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Bridging the ESG Gap: Tailored Implementation Frameworks for Heterogeneous Firm Sizes and Sectors in Malaysia's Consumer Industry

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ABSTRACT

Corporate Environmental, Social and Governance (ESG) integration has assumed a strategic necessity to the entire corporation of the world, and the consumer product sector in Malaysia is at the crossroad. Though most of the research on the impact of ESG on firm performance has continued to increase, the findings are typically not consistent, hence offering a lot of confusion to corporate managers and shareholders. The formulation of the present situation of ESG research in Malaysia offered in this study recognizes three gaps in the existing body of knowledge. The first one is the impossibility to take into account the heterogeneity of the firms' size and sector risk, the second issue is the specific implementation challenges of the Small and Medium-sized Enterprises (SMEs), and the third problem is the unresolved trade-offs between the short-term cost of the financial investment in environmental projects and long-term value creation. To address these lapses, this paper proposes the Contingent ESG Implementation Framework (CEIF) a conceptual framework within which companies can employ in prioritizing ESG pillars based on their field of operation. The framework is further developed according to the analysis of 50 major studies as well as a mixed-methods research design is provided to validate it empirically. The CEIF indicates that a one-size-fits-all approach is not perfect; firms, particularly SME and operating in risky sectors need to adopt a progressive approach whereby, in most instances, governance and social considerations are prioritized before firms and corporations undertake capital-intensive environmental initiatives. This research adds value to stakeholder and resource-based theories by building a contingency strategy of ESG strategy and offering practical and evidence-based recommendations to managers, investors, and policymakers taking into account maximization of sustainable development and competitive advantage in the context of Malaysian dynamic consumer market.

Keywords: ESG Malaysia, Consumer Firms, SMEs, Corporate Strategy, Contingency Theory, Sustainability Framework

INTRODUCTION

The business landscape has undergone a drastic shift in the past decade in which the sole attribute of the business profit has now been overtaken by a holistic view of the stakeholder value. The main component of this development is the integration of Environmental, Social and Governance (ESG) into the main business concept. Not only is this change in Malaysia a trend, but it is also a national need, which is supported by the ambitious target of net-zero society in 2050 and reducing carbon intensity by 45 percent in 2030 (Ibrahim et al., 2024; Mahdi et al., 2024). The consumer product industry is the key player in the Malaysian economy and the centre of this change. The characteristics that make it a major area where the practical application of ESG principles is undertaken include its huge supply chains, direct engagement with the population, and high resource consumption (Ruhaini et al., 2025). This has received an upsurge in academic community research to comprehend the nexus between the adoption of ESG and firm performance in Malaysia. However, a bewildering image of such an accumulating work exists. Other scholars market ESG as the reason of the rise in firm value, reduced capital costs, and investor confidence (Mohammad and Wasiuzzaman, 2021; Atan et al., 2018).

In their turn, other individuals provide a more conservative or even the opposite outlook based on the irrelevant or even the negative relations between ESG investments and more traditional financial indicators such as a return on assets (ROA), particularly in the short-term (Wong, 2024; Ming et al., 2024). This ESG paradox has put the company executives in a bad position whereby the pressure becomes intense amid regulators and other stakeholders pressuring the organization to act, the perceived benefits of acting are unclear and debatable. This misconception can be justified by a number of issues that are not covered in the existing literature. First, the research works are inclined to believe that a Malaysian consumer market is a monolith and neglect that a high level of heterogeneity exists among firms. All ESG-related risks, resources, and stakeholder expectations of a large, publicly traded multinational corporation within the electronics industry with a diverse group of stakeholders differ greatly in comparison with a small, family-owned food and beverage SME (Jasni and Zulkifli, 2024; Adenan et al., 2024). Second, despite frequent references to the limitations of the application of ESG by SMEs, the amount of literature on evidence-based, practical frameworks that would fit their size and market needs is limited (Ratnasingam et al., 2023). Lastly, there are no studies in literature on how strategic trade-offs are presented based on the three pillars of ESG. As an example, the financial payoffs of governance disclosure can be immediate, and the environmental initiative can be described by the high-initially investment gains that, however, have long-term and less predictable returns (Rosley et al., 2023; Alyasa-Gan et al., 2024).

