From Shareholder Value to Stakeholder Impact: Integrating ESG Considerations into Financial Decisions

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ABSTRACT

This study examines the integration of environmental, social and governance (ESG) factors into financial decision-making and examines the shift from a shareholder value focus to a broader stakeholder impact perspective. Using a comparative case study analysis of three multinational companies – Ørsted (energy), Unilever (consumer goods) and Microsoft (technology) – this study examines how companies identify and manage ESG risks, exploit ESG-related opportunities and interact with various stakeholders to integrate ESG - Information in your reporting. The results show a continued trend towards stakeholder capitalism, with companies recognizing the importance of considering ESG factors for long-term value creation. While specific ESG priorities and engagement strategies vary by industry, all cases demonstrate proactive risk assessment, pursuit of shared value opportunities and increasing transparency in reporting. This research contributes to the literature on stakeholder theory and value creation by providing empirical evidence on how leading companies integrate ESG considerations into their core business strategies. It provides valuable insights for practitioners seeking to improve their ESG performance and for policymakers seeking to promote sustainable business practices.

Keywords: ESG, stakeholder value, financial decision making, corporate sustainability, case study.

INTRODUCTION

The traditional focus of corporate finance has been on maximizing shareholder value and prioritizing profit generation and returns to investors (Friedman, 1970). This model of shareholder primacy, which has been influential for decades, is increasingly coming under scrutiny amid growing societal concerns about environmental degradation, social inequality, and government failure (Freeman, 1984). A paradigm shift is underway as companies increasingly recognize the importance of considering the interests of a broader range of stakeholders, including employees, customers, suppliers, communities and the environment (Carroll, 1991). This transition reflects a growing understanding that long-term value creation is inextricably linked to sustainable practices and positive social impact (Elkington, 1997). The concept of environmental, social, and governance factors (ESG) has emerged as a crucial framework for evaluating corporate performance beyond traditional financial metrics (Eccles & Krzus, 2010). ESG covers a wide range of topics, including climate change, resource management, human rights, labor standards, board diversity and ethical business conduct (GRI, 2021).

The increasing relevance of ESG considerations arises from several interrelated factors. First, there is growing recognition that environmental and social risks can have significant financial impacts on companies (Sustainalytics, 2023). For example, climate change can result in physical damage to assets, supply chain disruptions, and regulatory changes that impact profitability (Carney, 2015). Likewise, social problems such as labor disputes or reputational damage can negatively impact a company's market value (Edmans, 2007). Second, investor demand for ESG-integrated investments has increased significantly in recent years (UN PRI, 2022). Institutional investors such as pension funds and sovereign wealth funds are increasingly integrating ESG factors into their investment strategies, driven by both fiduciary duties and a desire to contribute to a more sustainable future (Nielsen et al., 2007). This shift reflects the growing awareness that ESG integration can improve long-term risk-adjusted returns (Khan et al., 2016). Third, regulatory frameworks and reporting standards related to ESG are evolving rapidly (European Commission, 2021). Governments and international organizations are introducing new regulations and guidelines to promote greater transparency and accountability on ESG issues.

Despite the increasing recognition of the importance of ESG, significant gaps remain in the literature and practice on integrating these factors into financial decisions. Existing research often focuses on the relationship between ESG performance and financial performance at an aggregate level (Friede et al., 2015). However, there is a need for more detailed research that examines the specific mechanisms through which ESG factors influence various aspects of financial decision-making, such as capital budgeting, valuation and risk management (Lins et al., 2017). Furthermore, there is no consensus on the optimal methods for measuring and reporting ESG performance, making comparability and analysis difficult (Bebbington, 2007). This lack of standardization can hinder effective integration of ESG into financial analysis. Furthermore, ESG is often treated as a monolithic concept in the literature, while in reality the three components (E, S and G) can have different and sometimes contradictory effects on financial decisions (Gillan et al., 2021).

This research addresses these gaps by examining the specific pathways through which ESG considerations influence financial decision-making. It examines how ESG factors can be effectively integrated into various financial processes, such as investment analysis, portfolio construction and company valuation. The aim of this study is to provide financial professionals with practical guidance on how to integrate ESG into their daily work. This research is motivated by the need to move beyond the traditional, shareholder-focused view of finance and adopt a more holistic approach that takes into account the long-term interests of all stakeholders.

The objectives of this research are:

- To examine the theoretical and empirical relationships between ESG factors and financial performance.
- Develop a framework to integrate ESG considerations into key financial decision-making processes.
- Providing practical recommendations for finance professionals to implement ESG integration in their organizations.

The importance of this work lies in its contribution to bridging the gap between sustainability and finance. By providing a clear framework and practical guidelines for integrating ESG into financial decision-making, this research aims to enable a more sustainable and inclusive form of capitalism. This study offers several advantages, including a comprehensive review of the existing literature, a sound empirical analysis of the relationship between ESG and financial performance, and the development of practical tools and methodologies for ESG integration. Integrating ESG considerations into financial decision-making is critical to creating long-term value for companies, investors and society as a whole. It is essential to mitigating systemic risks, fostering innovation and building a more sustainable and equitable future.

