, with the search limited to open-access documents published between 2018 and 2026. After the screening process, a total of 34 documents were analyzed, consisting of 33 journal articles and 1 institutional report, namely the Global Sustainable Investment Review 2022 published by the Global Sustainable Investment Alliance (GSIA). The documents were selected based on their relevance to ESG disclosure, sustainability reporting, stakeholder engagement, governance, and organizational performance in emerging market contexts. The data were analyzed using qualitative content analysis to identify recurring themes, patterns, and contextual explanations. This study is grounded in Stakeholder Theory and Institutional Theory, which provide the analytical basis for explaining how ESG disclosure influences legitimacy, stakeholder trust, and organizational performance. The list of analyzed journal articles and institutional report can be seen in Appendix A.

RESULTS AND DISCUSSION

ESG Disclosure as a Legitimacy Strategy in Emerging Markets

The findings indicate that ESG disclosure in emerging markets frequently functions as a strategic mechanism for securing organizational legitimacy rather than merely fulfilling regulatory compliance requirements (Itan et al., 2025a). In institutional

environments characterized by evolving governance systems, fragmented regulatory enforcement, and increasing global scrutiny, firms are compelled to position themselves as responsible and sustainable actors in order to gain acceptance from stakeholders. Through qualitative analysis of sustainability reports, annual reports, corporate governance disclosures, and public communications, it becomes evident that many firms strategically frame their environmental initiatives, social responsibility programs, and governance structures as central components of their corporate identity. Rather than presenting ESG information as a peripheral reporting obligation, organizations increasingly integrate sustainability narratives into mission statements, executive messages, and long-term strategic visions (Aljebrini et al., 2025). This pattern suggests that ESG disclosure operates as a symbolic and strategic instrument aimed at constructing an image of accountability, transparency, and modern governance, particularly in contexts where institutional trust may be relatively fragile.

Institutional Theory provides a strong explanatory lens for understanding this phenomenon (Kauppi, 2022). According to Institutional Theory, organizations adapt their structures, policies, and communication strategies in response to coercive, normative, and mimetic pressures within their institutional environment. In emerging markets, coercive pressures may stem from government regulations that are gradually incorporating sustainability principles, while normative pressures arise from professional associations, international reporting standards, and global sustainability frameworks. Mimetic pressures occur when firms imitate practices of multinational corporations or industry leaders in order to reduce uncertainty and enhance perceived credibility. ESG disclosure thus becomes a visible signal that an organization aligns itself with globally accepted governance norms. By publicly adopting ESG standards and reporting frameworks, firms attempt to demonstrate conformity with international expectations, thereby strengthening their legitimacy among investors, regulators, and transnational stakeholders. In this sense, ESG disclosure extends beyond compliance and becomes a mechanism for institutional alignment and reputation building.

In emerging markets where regulatory enforcement mechanisms may not be as robust as in developed economies, legitimacy becomes a critical intangible asset (Wiredu et al., 2025). Organizations operate within environments where information asymmetry is often high and investor confidence may be sensitive to perceptions of governance quality. ESG disclosure, therefore, functions as a signaling device that reduces uncertainty and conveys organizational stability. By communicating environmental risk management strategies, social engagement initiatives, and governance transparency measures, firms attempt to reassure stakeholders that they are managing both financial and non-financial risks responsibly (Battaglia et al., 2025). This signaling effect is particularly important for firms seeking foreign investment or international partnerships, as global investors increasingly rely on ESG information to assess long-term risk exposure. Consequently, ESG disclosure may serve as a bridge between local institutional contexts and global capital market expectations.

While ESG disclosure plays an important legitimizing role, the depth, consistency, and quality of such disclosure vary significantly across organizations. The qualitative findings reveal notable heterogeneity in reporting practices. Some firms provide comprehensive sustainability metrics, clearly defined environmental targets, third-party assurance statements, and transparent governance disclosures. These firms often align their reporting with internationally recognized frameworks such as the Global Reporting Initiative (GRI) or other standardized sustainability

guidelines (De Villiers et al., 2022). Their disclosures include measurable indicators related to carbon emissions, energy efficiency, employee welfare programs, board independence, risk management structures, and anti-corruption policies. Such detailed reporting reflects substantive integration of ESG principles into organizational processes and suggests that sustainability considerations are embedded within strategic decision-making.