According to this study, the manner in which to incorporate ESG in the Malaysian consumer industry is not a blanket, a one-size fits all formula but a circumstantial formula. The point is that the most favourable ESG policy of a company is determined by two major variables: its size (SME vs. Publicly Listed Company) and the riskiness of the industry where the company operates and functions (e.g. high-risk manufacturing vs. low-risk retail). This combination of contextual facts aligned to the priorities of the ESG approach allows firms to experience fewer financial sufferings in the short-term perspective and achieve maximum sustainable value in the long-term perspective. To operationalize this thesis, the given paper will summarize the key findings and current contradictions in the literature, further propose a theoretical Contingent ESG Implementation Framework (CEIF) according to which one could make strategic choices, and lastly, sketch a strict mixed-methods framework that can be employed to confirm the theory in practice. The last goal is to transcend the question of the importance of ESG and the more pressing question of how different types of firms can use it successfully.

The rest of this paper is structured in the following way. To begin with the literature review, a critical synthesis of the studies on the issue of ESG in Malaysian consumer firms is carried out, which is divided into several key themes, including the ESG-performance relationship, the role of governance, regulatory aspects, and peculiarities of SMEs. Second, the paper presents a mixed-methods research design that is offered in the scope of creating and testing the CEIF and is going to be implemented in three phases. Third, the discussion section will provide the framework itself, the diagrams indicating how it is used, and discuss the theoretical and practical implications of the framework on how ESG paradox can be resolved. Lastly, there will be a conclusion that summarizes the workings of the study, acknowledges its shortcomings and offers possible ways of future research. This is a methodological exercise aimed at providing this paper with an evidence-based roadmap on how to navigate around ESG issues in one of the biggest economies in Southeast Asia.

LITERATURE REVIEW

The available literature on ESG in the consumer product industry of Malaysia is rich but abounds in thematic conflicts and unaddressed questions. The systematic review of the 50 most topical empirical and conceptual papers published over the last several years (2015-2024) suggests that the landscape is challenged by the issue of the feasibility of the sustainability integration. This review has summarised these findings into five overall themes which when combined together sets the problem that this paper seeks to address into perspective.

Financial Performance Paradox of ESG

The most significant topic in the literature is the issue of the impact of ESG on the financial performance and market value of a corporation. But these outcomes were disjointed. On the one hand, there is a great indication of a positive relationship. RUHAINI et al. (2025) found out that the overall scores of ESG are positively associated with the Q factor of Tobin, which is a significant market value indicator. To this end, Rasyad et al. (2024) and Kurniawan (2023) discovered positive relationships between holistic ESG engagement and profitability measures like ROA. The articles suggest that ESG integration facilitates the value of the firms by enhancing the trust of the stakeholders, improving risk management, and a higher number of conscious investors (Burki et al., 2024; Ismail et al., 2022).

On the other hand, there exists a strong anti-historiographical narrative to this optimistic perspective. Wong (2024) found a weak negative relationship between the structured ESG practices and the financial performance, which means the costs of implementing it can exceed the benefits obtained in a short-term viewpoint. Ming et al. (2024) support this finding by concluding that, despite the positive effects of general ESG scores on ROA, independent environmental and social scores have negative along-term effects on ROA. On the same note, Shahrun et al. (2023) state that the social pillar brings about an adverse effect on profitability. Such contradiction presupposes that the relationship is not linear but has an intermediate likelihood of being influenced by the features of the firm, the situation in a sector, and the specific pillars of ESG pursued. One of the major causes of this confusion is the fact that a clear explanation of these moderating factors is elusive to literature.

The Social Pillar and the Primacy of Governance

The ambiguity of the overall effect of ESG can be examined better at a case-by-case level. In particular, the pillar of governance has been linked with good financial results. Rosley et al. (2023) demonstrated that the governance disclosure aspect only had a significant and positive association with firm performance, but not environmental and social aspects. This is justified by the fact that a compound ESG score reduces the cost of capital as shown by Atan et al. (2018), and is partially enabled by transparent governance. The reasoning is that agency risk is directly linked to good governance manifested in the form of independent boards, ethical leadership, and transparent reporting, which further leads to higher investor confidence in more short-term and more tangible financial gains (Manokaran et al., 2023; Kamaludin et al., 2022). Even though the social pillar is more complex, it is extremely powerful, particularly in terms of non-financial indicators.