LITERATURE REVIEW

The integration of environmental, social and governance (ESG) factors into financial decision-making represents a significant evolution in the theory and practice of corporate finance. Traditionally, the dominant paradigm has been shareholder primacy, which states that the primary responsibility of corporations is to do so , to maximize shareholder value (Friedman, 1970). This perspective has been challenged by a growing body of literature emphasizing the importance of considering the interests of a broader range of stakeholders, including employees, customers, suppliers, communities, and the environment (Freeman, 1984). This stakeholder theory argues that companies operate within a complex network of relationships and that long-term value creation depends on the effective management of these relationships (Donaldson & Preston, 1995). The emergence of ESG as a framework for evaluating corporate performance beyond traditional financial metrics reflects this shift toward a more holistic view of business value (Elkington, 1997).

Extensive research has examined the relationship between ESG performance and financial performance. Early studies often produced mixed results: some found a positive association, some found a negative association, and some found no significant association (Margolis & Walsh, 2003). However, more recent meta-analyses, incorporating larger numbers of studies and more sophisticated methodologies, have generally found a positive, although sometimes modest, association between ESG and financial performance (Friede et al., 2015). This positive association has been attributed to several factors, including lower risk exposure (Orlitzky et al., 2003), improved operational efficiency (Eccles et al., 2014), higher reputation and brand equity (Fombrun et al., 2000). improved access to capital (Cheng et al., 2014). For example, studies have shown that companies with good environmental performance tend to have lower costs of capital (Matsumura et al., 2014), while companies with strong social performance tend to experience fewer labor disputes and reputational crises (Edmans, 2007).

The literature on integrating ESG into financial decisions has also grown rapidly. Some studies have focused on developing specific ESG metrics and investment analysis frameworks (Kotsantonis & Serafeim, 2019). Others have examined how ESG factors can be incorporated into portfolio construction and risk management (Amel-Zadeh & Serafeim, 2018). For example, research has examined the use of ESG screening, ESG integration, and active ownership strategies in investment management (Revelli & Viviani, 2015). Additionally, there is a growing literature on the role of ESG in company valuation. Studies examine how ESG factors can impact company value and cost of capital (Boatright, 2014). For example, studies have shown that companies with poor governance practices tend to have higher risk and lower valuations (Gompers et al., 2003).

Despite the significant contributions of existing research, some limitations remain. First, there is no consensus on the definition and measurement of ESG, leading to inconsistencies and comparability issues between studies (Bebbington, 2007). Different data providers use different methods to assess ESG performance, which can make it difficult to compare results across data sets. Second, much of the existing research focuses on aggregate ESG scores, neglecting the potential heterogeneity of the three ESG pillars (E, S and G) and their different impacts on financial performance (Gillan et al., 2021). For example, the impact of environmental performance on financial performance may differ significantly from the impact of social performance. Third, there is limited understanding of the specific mechanisms through which ESG factors influence financial decision-making, such as: B. Capital budgeting, mergers and acquisitions, and corporate finance (Lins et al., 2017). Many studies focus on correlations between ESG and financial performance without examining the causal relationships in depth. Fourth, the literature often overlooks the dynamic interplay between ESG factors and financial performance over time and does not consider feedback loops and long-term impacts (Flammer, 2021).

These limitations raise several important research questions: How can ESG factors be measured and integrated into financial models more effectively? Through what specific channels do ESG factors impact different types of financial decisions? How do the three ESG pillars interact with each other and with traditional financial metrics? How can finance professionals be trained and equipped to effectively integrate ESG into their daily work? These questions highlight the need for further research that delves deeper into the complexities of ESG integration in finance.

This research addresses these gaps by focusing on integrating micro-level ESG into specific financial decisions. Unlike previous studies that focused primarily on aggregate relationships or portfolio-level effects, this research examines the specific mechanisms through which ESG factors influence individual financial decisions, such as capital budgeting, valuation, and risk assessment. This study examines how ESG factors can be integrated into traditional financial models and frameworks to provide a more detailed and practical approach to ESG integration. By focusing on the “how” of ESG integration rather than just the “what” or “why,” this research fills a critical gap in the literature and provides valuable insights for both academics and practitioners. This research is significant because it provides a more nuanced and actionable understanding of the relationship between ESG and finance and contributes to a more sustainable and responsible financial system. It offers added value by providing practical tools and methods for integrating ESG into everyday financial practice and going beyond theoretical discussions into concrete implementation.

THEORETICAL FRAMEWORK

This research describes a framework for the consideration of factors for environmental, social and governance (ESG) for financial decisions. Instead of focusing exclusively on maximizing profits for shareholders (Freeman, 1984), this framework emphasizes the importance of all participants, including employees, customers and the community (Donaldson & Preston, 1995).

This approach recognizes that the success of a company depends on its relationships with various stakeholders. It also recognizes the growing research results that show that ESG factors significantly influence the financial performance of a company (Friede et al., 2015; eccles et al., 2014).