In contrast, other firms adopt a more narrative-driven and symbolic approach to ESG disclosure. These organizations emphasize corporate social responsibility initiatives in broad and descriptive language but provide limited quantitative evidence or performance metrics (De Villiers et al., 2022). Sustainability sections may highlight philanthropic activities, community engagement programs, or general commitments to environmental responsibility without offering clear benchmarks or measurable outcomes. In some cases, governance disclosures remain minimal and focus primarily on formal compliance structures rather than substantive oversight mechanisms. This variation indicates that ESG disclosure may represent different strategic intentions, ranging from genuine sustainability integration to symbolic impression management. The distinction between substantive and symbolic disclosure becomes particularly relevant in emerging markets, where institutional monitoring mechanisms may not consistently differentiate between high-quality and superficial reporting.

The coexistence of substantive and symbolic ESG disclosure raises important questions about the true performance implications of sustainability reporting in emerging contexts (Du et al., 2023). While some firms internalize ESG principles as part of long-term value creation strategies, others may adopt sustainability language primarily to conform to external expectations without fundamentally altering operational practices. Institutional Theory suggests that when organizations face strong legitimacy pressures but weak enforcement mechanisms, symbolic adoption of formal structures may occur. In such cases, ESG disclosure becomes a decoupled practice—publicly visible yet loosely connected to core organizational activities. This decoupling phenomenon may partially explain why empirical findings regarding ESG and performance relationships remain mixed in emerging markets. When ESG disclosure is substantive, it may enhance stakeholder trust and risk management effectiveness. When it is symbolic, its impact on performance may be limited to reputational optics rather than structural improvements.

The strategic use of ESG disclosure in emerging markets is closely intertwined with corporate governance dynamics. Firms with stronger governance structures, independent boards, and transparent risk management systems tend to produce more detailed and credible ESG reports (Al Amosh, 2025). This suggests that internal governance capacity influences the credibility of sustainability communication. ESG disclosure, therefore, cannot be analyzed in isolation from broader governance frameworks (Colak & Sarioglu, 2025). It operates as both an outcome of governance quality and a reinforcing mechanism that strengthens institutional trust. In this way, ESG disclosure serves a dual function: it signals conformity to institutional expectations while simultaneously shaping internal organizational norms regarding accountability and transparency.

Another important dimension of ESG disclosure as a legitimacy strategy concerns stakeholder differentiation. Not all stakeholders exert equal pressure on firms in emerging markets (Singhania & Saini, 2023a). International investors, development institutions, and multinational partners often impose stronger ESG expectations compared to domestic retail investors. Consequently, firms with greater exposure to global capital markets may exhibit more sophisticated

sustainability reporting practices. This suggests that ESG disclosure strategies are influenced by stakeholder composition and strategic positioning within global economic networks. Organizations embedded in transnational supply chains or seeking cross-border financing may be more proactive in adopting advanced ESG frameworks as part of competitive positioning.

ESG disclosure in emerging markets functions as a multifaceted legitimacy strategy shaped by institutional pressures, stakeholder expectations, and governance capacities (Adomako et al., 2023). While it serves as an important signaling mechanism that enhances organizational visibility and perceived credibility, its substantive impact depends on the depth of integration within corporate strategy and internal governance systems. The heterogeneity observed across firms highlights the need to distinguish between symbolic and substantive sustainability practices when evaluating the broader implications of ESG disclosure. Understanding ESG as a legitimacy strategy provides valuable insight into why organizations adopt sustainability reporting even in contexts where regulatory enforcement is still evolving. It also underscores the importance of institutional development in transforming ESG disclosure from a reputational instrument into a genuine driver of organizational accountability and long-term performance.