The studies by Ahmad et al. (2023) and Murali et al. (2012) lay stress on the power of the social aspect in boosting investor confidence, consumer loyalty and brand reputation. Lee et al. (2023) found out that social disclosure is a significant predictor of performance at a firm, and Agu et al. (2024) drew a direct link between ethical social engagement and competitive advantage. It can have a positive and negative relationship with profitability (Shahrun et al., 2023), and one cannot possibly doubt the significance of the social pillar in the social license to operate of an organization. The environmental pillar, in turn, despite increasing in significance usually has a negative or even negative direct relationship with the short-term financial outcomes which can be justified, first, by the high cost of implementation (Alyasa-Gan et al., 2024).

The Two-Sided Sword of Regulation and Stakeholder Pressure

New policies in Malaysia are a viable driver of ESG application. In 2021, the Malaysian Code of Corporate Governance was updated, and Bursa Malaysia released a Sustainability Reporting Guide, which significantly escalated the required reporting of the ESG information by listed companies (Aziz et al., 2023; Tang, 2023). It is shown that such regulatory changes have led to the increase in the number of and, in some cases, quality of disclosures (Kamaludin et al., 2022). Another quality that is attributed by the literature to the compliance-driven attitude is the fact that companies only fulfil the minimum and they do not plan their strategies (Hamoudah, 2025). This has been an implementation issue, and voluntary reporting, in particular of certain elements of the environment like carbon footprint, has been negligible (Ibrahim et al., 2024).

Stakeholder pressure supplements regulatory impact, being applied by investors, consumers, and NGOs. E-Vahdati et al. (2023) have found that the value of CSR awards may be an outstanding market indicator, making the value of ESG activities of a firm more relevant. It is also proven that ESG performance and disclosure are positively related to board composition, particularly, gender diversity and independence, proving a significance of the relations between internal stakeholders (Samidi and Kwan, 2024). Nevertheless, these pressures do not exist in equal measure. Yusoh et al. (2023) found out that coercive institutional pressures as well as mimetic institutional pressures were found to play a role in the adoption of the environmental management systems, as compared to normative institutional pressures (i.e., a sense of the rightness), which implies that in the majority of cases, the adoption was pragmatic.

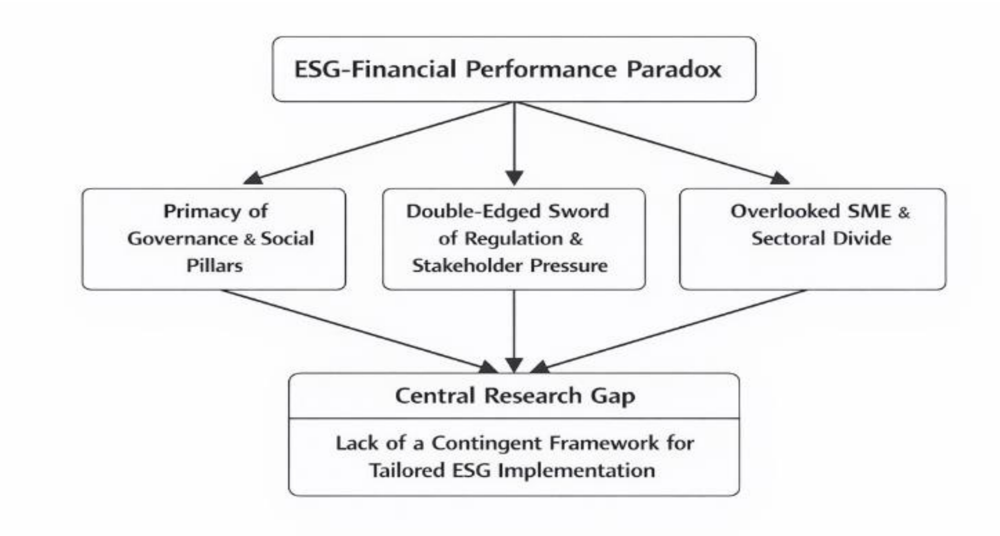
The Under-monitored SME and Sectoral Divide