The framework has four key elements:

1. **Evaluation of ESG risks:** Companies must identify and evaluate potential ecological and social risks that could affect their financial performance. This includes risks of climate change (Carney, 2015), resource shortage and human rights concerns (Sustaininalytics, 2023). This risk assessment should be integrated into existing financial risk management processes (Boatright, 2014). For example, companies should evaluate the potential effects of carbon prices on their operation.
2. **Identifying ESG options:** Companies should actively look for ways to improve their ESG performance. This could include the development of sustainable products, the improvement of energy efficiency and the promotion of positive relationships with the community (Elkington, 1997). These efforts can lead to competitive advantages and long -term added value. For example, investment in technologies for renewable energies can reduce the costs and improve the reputation of a company.
3. **Engaging with Stakeholders:** Effective communication and cooperation with stakeholders such as employees, customers and NGOs are of crucial importance (Amel-Zadeh & Serafeim, 2018). This commitment helps companies to understand stakeholder concerns, to determine potential risks and opportunities and to build up trust.
4. **Integrated Reporting:** Companies should report transparently about their financial and ESG performance. This integrated reporting helps the stakeholders to understand the overall performance of the company and facilitates investigators well -founded decisions (Eccles & Krzus, 2010).

Diagram:

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+----------------------+   +-------------------------+   +-------------------------------+   +-------------------------------+
|ESG Risk Assessment|-->| Identifying ESG opportunities |---->| Stakeholder engagement and dialogue |---->| Integrated financial & ESG reporting
+----------------------+   +-------------------------+   +-------------------------------+   +-------------------------------+
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   |                 |           |        | Financial decision making                 |
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Figure 1. Proposed theoretical model of ESG integration and stakeholder implications

This framework provides a holistic approach to integrating ESG into financial decision-making. By considering ESG risks and opportunities, engaging with stakeholders and integrated performance reporting, companies can create long-term value for all stakeholders and contribute to a more sustainable and inclusive economy. This framework addresses the call for a more nuanced understanding of how ESG factors influence financial decisions, as highlighted in previous research (Lins et al., 2017; Gillan et al., 2021). This framework is significant because it provides a practical and actionable approach to integrating ESG into the core of financial decision-making, moving beyond mere compliance to value creation.

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MATERIALS AND METHODS

This study used a case study approach (Yin, 2014) to understand. Case studies are well suited to examine complex problems in real environments (Eisenhardt, 1989), which is of crucial importance for understanding the diverse nature of the ESG integration (Amel-Zadeh & Serafeim, 2018; Eccles et al., 2014) .

Case Selection:

We have selected these companies because, according to independent evaluation agencies such as MSCI ESG and Sustainalytics, they are recognized in the ESG performance. They also represent different industries with different ESG challenges and opportunities (Gillan et al., 2021).

Data Collection:

We have collected data from various sources to ensure accuracy and reliability (Patton, 2015). These sources included:

- Customer reports: annual reports, sustainability reports and other public documents related to ESG initiatives.
- ESG reviews: Independent Reviews of the ESG performance of the companies of agencies such as MSCI ESG and Sustainalytics.
- News and publications: news articles, industry publications and press releases related to the ESG activities of the companies.

We carried out semi-structured interviews with key staff in every company in order to get deeper insights into their ESG integration practices. These interviews were based on a structured series of questions that were aligned with the theoretical framework (Freeman, 1984).

Data Analysis:

We have analyzed the data based on a combination of thematic analysis (Braun & Clarke, 2006) to identify important topics within the individual corporate and cross-case analyzes (Yin, 2014) to compare the companies and have similar differences in to identify their approaches. Then we compared these results with the key components of the theoretical framework (ESG risk assessment, opportunities identification, integration of stakeholders and integrated reporting).

Ensuring Accuracy:

We have used several measures to ensure the accuracy and reliability of our results. This included: Data triangulation: Use several data sources to check information. Membership check: Share of interview transcripts with the participants to ensure accuracy and get their feedback. Detailed examination path: maintaining a recording of all data acquisition, analysis and interpretation steps.

Case study presentations

This section looks at three compelling case studies that demonstrate how companies are integrating ESG factors into their core business strategies. We will explore:

- **Case Study 1: Ørsted (Energy Sector):** This study examines Ørsted's remarkable transformation from a traditional fossil fuel company to a global leader in renewable energy. We analyze how they manage ESG risks, capitalize on sustainability opportunities and collaborate with stakeholders to drive long-term value creation.
- **Case study 2: Unilever (consumer goods sector):** We examine Unilever's long-standing commitment to sustainability and the integration of ESG factors into its business model. This case focuses on their approach to addressing social and environmental challenges within their complex global supply chain.

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- **Case Study 3: Microsoft (Tech Sector):** We examine Microsoft's proactive approach to addressing key ESG challenges relevant to the technology industry, such as data protection, responsible AI and environmental sustainability. This case provides insights into how a technology giant integrates ESG considerations into its innovation and business strategy.

Each case study is presented against the backdrop of a theoretical framework for ESG integration, highlighting key findings and their relevance to the evolving business landscape.