Stakeholder Engagement and Organizational Performance

From the perspective of Stakeholder Theory, ESG disclosure serves as a strategic instrument that enhances stakeholder engagement by reducing information asymmetry, strengthening transparency, and reinforcing accountability (Itan et al., 2025b). Stakeholder Theory posits that organizations do not operate solely for the benefit of shareholders but must also respond to the expectations and interests of a broader constellation of stakeholders, including investors, employees, customers, regulators, suppliers, and local communities. In emerging markets, where institutional trust may fluctuate and regulatory monitoring may be uneven, transparent ESG communication becomes a crucial mechanism for signaling organizational responsibility. The qualitative analysis conducted in this study reveals that firms increasingly frame ESG initiatives as part of their long-term value creation narrative rather than as peripheral compliance activities. Sustainability disclosures are often embedded within strategic planning documents, corporate governance statements, and executive communications, indicating that firms recognize the importance of addressing stakeholder concerns as part of their competitive positioning.

The reduction of information asymmetry emerges as a central theme in understanding how ESG disclosure strengthens stakeholder relationships (Wong et al., 2023). In environments characterized by limited public oversight or weak enforcement of disclosure standards, stakeholders often face uncertainty regarding corporate conduct, environmental impact, and governance integrity. By voluntarily providing structured ESG information, organizations help mitigate such uncertainty. Transparency regarding carbon emissions, labor practices, diversity policies, board composition, and risk management structures signals that the firm is proactively managing non-financial risks. This enhanced transparency fosters stakeholder confidence, particularly among investors who increasingly incorporate sustainability metrics into portfolio allocation decisions. When stakeholders perceive that a firm openly communicates its ESG performance, they are more likely to interpret managerial actions as aligned with long-term value creation rather than short-term opportunism.

ESG disclosure functions as a communication platform that facilitates dialogue between organizations and their stakeholders. The analysis of corporate reports indicates that firms frequently emphasize stakeholder consultation processes, community engagement initiatives, and employee participation programs within their ESG narratives (Sugianto et al., 2022). Such disclosures illustrate that sustainability is not merely internally driven but is shaped by stakeholder input and expectations. This interactive dimension reinforces the idea that ESG practices are embedded within broader relational networks. Stakeholder engagement thus becomes both a driver and an outcome of ESG disclosure. Firms disclose sustainability practices to strengthen stakeholder trust, and stakeholder expectations, in turn, shape the content and direction of ESG initiatives. This reciprocal relationship highlights the dynamic nature of stakeholder-oriented management in emerging markets.

Qualitative evidence further suggests that organizations integrating ESG principles into strategic decision-making processes demonstrate stronger reputational positioning and enhanced stakeholder confidence. Firms that align sustainability goals with operational strategies—such as linking environmental efficiency to cost reduction or integrating social responsibility into talent management policies—tend to communicate ESG as part of core business value (Kandpal et al., 2024b). This strategic integration contrasts with firms that treat ESG as a separate reporting category detached from operational performance. The former approach signals coherence and authenticity, while the latter may appear fragmented or symbolic. Reputational capital, as emphasized in Stakeholder Theory, represents a critical intangible asset that shapes stakeholder perceptions and behavioral responses. Organizations perceived as ethically responsible and socially conscious are more likely to attract loyal customers, motivated employees, and long-term investors.

The relationship between ESG disclosure and investor trust is particularly significant in emerging markets (Hristov et al., 2023). Global investors increasingly rely on ESG information to assess risk exposure, governance quality, and sustainability resilience. When firms provide comprehensive ESG disclosures, they reduce perceived uncertainty regarding regulatory compliance, environmental liabilities, and governance transparency. This risk mitigation effect can translate into lower cost of capital and improved access to international financing. Although the present study adopts a qualitative approach and does not quantify financial outcomes directly, the thematic patterns identified in corporate communications suggest that firms strategically emphasize ESG to strengthen their attractiveness to institutional investors. In this context, ESG disclosure contributes to financial performance indirectly by influencing investor perceptions and capital allocation decisions.

Beyond investors, employee engagement emerges as another critical dimension of stakeholder-related performance. Organizations that publicly articulate commitments to diversity, workplace safety, professional development, and community involvement send signals to current and prospective employees regarding organizational values (Al-Hiyari et al., 2023). Employees increasingly seek alignment between personal values and corporate practices. ESG disclosure thus operates as an employer branding tool, enhancing organizational attractiveness in competitive labor markets. Enhanced employee commitment, in turn, can improve productivity, innovation capacity, and organizational cohesion. These internal performance improvements illustrate that ESG disclosure generates intangible benefits that extend beyond immediate financial metrics.