The biggest gap in the literature is the relative absence of the coverage of SMEs which are the pillars of the Malaysian economy. This is based on the fact that the presence of limited literature on SMEs means that there are staggering issues among them, including financial inability, the lack of technical talent, and the inability to comprehend the value of ESG (Adenan et al., 2024; Ratnasingam et al., 2023). These businesses struggle to match bigger organizations on ESG expertise and capital and the regulatory systems are generally designed in a PLC-based fashion, which puts a compliance tax on growth, which is lethal. It is clear that research must go further than just the determination of these issues and formulate effective, scaled ESG systems that can be used by smaller companies. At the same time, sectoral risk is also turning out to be a significant moderate factor as the literature reveals. The authors demonstrated that the correlation between ESG and financial performance was highly dissimilar between the high and low-risk industry (e.g., manufacturing and resources, respectively, and services and retail, respectively) (Jasni and Zulkifli, 2024). The high-risk industry benefits risk mitigation since benefits can be enjoyed through governance initiatives. Even the consumer market is not unitary: a business in contaminating subsectors, like textiles or electronics, will be less concerned with the ESG priorities as a business in fast-moving consumer goods (FMCG). It is also in this sectoral heterogeneity that most studies were unable to control and as a result, neutralized the mixed results and watered down the generality of their results.

Synthesis and Research Gap

The literature leads to a single important conclusion: the one-size-fits-all approach to ESG cannot work and even has a harmful impact on the Malaysian environment. The ESG-performance paradox is not a paradox but a manifestation of the background contextual aspects that have not been adequately examined. The regular performance of the governance pillar, the varied outcomes of the social pillar, and the short-term expenses of the environmental pillar are indicators that strategic prioritization is necessary. The pressures on SMEs and the differences in pressure across industries require an ad hoc approach. The visual synthesis of these interconnected themes in Table I helps identify the main gap in the research: the lack of a framework that would help firms align their ESG strategy with the context of their size and industry.

Table I: Conceptual Synthesis of ESG Literature in Malaysian Consumer Firms Malaysian Consumer Firms



This literature review lays the groundwork for the current study. By determining the tensions and gaps in the existing knowledge, it is possible to explain why such a new model is necessary to a non-universal but contingent, descriptive but prescriptive one. This is described in the following section, which details the methodology used to create and test such a model.

RESEARCH METHODOLOGY

To fill the research gaps identified during the literature review, this study presents a research project based on an applied approach that focuses on practical solutions to real-life issues. This study will use a convergent mixed-method design, which combines both qualitative and quantitative data to create and prove the Contingency ESG Implementation Framework (CEIF). This strategy makes it possible for the enriched, contextual insight that the qualitative approach provides to be supplemented with the generalizability and statistical rigor of the quantitative methods of analysis (Creswell and Plano Clark, 2017). The study will be carried out in three phases that are different yet related to each other.

Research Design Overview

Its general design is such that that it passes through exploratory inquiry to a confirmatory analysis. To gain extensive insight into the lived experiences, motivations, and impediments to the implementation of ESG in various firm archetypes, Phase 1 will entail qualitative case studies. Phase 2 will utilize these findings to create a large-scale survey instrument that will be administered to a wider sample of firms to obtain quantitative information about the practice and performance of ESG. Phase 3 would entail statistical analysis of this quantitative data complemented with secondary financial data so that an empirical test of the relationships hypothesized by the CEIF can be made. The three-phase research design is shown in Table II.

Phase 1: Qualitative Exploration and Framework Development

The objective of the first phase is to provide responses to the following question: What are the contextual factors, barriers, and strategic priorities that determine the adoption of ESG by various forms of Malaysian consumer firms?

Procedures

A multiple-case study will be conducted. This approach works best in a deep investigation of a modern phenomenon in a real-life setting (Yin, 2018).

Sampling

The purposive sampling method will be used, and a 2×2 matrix will be formed to select four case study firms, which will represent the major dimensions of heterogeneity.

1. A massive PLC in a high-risk industry (e.g., electronics manufacturing).
2. Big PLC in a low-risk industry (e.g., consumer retail).
3. A small business that operates in a risky industry (e.g., textile manufacturing).
4. A low-risk SME in the market (e.g., food and beverage manufacturing).