Case Study 1: Ørsted (Energy Sector)

Company Overview/Background: Ørsted, a Danish multinational energy company, is a global leader in offshore wind energy. Formerly known as DONG Energy (Danish Oil and Natural Gas), the company underwent a significant transformation from a fossil fuel-based company to a predominantly renewable energy provider (Ørsted, 2023). This strategic shift, which began in the mid-2000s and accelerated in the 2010s, positions it as a key player in the global green energy transition. Ørsted develops, builds and operates offshore and onshore wind farms, bioenergy plants and energy storage solutions. In 2022, Ørsted reported sales of 85.9 billion DKK (approximately 11.5 billion euros) (Ørsted, 2022).

Rationale for case selection: Ørsted was selected due to its prominent position in the renewable energy sector and its demonstrated commitment to integrating ESG factors into its core business strategy. This case is a clear example of how a company can successfully transition to a more sustainable business model that is consistent with the shift from shareholder value to stakeholder impact.

ESG integration analysis (using the theoretical framework):

- **ESG risk assessment:** Ørsted identifies and assesses ESG risks through internal processes, stakeholder dialogues and monitoring external trends. Key risks include physical impacts of climate change on offshore wind farms, labor practices in the supply chain and regulatory changes in the energy sector.

Table 1. Ørsted's Key ESG Risks and Mitigation Strategies

ESG Risk	**Description**	**Potential Financial Impact**	**Mitigation Strategies**
Climate change (physical)	Extreme weather events damage offshore wind farms.	Loss of revenue, increased maintenance costs, higher insurance premiums.	Robust design of wind farms, diversification of locations, climate adaptation measures.
Supply Chain Labor Practices	Potential human rights violations within the supply chain for turbine manufacturing.	Reputational damage, legal liabilities, supply chain disruptions.	Supplier audits, implementation of a code of conduct for suppliers, stakeholder engagement.
Regulatory Change	Changes in government policies related to renewable energy subsidies or carbon pricing.	Impact on profitability, investment decisions, and market competitiveness.	Active engagement in policy dialogue, diversification of markets, development of cost-effective technologies.

- **Identifying ESG opportunities:** Ørsted actively pursues ESG-related opportunities and recognizes that sustainability can be a driver for innovation and growth (Ørsted, 2023). They have benefited from rising global demand for renewable energy by focusing on offshore wind energy, a sector in which they have become a dominant player. Their investments in developing more efficient wind turbine technology and exploring new markets for offshore wind demonstrate their proactive approach to exploiting ESG-related opportunities.

Table 2. Ørsted's ESG Opportunities and Potential Benefits

ESG Opportunity	Description	Potential Benefits	Implementation Strategies
Growth in Offshore Wind	Increasing global demand for clean energy solutions.	Increased revenue, market share expansion, access to green financing.	Strategic investments in offshore wind projects, development of new technologies.
Green Financing	Access to preferential financing terms for sustainable projects.	Lower cost of capital, improved financial performance.	Issuance of green bonds, engagement with ESG-focused investors.
Technological Innovation	Development of more efficient and cost-effective renewable energy technologies.	Competitive advantage, increased profitability, positive environmental impact.	Investment in research and development, partnerships with technology providers.

- **Stakeholder engagement and dialogue:** Ørsted understands the importance of collaborating with various stakeholders to ensure the long-term success of its projects (Ørsted, 2023). Their approach includes ongoing dialogue and collaboration with local communities, investors, governments and NGOs. This engagement helps them understand different perspectives, build trust, and address potential concerns related to their operations.

Table 3. Ørsted's Stakeholder Engagement and Key Concerns

Stakeholder Group	Engagement Methods	Key Concerns/Interests	Company Response
Local Communities	Public consultations, community benefit programs	Impact of wind farms on local environment, job creation, economic development.	Environmental impact assessments, community engagement initiatives, local job training programs.
Investors	Investor presentations, ESG reports, direct dialogue	Financial performance, ESG risk management, long-term value creation.	Transparent reporting, engagement with ESG rating agencies, active investor dialogue.
NGOs	Partnerships, collaborative projects, consultations	Environmental protection, biodiversity conservation, sustainable development.	Collaboration on environmental projects, participation in industry initiatives, open communication and dialogue.

- **Integrated financial and ESG reporting:** Ørsted publishes comprehensive annual and sustainability reports, demonstrating its commitment to transparent reporting on both financial and ESG performance (Ørsted, 2022). Although not explicitly labeled as "integrated reporting" in the strict sense of the IIRC framework, their reporting clearly links financial performance to ESG factors. They disclose key ESG metrics related to carbon emissions, renewable energy production, safety and social impact and often link these to business strategy and financial results. Ørsted reports in accordance with leading reporting frameworks such as the Global Reporting Initiative (GRI) standards, demonstrating its commitment to robust and standardized ESG disclosure.

Case Study 2: Unilever (Consumer Goods Sector)

Company Overview/Background: Unilever is a multinational consumer goods company that produces a wide range of food, beverages, cleaning products, and personal care products (Unilever, 2023). With a history dating back to the late 19th century, Unilever has grown into a global giant with a strong focus on sustainability. A key milestone in its ESG journey was the launch of the Sustainable Living Plan in 2010, which sets ambitious goals to improve health and well-being, reduce environmental impact and improve livelihoods. In 2022, Unilever reported sales of 60.1 billion euros (Unilever, 2022).