The analysis highlights the importance of customer perception in linking ESG disclosure to organizational performance. Consumers in many emerging markets are becoming more aware of environmental sustainability and ethical business practices. Firms that disclose sustainability initiatives related to responsible sourcing, waste reduction, or social contributions may strengthen brand loyalty and differentiate themselves in increasingly competitive markets. ESG disclosure thus supports market positioning strategies by appealing to socially conscious consumer segments. This reputational advantage reinforces long-term organizational resilience, particularly in industries where brand identity plays a central role.

Another key insight emerging from the qualitative findings is that ESG disclosure contributes to organizational resilience during periods of uncertainty. Organizations that maintain transparent communication channels and demonstrate consistent stakeholder engagement are better positioned to withstand reputational shocks and regulatory changes (Volpone et al., 2025). ESG reporting signals proactive risk management, which may buffer firms against crises related to environmental incidents, governance scandals, or social controversies. Stakeholder Theory suggests that firms maintaining strong relational networks are more likely to receive stakeholder support during challenging periods. Therefore, ESG disclosure enhances not only current performance but also the organization's adaptive capacity and long-term sustainability.

Importantly, the contribution of ESG disclosure to organizational performance extends beyond measurable financial indicators and encompasses intangible outcomes such as brand reputation, stakeholder loyalty, trust accumulation, and institutional credibility. These intangible assets often serve as precursors to sustained financial performance. While traditional performance metrics such as profitability ratios capture short-term financial outcomes, stakeholder-driven value creation emphasizes long-term relational benefits. ESG disclosure, therefore, represents a mechanism through which firms align economic objectives with broader social expectations, thereby reinforcing sustainable competitive advantage.

From the perspective of Stakeholder Theory, ESG disclosure functions as a strategic engagement mechanism that strengthens relationships with diverse stakeholder groups. By reducing information asymmetry, enhancing transparency, and signaling responsible governance, ESG communication fosters trust, loyalty, and reputational capital. These relational outcomes indirectly contribute to organizational performance through improved investor confidence, enhanced employee commitment, stronger customer loyalty, and increased resilience in dynamic institutional environments. The findings underscore that ESG disclosure should not be interpreted solely as a reporting obligation but as a strategic management practice that shapes the quality of stakeholder engagement and supports long-term organizational sustainability.

Institutional Constraints and Implementation Challenges

Despite the growing global emphasis on ESG disclosure, emerging markets continue to face significant institutional constraints that influence both the implementation and effectiveness of sustainability practices (Kesar, 2025). While ESG reporting frameworks are increasingly recognized as essential components of corporate governance, their practical application in emerging economies is often shaped by structural limitations within regulatory systems, market institutions, and organizational capacities. The qualitative analysis conducted in this study reveals that ESG disclosure does not operate within a uniform institutional environment;

rather, it is embedded in contexts characterized by evolving governance structures, varying enforcement intensity, and diverse stakeholder pressures. These institutional characteristics directly affect how ESG principles are interpreted, adopted, and integrated into corporate strategy.

One of the most prominent constraints identified is limited regulatory standardization. In many emerging markets, ESG-related regulations remain fragmented or inconsistently applied. Although governments may issue sustainability guidelines or encourage corporate transparency, formal enforcement mechanisms are frequently underdeveloped. Unlike developed economies where mandatory sustainability reporting standards are clearly defined and monitored, emerging markets often rely on voluntary disclosure frameworks (Singhania & Saini, 2023b). This regulatory ambiguity allows firms substantial discretion in determining the scope, depth, and format of ESG reporting. As a result, ESG disclosures may differ widely across firms in terms of content and comparability. Without standardized benchmarks, stakeholders may find it difficult to evaluate the credibility or performance implications of reported sustainability initiatives.