Rationale for case selection: Unilever was selected as a case study due to its long-standing commitment to sustainability and the integration of ESG factors into its business model, particularly in its supply chain and product development. This case provides insight into how a large consumer goods company addresses social and environmental challenges within a complex global value chain.

ESG Integration Analysis:

- **ESG risk assessment:** Unilever identifies ESG risks through a comprehensive approach, including materiality assessments, supply chain mapping and stakeholder engagement (Unilever, 2022).1 Key material ESG risks include sustainable sourcing of raw materials (palm oil, cocoa) and packaging waste and Plastic pollution, water shortages in certain regions and human rights within their complex global supply chain.

Table 4. Unilever's Material ESG Risks and Mitigation Strategies

ESG Risk	Description	Potential Financial Impact	Mitigation Strategies
Sustainable Sourcing	Deforestation and biodiversity loss associated with palm oil or other agricultural commodities.	Reputational damage, supply chain disruptions, increased raw material costs, consumer boycotts.	Sustainable sourcing policies, certification schemes (e.g., RSPO), traceability systems, engagement with suppliers and NGOs.
Packaging Waste/Pollution	Plastic pollution from product packaging, impacting ecosystems and brand reputation.	Increased regulatory scrutiny, consumer pressure, potential taxes or levies on plastic packaging, brand damage.	Development of recyclable and compostable packaging, reduction of plastic use, investment in recycling infrastructure, consumer education campaigns.
Human Rights in Supply Chain	Labor rights violations, unsafe working conditions, or child labor within the supply chain.	Reputational damage, legal liabilities, supply chain disruptions, negative impact on employee morale.	Supplier audits, implementation of a code of conduct for suppliers, worker training programs, grievance mechanisms, collaboration with NGOs and international organizations.

- **Identifying ESG opportunities**: Unilever identifies opportunities related to growing consumer demand for sustainable products and ethical business practices (Unilever, 2023). They have taken advantage of this by developing products with a lower environmental impact, such as concentrated cleaning products and plant-based foods. They also focus on creating new markets through initiatives that improve livelihoods in developing countries, often linked to their supply chains.

Table 5. ESG opportunities and potential benefits for Unilever

ESG Opportunity	Description	Potential Benefits	Implementation Strategies
Sustainable Product Demand	Growing consumer preference for environmentally and socially responsible products.	Increased market share, brand loyalty, premium pricing opportunities.	Product reformulation to reduce environmental impact, development of sustainable packaging, marketing of sustainable product attributes.
Inclusive Business	Creating business models that improve livelihoods and	New market access, enhanced brand reputation,	Sourcing from smallholder farmers, supporting local communities,

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Models	address social challenges in developing markets.	positive social impact, secure supply chains.	developing products that address specific needs in developing markets.
Resource Efficiency	Reducing waste, water use, and energy consumption across operations and supply chains.	Lower operating costs, reduced environmental footprint, improved resource security.	Implementing circular economy principles, investing in water and energy efficiency technologies, optimizing logistics and transportation.

- **Stakeholder engagement and dialogue:** Unilever works with a wide range of stakeholders, including consumers, suppliers, employees, NGOs and governments (Unilever, 2022). They use various methods such as consumer surveys, supplier audits, community consultations and partnerships with NGOs to understand stakeholder concerns and incorporate their feedback

Table 6. Unilever's Stakeholder Engagement and Key Concerns

Stakeholder Group	Engagement Methods	Key Concerns/Interests	Company Response
Consumers	Consumer surveys, social media monitoring, product feedback	Product safety, environmental impact of products, ethical sourcing.	Product reformulation, sustainable packaging initiatives, transparent communication about product ingredients and sourcing.
Suppliers	Supplier audits, codes of conduct, capacity building programs	Fair prices, ethical labor practices, environmental sustainability.	Implementation of supplier codes of conduct, regular audits, support for supplier development and improvement programs.
NGOs	Partnerships, collaborative projects, consultations	Environmental protection, human rights, sustainable development.	Collaboration on specific projects, participation in multi-stakeholder initiatives, open dialogue and information sharing.

- **Integrated financial and ESG reporting:** Unilever publishes an annual report that contains detailed information on both financial and ESG performance (Unilever, 2022). While the report is not officially an “integrated report” within the meaning of the IIRC framework, it shows a clear effort to link financial results with progress on key sustainability goals. Unilever reports using recognized frameworks such as the GRI standards, thereby ensuring transparency and comparability. They also disclose information about their progress on the Unilever Sustainable Living Plan, linking business strategy to social and environmental outcomes.

Case Study 3: Microsoft (Technology Sector)

Company Overview/Background: Microsoft Corporation is a multinational technology company that develops, licenses, supports and sells software, consumer electronics, personal computers and related services (Microsoft, 2023).1 A key milestone in their ESG journey was their ambitious goal of carbon commitments. Negativity, water replenishment and waste reduction, as well as a focus on digital inclusion and responsible AI.2 In fiscal 2022, Microsoft reported revenue of $198.3 billion (Microsoft, 2022).

Rationale for case selection: Microsoft was selected as a case study due to its significant influence in the technology sector and its proactive approach to addressing key ESG challenges relevant to the industry, such as data protection, responsible AI and environmental sustainability of its business supply chain. This case provides insights into how a technology giant integrates ESG considerations into its innovation and business strategy.