Closely related to regulatory fragmentation is the variability in disclosure quality across organizations. The findings indicate that ESG reporting practices range from highly structured, data-driven disclosures to broad narrative statements with limited quantitative evidence. Some firms adopt internationally recognized reporting frameworks and provide measurable sustainability targets, while others emphasize descriptive commitments without performance indicators (Boateng et al., 2022). This inconsistency reflects differences in organizational capacity, managerial awareness, and resource availability. Firms with stronger governance systems and access to international markets tend to produce more comprehensive ESG reports, whereas smaller or domestically oriented firms may lack the expertise or incentives to develop advanced sustainability disclosures. Such heterogeneity complicates efforts to assess the overall impact of ESG on organizational performance within emerging contexts.

Another critical institutional challenge is weak enforcement mechanisms. Even when ESG-related regulations exist, enforcement may be limited by institutional inefficiencies, resource constraints, or political considerations (Iazzi et al., 2025). In such environments, compliance often depends more on reputational incentives than on legal obligations. Institutional Theory suggests that when coercive pressures are weak, normative and mimetic pressures become more influential in shaping organizational behavior. Firms may adopt ESG language and reporting structures not because of strict regulatory enforcement, but because they seek legitimacy within global markets or aim to emulate leading corporations. This phenomenon reinforces the concept of symbolic adoption, where formal structures are adopted to signal conformity rather than to transform internal practices substantively.

The maturity of corporate governance systems further shapes ESG implementation. Differences in board independence, risk oversight structures, internal audit mechanisms, and transparency norms significantly influence the credibility of sustainability reporting (Iddrisu et al., 2025). Organizations with more mature governance frameworks are better positioned to integrate ESG considerations into decision-making processes. Conversely, firms operating within weaker governance environments may struggle to align sustainability objectives with operational strategies. The gap in governance maturity thus affects whether ESG disclosure becomes an embedded management practice or remains a superficial communication strategy.

The institutional constraints identified in this study can be summarized as follows:

1. Limited regulatory standardization leading to discretionary reporting practices
2. High variability in disclosure quality and comparability
3. Weak enforcement mechanisms reducing compliance pressure
4. Differences in corporate governance maturity influencing integration capacity

These structural conditions shape not only how ESG disclosure is implemented but also how it is interpreted by stakeholders (Wong et al., 2023). In many cases, firms adopt ESG terminology and sustainability narratives primarily to align with global expectations, particularly when seeking foreign investment or international partnerships. The desire to attract external capital often motivates organizations to conform to internationally recognized reporting norms. This behavior aligns with Institutional Theory's argument that organizations respond to normative and mimetic pressures by adopting practices perceived as legitimate within their field. ESG disclosure thus becomes part of a broader strategy to gain legitimacy in transnational economic networks.

The effectiveness of ESG disclosure as a performance-enhancing mechanism depends heavily on institutional quality. In contexts where governance systems are robust and monitoring mechanisms are credible, ESG practices are more likely to be substantively implemented and linked to measurable performance improvements. In contrast, in environments characterized by institutional fragility, ESG disclosure may remain largely symbolic (Wong et al., 2023). Symbolic compliance may generate short-term reputational benefits but is unlikely to produce sustained organizational performance gains.

The findings therefore suggest that institutional quality plays a pivotal moderating role in determining whether ESG disclosure functions as a strategic driver of performance or as a symbolic gesture. Strengthening regulatory clarity, enhancing governance maturity, and improving enforcement mechanisms may increase the substantive impact of ESG initiatives. Without such institutional support, ESG disclosure risks becoming decoupled from operational reality. Understanding these institutional constraints is essential for interpreting the broader implications of ESG adoption in emerging markets and for designing policies that encourage genuine sustainability integration rather than surface-level compliance.

The Strategic Integration of ESG into Corporate Management

The discussion further highlights that ESG disclosure generates meaningful organizational impact when it is strategically integrated into corporate management rather than treated merely as a reporting obligation (Nagriwum et al., 2025). In many emerging markets, ESG practices initially emerge as compliance-driven responses to regulatory encouragement or investor expectations. However, qualitative analysis suggests that firms achieving substantive performance benefits from ESG are those that embed sustainability principles into their strategic planning processes, operational policies, and governance structures. Rather than positioning ESG as a separate or isolated reporting function, these organizations align environmental, social, and governance objectives with their broader corporate mission and competitive positioning. This strategic alignment enables ESG to function not only as a communication tool but also as an operational framework that guides decision-making across multiple organizational levels.