ESG Integration Analysis:

- **ESG risk assessment:** Microsoft identifies ESG risks through internal assessments, industry analysis and stakeholder engagement (Microsoft, 2022).1 Material risks include privacy and security breaches, ethical concerns related to the development and deployment of AI, and labor standards in the supply chain (particularly in relation to conflict minerals) and the environmental impact of their data centers and operations.

Table 7. Microsoft's key ESG risks and mitigation strategies

ESG Risk	Description	Potential Financial Impact	Mitigation Strategies
Data Privacy & Security	Breaches of customer data leading to financial losses, reputational damage, and legal penalties.	Loss of customer trust, regulatory fines, legal liabilities, decreased revenue.	Investment in cybersecurity infrastructure, robust data protection policies, compliance with data privacy regulations (e.g., GDPR), transparency reporting on data breaches.
Ethical AI	Development and deployment of AI systems that perpetuate bias, discriminate against certain groups, or raise ethical concerns about job displacement.	Reputational damage, legal challenges, loss of public trust, difficulty attracting and retaining talent.	Development of ethical AI principles, implementation of AI governance frameworks, ongoing research and development into responsible AI practices, engagement with ethicists and other stakeholders.
Supply Chain (Conflict Minerals)	Use of conflict minerals (tin, tantalum, tungsten, gold) sourced from conflict-affected regions, potentially contributing to human rights abuses.	Reputational damage, supply chain disruptions, legal liabilities, negative impact on investor relations.	Supply chain mapping and traceability, due diligence on suppliers, engagement with industry initiatives and responsible sourcing programs, public disclosure of conflict minerals sourcing.

- **Identifying ESG opportunities:** Microsoft identifies ESG-related opportunities by aligning its business strategy with global sustainability trends and societal needs (Microsoft, 2023). They are capitalizing on the growing demand for sustainable solutions by developing cloud-based tools for environmental monitoring and management. They are also pursuing opportunities related to digital inclusion by providing access to technology and digital skills training to underserved communities.

Table 8. Microsoft's ESG opportunities and potential benefits

ESG Opportunity	Description	Potential Benefits	Implementation Strategies
Sustainable Technology	Developing cloud-based solutions and AI tools that help organizations monitor and reduce their environmental impact.	New revenue streams, enhanced brand reputation, contribution to global sustainability goals.	Investment in R&D for sustainable technologies, partnerships with environmental organizations and businesses, development of industry-specific solutions.
Digital Inclusion	Providing access to technology and digital skills training for underserved communities and individuals.	Enhanced brand reputation, creation of new markets, positive social impact, addressing the digital divide.	Philanthropic programs, partnerships with NGOs and educational institutions, development of accessible technology, affordable internet access initiatives.

Green Operations	Reducing the environmental footprint of Microsoft's own operations, including data centers and supply chain.	Lower operating costs, reduced environmental impact, improved energy efficiency, enhanced employee engagement.	Investing in renewable energy, improving data center energy efficiency, implementing circular economy principles, engaging with suppliers to reduce their environmental impact.

- **Stakeholder engagement and dialogue:** Microsoft interacts with a wide range of stakeholders, including customers, employees, governments, NGOs and communities (Microsoft, 2022). They use various methods such as online forums, public consultations, partnerships and direct dialogue to understand stakeholder perspectives and incorporate feedback into their strategies.

Table 9. Microsoft's stakeholder engagement and key concerns

Stakeholder Group	**Engagement Methods**	**Key Concerns/Interests**	**Company Response**
Customers	Customer feedback programs, online forums, user conferences	Data privacy, security, product accessibility, responsible AI development.	Investment in cybersecurity, development of privacy-enhancing technologies, commitment to accessibility standards, ethical AI principles and governance frameworks.
Employees	Employee surveys, internal communication channels, employee resource groups	Workplace diversity and inclusion, ethical business practices, environmental sustainability of operations.	Diversity and inclusion initiatives, employee training programs on ethics and sustainability, employee engagement in environmental initiatives.
Governments	Policy dialogues, regulatory consultations, public-private partnerships	Cybersecurity, data sovereignty, tax policies, digital inclusion.	Active participation in policy discussions, compliance with relevant regulations, collaboration on public-private partnerships to address societal challenges.
NGOs	Partnerships, collaborative projects, consultations	Environmental protection, human rights, digital divide, ethical AI.	Collaboration on environmental projects, support for digital inclusion initiatives, engagement in multi-stakeholder dialogues on ethical AI development.

- **Integrated financial and ESG reporting:** Microsoft provides comprehensive reporting on its financial and ESG performance through its annual report and dedicated sustainability reports (Microsoft, 2022). Although not a formal integrated report, they explicitly link ESG performance to business strategy and long-term value creation. They report using frameworks such as GRI and SASB, demonstrating their commitment to standardized and transparent disclosure. They also publish detailed data on their environmental impact, social initiatives and governance practices so that stakeholders can evaluate their overall performance.

CROSS-CASE ANALYSIS AND FINDINGS

In this section, the most important results of the cross-case analysis by Ørsted, Unilever and Microsoft are presented, whereby the research questions are addressed how companies integrate ESG considerations into their financial decisions.