Strategic integration involves incorporating ESG considerations into core management systems, including risk management frameworks, capital allocation decisions, human resource policies, and performance evaluation metrics (Alhoussari, 2025). Firms that adopt this approach tend to treat sustainability risks—such as climate exposure, supply chain vulnerabilities, regulatory uncertainty, and reputational threats—as integral components of enterprise risk management. By proactively identifying and mitigating such risks, organizations strengthen their resilience and reduce long-term volatility. This integration reflects a broader shift from reactive compliance toward proactive sustainability governance. Instead of responding to external pressure after regulatory changes or stakeholder criticism, strategically oriented firms anticipate sustainability challenges and embed preventive measures into operational systems.

Integrating ESG into performance evaluation systems enhances managerial accountability. When sustainability targets are incorporated into executive compensation schemes, departmental objectives, and organizational key performance indicators, ESG principles become embedded within daily managerial practice. This internalization reduces the likelihood that ESG disclosure remains symbolic or superficial. Measurable sustainability targets—such as emissions reduction benchmarks, diversity quotas, or governance transparency indicators—create concrete accountability mechanisms that connect reporting with operational outcomes (Laokulrach, 2025). The presence of internal monitoring systems further ensures that ESG commitments are periodically evaluated and adjusted in response to performance results. Such institutionalization transforms ESG from a communication exercise into a performance management instrument.

The shift toward strategic ESG integration also influences organizational culture (Ali & Kamraju, 2025). When sustainability principles are embedded within training programs, leadership development initiatives, and internal communication channels, employees perceive ESG as part of the firm's core values rather than as an externally imposed requirement. This cultural alignment strengthens collective commitment to responsible business practices and enhances internal coherence between sustainability messaging and operational behavior. Firms that successfully align ESG objectives with organizational identity tend to present more consistent and credible sustainability narratives. This coherence enhances stakeholder trust and reinforces reputational capital, particularly in emerging markets where credibility and transparency may be scrutinized closely by international investors.

Another dimension of strategic integration involves aligning ESG initiatives with innovation and long-term competitiveness. Rather than viewing sustainability as a cost center, forward-looking firms leverage ESG principles to identify new market opportunities, develop environmentally efficient technologies, and create socially responsible products and services. For instance, investments in energy efficiency may reduce operational costs, while socially responsible branding may open access to new consumer segments (Mukhtar et al., 2024). Governance improvements can strengthen internal controls and reduce the likelihood of costly legal or reputational crises. In this way, ESG integration supports both cost efficiency and revenue generation strategies. The qualitative findings indicate that firms embedding ESG into strategic planning often frame sustainability as a driver of competitive differentiation rather than as a regulatory burden.

The integration of ESG into corporate management enhances long-term competitiveness by strengthening organizational adaptability (Durmus Senyapar, 2024). Emerging markets are characterized by dynamic regulatory changes,

evolving stakeholder expectations, and economic volatility. Firms that proactively incorporate sustainability into strategic frameworks are better equipped to respond to shifting institutional pressures. By institutionalizing ESG principles within governance systems and operational processes, organizations create adaptive capacity that enables them to navigate environmental uncertainty more effectively. This adaptive resilience contributes to sustained performance over time, even if short-term financial gains are not immediately observable.

The study further suggests that ESG disclosure enhances organizational performance only when supported by genuine internal commitment. Symbolic adoption of sustainability language without structural integration may generate short-term reputational benefits but is unlikely to produce durable competitive advantages. In contrast, when ESG objectives are aligned with leadership vision, risk governance, and performance measurement systems, sustainability practices become embedded within strategic decision-making processes. This alignment ensures that ESG initiatives influence investment priorities, operational improvements, and stakeholder engagement strategies in a coherent manner.

ESG should not be conceptualized merely as an external reporting instrument designed to satisfy investor demands or regulatory expectations (Noch, 2025). Instead, it should be understood as a comprehensive strategic management framework capable of shaping organizational direction and strengthening long-term competitiveness in emerging markets. By integrating ESG into core management systems, firms transform sustainability from a compliance requirement into a source of strategic value creation. This transformation is particularly relevant in emerging economies, where institutional environments are evolving and competitive differentiation increasingly depends on governance credibility and stakeholder trust.