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Findings:

The cross-case analysis shows a consistent shifting from a shareholder-oriented to a stakeholder-oriented perspective in all three companies (Freeman, 1984; Donaldson & Preston, 1995), as summarized in Table 10. Although the financial performance is of the greatest importance, these companies are further recognizing that the creation of long-term value creation is deeply associated with the effective treatment of ESG factors. This can be seen in their pronounced but interconnected approaches to the ESG integration:

Industry-Specific Focus:

- **Ørsted (Energy):** As highlighted in Table 10, the main focus of Ørsted is on climate medical risks, including the physical effects of climate change on its wind farm and the regulatory shifts within the energy sector. This focus reflects the unique exposure of the energy sector compared to climate change and the increasing importance of renewable energy sources.

- **Unilever (consumer goods):** Unilever prioritizes risks in connection with sustainable procurement of raw materials, packaging waste and human rights issues in his supply chain with its extensive global supply chain. This focus is on the considerable ecological and social footprint of the consumer goods industry.

- **Microsoft (Technology):** Microsoft's main concerns revolve around technology styles such as data protection, ethical AI development, responsible mineral procurement and the environmental impact of its data centers. These risks are particularly relevant for the technology sector, given their rapid growth and its increasing social influence.

Identifying ESG Opportunities:

- **Ørsted:** Use its core business in renewable energies to promote innovation in offshore wind technology to search for green financing options and to position itself as a leader in the transition to a low-carbon economy.

- **Unilever:** She uses consumers' demand for sustainable products by developing a portfolio of plant food, reducing plastic packaging and improving resource efficiency through its operation.

- **Microsoft:** Settles its technological know -how to develop sustainable cloud computing solutions, promote digital inclusion and to manage environmental challenges through innovative technologies.

Stakeholder Engagement:

- **Unilever:** In view of his extensive supply chain, Unilever priorates the commitment with its huge network of suppliers to ensure ethical procurement practices and to improve social and ecological conditions.

- **Microsoft:** It focuses on getting in touch with customers and political decision -makers on critical topics such as data protection, AI ethics and social effects of technology.

- **Ørsted:** primarily with local communities, investors and governments related to questions of the project effects, financial performance and regulatory changes.

Integrated Reporting:

- All three companies show efforts to combine finance and ESG performance in their reporting and benefits such as GRI and SASB to improve transparency and accountability. This reflects the growing demand for holistic reporting that integrates financial and non -financial information (Eccles & Krzus, 2010)

Table 10. Cross-Case Summary of ESG Integration Strategies

Theme	Ørsted (Energy)	Unilever (Consumer Goods)	Microsoft (Technology)
ESG risk assessment	Focus on physical climate risks (impact on wind farms), regulatory changes in the energy sector and supply chain risks related to manufacturing.	Focus on sustainable sourcing of raw materials, packaging waste and plastic pollution, water scarcity and human rights within the global supply chain.	Focus on privacy and security breaches, ethical concerns related to AI, responsible mineral sourcing, and the environmental impact of operations.
Identifying ESG opportunities	Transitioning to renewable energy (offshore wind energy), developing new wind turbine technologies and pursuing green financing.	Development of sustainable products, integrative business models in developing markets and improvements in resource efficiency.	Developing sustainable technology solutions, promoting digital inclusion and greening operations, including data centers.
Stakeholder engagement	Collaborate with local communities, investors and governments on issues related to project impacts, financial performance and regulatory changes.	Collaborate with consumers, suppliers and NGOs on product safety, ethical sourcing and environmental protection.	Engage with customers, employees, governments and NGOs on data protection, ethical AI and broader societal impact
Integrated reporting	Links financial performance to ESG factors in annual and sustainability reports using frameworks such as GRI	Links financial performance to sustainability progress in annual reports, uses GRI standards and reports on the Unilever Sustainable Living Plan.	Links financial performance to ESG data in annual and sustainability reports using GRI and SASB frameworks.
Overall approach to ESG	Strategic transformation driven by environmental sustainability as a core business driver.	Integrate ESG into the core business model with a focus on addressing social and environmental impacts along the value chain.	Integrating ESG into innovation and business strategy, addressing key technology-related ESG challenges alongside environmental sustainability.

This integrated approach to ESG management supports the basic principles of stakeholder theory and the concept of shared value and shows that considering stakeholder interests is not only ethically sound but also strategically beneficial.

Comparative Third-Party ESG Ratings:

A comparison of ESG ratings from leading agencies such as MSCI, Sustainalytics and Refinitiv reveals nuances in evaluating these companies. While all three generally have strong ESG profiles, the specific scores and areas of strength vary depending on the agency's methodology and weighting of various ESG factors. This variability highlights the importance of considering multiple sources when assessing ESG performance, as each agency may prioritize different aspects of sustainability (Berg et al., 2020).

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Table 11. Comparative ESG ratings of selected companies

Company	MSCI ESG Rating	Sustainalytics Risk Rating	Refinitiv ESG Score	Key Strengths/Areas of Focus
Ørsted	AA	Low Risk	85	Strong environmental performance due to focus on renewable energy; leading position in offshore wind; strong governance practices.
Unilever	A	Medium Risk	78	Strong social performance related to sustainable sourcing and community engagement; comprehensive sustainability programs; Focus on the impact on the product life cycle.
Microsoft	AAA	Low Risk	90	Strong performance across ESG pillars, particularly governance and environmental initiatives; commitment to privacy and security; Investing in responsible AI

ESG ratings (end-2023 data) are illustrative and require consultation of the latest agency reports for current assessments. Methodological differences between agencies (e.g. MSCI, Sustainalytics, Refinitiv) require cautious comparisons, with an emphasis on relative performance within each framework. The differences reflect the complexity of ESG assessment and illustrate that companies can excel in certain areas while facing challenges in others (Berg et al., 2022). Microsoft's high valuations likely reflect its broad ESG scope, while Ørsted's strong MSCI rating highlights its environmental focus.

Challenges and Barriers to ESG Integration

In this study, several important challenges and obstacles to the effective ESG integration were determined in the three case studies (Ørsted, Unilever and Microsoft). These include:

Data restrictions and measurement problems:

- **data availability and quality:** consistent and reliable ESG data can be difficult to obtain and may not be comparable in industries or companies (GRI, 2021). This hinders a precise risk assessment, performance measurement and the development of sensible KPIs.
- **Define and measure ESG metrics**: The creation of clear and consistent metrics to measure the ESG performance remains a significant challenge (Eccles & Krzus, 2010).

Stakeholder Engagement and Management:

- **Compensation of diverse interests of stakeholders:** Manage the diverse and sometimes contradictory interests of various stakeholders (e.g. investors, employees, customers, municipalities, NGOs) can be complex and time-consuming (Amel-Zadeh & Serafeim, 2018).
- **Construction of trust and transparency:** Construction of trust and maintaining transparent communication with the stakeholders is of crucial importance for a successful ESG integration (Fombrun, 1996).

Integration with Core Business Strategy:

- **Integration of ESG in decision-making processes:** The effective integration of ESG considerations in kernels decisions such as investment decisions, product development and risk management can be a challenge (Porter & Kramer, 2011).
- **Assign resources and initiatives prioritization:** The determination of the appropriate allocation of resources and prioritization of ESG initiatives within the entire business strategy can be difficult.

Short-term vs. Long-term Considerations:

- **Balancing short -term and long -term value:** the compensation of the need to achieve short -term financial returns with long -term sustainability goals can be a significant challenge (Elkington, 1997).

Regulatory and Policy Uncertainty:

- **Developing regulatory landscape:** the developing regulatory landscape around ESG problems creates uncertainty and can increase compliance costs for companies (GRI, 2021).

Discussion and Deductive Arguments

The analysis indicates a positive correlation between proactive ESG integration and long-term added value. Effective ESG risk management, opportunities capture, stakeholder commitment and transparent reporting enable companies to achieve sustainable success and to adapt to the shift in the effects of the stakeholder (Eccles & Kres, 2010). This supports the argument that ESG integration is not only a question of the social responsibility of companies, but also an important driver for long-term value (Porter & Kramer, 2011).

Emerging ESG Trends and their Potential Impact

The most important emerging trends include the transition to a net zero economy, the increased focus on social justice and equity, the effects of technological progress (AI, blockchain, IoT) and growing investor pressure on ESG integration. These trends will have a significant impact on financial decision-making and obliges companies to adapt ESG considerations and to integrate them into their core business strategies.

Challenges in the implementation of ESG strategies in various organizational contexts

While the paper contains recommendations, it is important to recognize the potential challenges when implementing these strategies in various organizational contexts. These include:

- **Restricts of resources:** Smaller companies can be exposed to considerable restrictions on resources in terms of personnel, budget and expertise.
- **Industry-specific challenges:** The specific challenges and opportunities in connection with ESG integration will vary significantly in various industries.
- **Cultural and geographical differences:** The cultural and geographical contexts in which companies work can significantly influence nature and scope of the ESG challenges and opportunities.
- **Resistance to changes:** Internal resistance to changes within organizations can hinder the effective implementation of ESG strategies.
- **Short-term and long-term focus:** the pressure to provide short-term financial results can sometimes overshadow the long-term advantages of ESG integration.

CONCLUSION

This study examines how three leading companies (Ørsted, Unilever and Microsoft) integrate ESG considerations into their financial decision-making processes. The analysis shows a consistent trend towards stakeholders capitalism, with ESG factors promoting innovation, risk management and stakeholder engagement. This increases the idea that the ESG integration is crucial for the creation of long-term value (Eccles & Kres, 2010).

However, there are several challenges and obstacles for effective ESG integration, including data restrictions, challenges of stakeholder engagement and the need to compensate for short-term and long-term goals. Coping with these challenges requires a proactive approach, including investing in data and technology, promoting strong stakeholder relationships and the integration of ESG considerations in all aspects of business.

In addition, the developing landscape of ESG, which is characterized by emerging trends such as the transition to a net zero economy and increasing investor pressure, will continue to shape the future of companies and finances. Companies that can effectively adjust these trends by integrating ESG considerations into their core business strategies are well positioned for long-term success.

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