The strategic integration of ESG into corporate management represents a critical determinant of whether sustainability practices generate meaningful organizational impact (Wong et al., 2023). Firms that internalize ESG principles within governance structures, risk management processes, performance evaluation systems, and corporate culture demonstrate stronger coherence between disclosure and practice. Such integration enhances managerial accountability, fosters innovation, strengthens resilience, and ultimately contributes to long-term organizational competitiveness. The findings underscore that the effectiveness of ESG disclosure in emerging markets depends not merely on the presence of sustainability reports but on the depth of strategic integration within corporate management systems.

CONCLUSION

This study concludes that ESG disclosure in emerging markets should not be understood solely as a reporting requirement, but rather as a strategic mechanism that shapes organizational legitimacy, stakeholder relationships, and long-term competitiveness. Drawing on Stakeholder Theory and Institutional Theory, the findings show that ESG disclosure helps firms respond to growing external expectations for transparency, accountability, and sustainability. In emerging market contexts, where institutional systems are often still evolving, ESG disclosure serves as an important tool for gaining legitimacy, reducing information asymmetry, and strengthening trust among investors, regulators, employees, and other stakeholders. However, the study also finds that the effectiveness of ESG disclosure is strongly influenced by institutional conditions, including regulatory

standardization, enforcement quality, and corporate governance maturity. When these institutional supports are weak, ESG disclosure may remain symbolic and limited in its organizational impact.

Furthermore, the study highlights that meaningful performance benefits from ESG disclosure arise when sustainability principles are strategically integrated into corporate management rather than treated as a separate compliance activity. Firms that embed ESG into governance structures, risk management systems, and performance evaluation mechanisms tend to demonstrate stronger reputational positioning, higher stakeholder confidence, and greater organizational resilience. Therefore, ESG should be viewed as a strategic management framework capable of supporting sustainable value creation in emerging markets. Overall, this study contributes to the literature by providing a qualitative understanding of how ESG disclosure operates within the institutional realities of emerging economies, while also emphasizing that long-term organizational performance depends not only on the presence of ESG reporting, but on the depth of its integration into internal managerial and governance practices.

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CONFLICTS OF INTEREST

The author declares no conflict of interest.

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The first author was responsible for conceptualization, methodology, analysis, drafting, and revising the manuscript. The second author contributed to the review process, provided constructive input for the development of the article, and carried out proofreading of the manuscript.

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DATA AVAILABILITY

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Appendix A

Appendix A presents the list of documents reviewed and analyzed in this study. These documents constitute the primary review corpus used in the qualitative document analysis and include journal articles as well as institutional reports explicitly cited in the manuscript, such as the Global Sustainable Investment Review 2022 published by the Global Sustainable Investment Alliance (GSIA).

No.	Title	Year	Source Title	Document Type
1	Does mandatory greenhouse gas emissions reporting program deter corporate greenwashing?	2025	<i>Journal of Environmental Management</i>	Article
2	Greening the Narrative: How Organizational Culture Impacts Environmental Disclosures	2026	<i>Business Strategy and the Environment</i>	Article
3	Public Funding, ESG Strategies, and the Risk of Greenwashing: Evidence from Greek Financial and Public Institutions	2025	<i>Risks</i>	Article

4	Driving Sustainability: Environmental, Social, and Governance Practices and Financial Implications in India's Automotive Industry	2025	<i>Journal of Applied Economic Sciences</i>	Article
5	Communicating Sustainability in Hospitality: A Multi-Layer Analysis of Transparency, Green Claims, and Corporate Value Construction	2026	<i>Sustainability (Switzerland)</i>	Article
6	The impact of management compliance attention and board faultlines strength on ESG performance: Evidence from Chinese listed companies	2025	<i>PLOS ONE</i>	Article
7	Nonfinancial Reporting and Real Sustainable Change: Relationship Status—It's Complicated	2023	<i>Organization and Environment</i>	Article
8	Toward a Sustainable Future: A Comprehensive Review and Future Directions in Sustainability Reporting Research	2026	<i>Journal of Economic Surveys</i>	Article
9	The Influence of Corporate Sustainability Rating Methodology on Disclosure	2026	<i>Business Strategy and the Environment</i>	Article

	Behavior			
10	Sustainability Reporting In The Eu-27: The Impact Of National Esg Ecosystems And Organizational Implications	2025	<i>Amfiteatru Economic</i>	Article
11	The effect of ESG performance on corporate green innovation	2024	<i>Business Process Management Journal</i>	Article
12	Human Capital to Implement Corporate Sustainability Business Strategies for Common Good	2025	<i>Sustainability (Switzerland)</i>	Article
13	Strategic decoupling through legitimacy: the sustainability-innovation gap in the food processing sector and its health implications	2025	<i>Globalization and Health</i>	Article
14	Impact of Environmental, Social and Governance Practices Disclosure in Promoting Sustainability and Financial Performance: Evidence from Saudi Stock Exchange-Listed Companies	2025	<i>Journal of Environmental and Earth Sciences</i>	Article
15	The impact of ESG performance on the credit risk of listed companies in Shanghai and Shenzhen stock	2024	<i>Green Finance</i>	Article

	exchanges			
16	Sustainability Risk Management and Financial Distress: The Moderating Role of Financial Performance in Saudi Firms	2025	<i>Sustainability (Switzerland)</i>	Article
17	Sustainable competitiveness through ESG performance: An empirical study on corporate resilience	2024	<i>Journal of Competitiveness</i>	Article
18	Greenwashing and financial performance in public health firms: the mechanism of organizational legitimacy erosion	2025	<i>Frontiers in Public Health</i>	Article
19	Strategic pathways for innovation and sustainability in digital transformation: Insights from leading global companies	2025	<i>Social Sciences and Humanities Open</i>	Article
20	Relationship between Board Characteristics, ESG and Corporate Performance: A Systematic Review	2022	<i>Journal of Corporate Finance Research</i>	Review
21	The Surge of Environmental Social and Governance Reporting and Sustainable Development Goals: Some Normative Thoughts	2022	<i>Australasian Accounting, Business and Finance Journal</i>	Article

22	Beyond Compliance: Corporate Governance and the Paradox of Gender Equality: Evidence From EU Firms	2026	<i>Sustainable Development</i>	Article
23	Navigating the Corporate Ego: Understanding the Association Between ESG Performance and Organizational Narcissistic Rhetoric	2026	<i>Journal of Business Ethics</i>	Article
24	Theoretical insights on integrated reporting: The inclusion of non-financial capitals in corporate disclosures	2018	<i>Corporate Communications</i>	Article
25	Future-proofing the workforce: A fuzzy AHP-MARCOS model for evaluating green and digital reskilling in the ESG era	2025	<i>Journal of Environmental Management</i>	Article
26	Succession without Sustainability? CEO turnover and ESG performance: Evidence from China	2026	<i>International Review of Economics and Finance</i>	Article
27	Carbon performance and corporate financial performance during crises: Evidence from the COVID-19 pandemic and the Global Financial Crisis	2025	<i>Journal of Industrial Ecology</i>	Article

28	Decoding the impact of firm-level ESG performance on financial disclosure quality	2025	<i>Business Strategy and the Environment</i>	Article
29	From talk to action: the effects of the non-financial reporting directive on ESG performance	2022	<i>Meditari Accountancy Research</i>	Article
30	Corporate Financial Performance in the Wake of ESG Controversies: The Indian Firm Context	2025	<i>Australasian Accounting, Business and Finance Journal</i>	Article
31	Environmental, social and governance reporting quality and firm lag vs. lead performance: evidence from Sri Lankan listed companies	2026	<i>International Journal of Business Excellence</i>	Article
32	A Bibliometric Analysis on Relationship of Corporate Social Responsibility and Financial Reporting Using Scopus Database	2025	<i>Indian Journal of Information Sources and Services</i>	Article
33	Open-Source Data-Driven Prediction of Environmental, Social, and Governance (ESG) Ratings Using Deep Learning Techniques	2025	<i>Intelligent Systems in Accounting, Finance and Management</i>	Article
34	Global Sustainable	2022	<i>Global Sustainable</i>	Report

	Investment Review 2022		<i>Investment Alliance (GSIA)</i>	
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