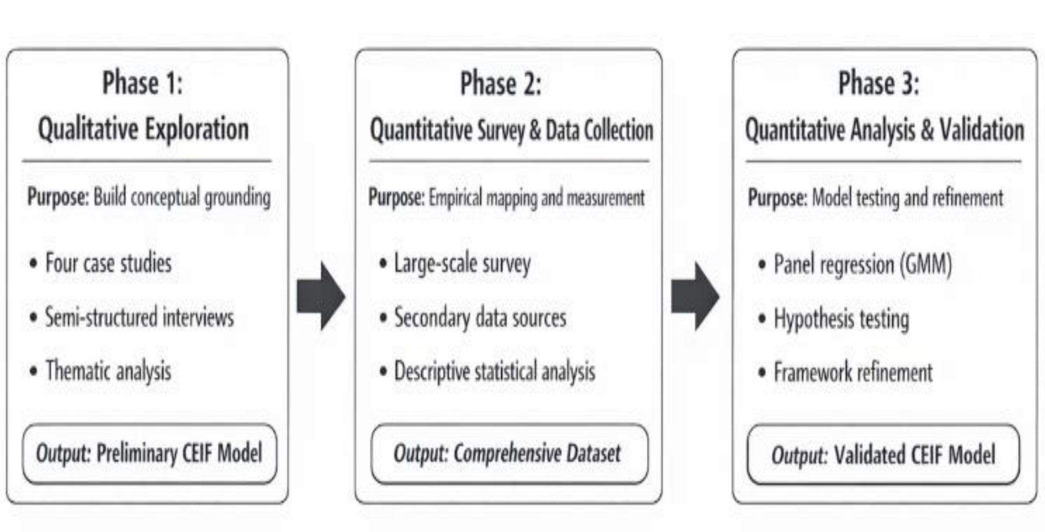
Data Collection

Semi-structured interviews with key decision-makers (CEOs, CFOs, and Sustainability Managers (about 3-4 interviews within each firm) will be used to gather the data. The interview questions will revolve around the process of implementing ESG in their company, the driving force, the perceived obstacles (financial, operating, regulatory), and the reasons why they consider the mentioned activities to be their priority. Internal policies and sustainability reports were also analysed as organizational documents.

Data Analysis

Themes of analysis will be used to analyse the interview transcripts and documents (Braun & Clarke, 2006). This will be done by becoming acquainted with the data, creating original codes, finding themes, and revising and selecting themes, as well as defining and naming the final themes. The deliverable of this step will be a qualitative and rich perception of the contingent essence of the ESG strategy and an initial conceptual framework of the CEIF.

Table Ii: Three-Phase Mixed-Methods Research Design



Phase 2: Quantitative Survey and Data Collection

The second stage is intended to check the initial CEIF model on a larger scale and accumulate extensive quantitative data. There will be the following method: The data will be gathered in the form of a cross-sectional survey design, and a large group of Malaysian consumer firms will be used as a sample.

Sampling

A stratified random sampling approach will be employed to obtain a representative sample of the four archetypes in firms (PLC/SME × High/Low Risk) identified in Phase 1. A sample size of 200 firms will be selected based on the databases hosted by Bursa Malaysia and SME Corp Malaysia. Invitations to the survey will be issued to senior managers (e.g., CEO, CFO, and Head of Sustainability).

Phase 2:

Survey Instrument

The survey instrument will be generated according to the results of Phase 1. It will include the following sections:

Strong demographics (size, age, and sector).

ESG practice adoption (measured on a Likert scale per pillar).

Perceived obstacles to ESG implementation.

ESG motivation (regulatory, stakeholder, and strategic).

Firm performance measures (self-reported and associated with objective data).

Data Collection

The survey will be conducted using the Internet. Moreover, secondary data will be gathered on each respondent company based on the OSIRIS and DataStream database within 2015-2024, as well as on financial variables such as ROA, ROE, and the Q obtained by Tobin, and the current ESG ratings in agencies such as Sustainalytics.

Phase 3: Quantitative Analysis and Framework Validation

The final stage is to empirically test the CEIF by examining its major propositions.

Procedure

Combined survey and secondary data will be used to conduct a panel data regression analysis.

Model Specification: The major model of analysis will be a dynamic panel regression model, which will be estimated using the Generalized Method of Moments (GMM) system estimator. The method is also suitable for corporate finance research because it eliminates the possibility of endogeneity (e.g., that financial performance is better, which allows ESG spending rather than the other way around) and the lack of observability (of firm heterogeneity) (Arellano and Bover, 1995; Blundell and Bond, 1998).

Variables

The variables are grouped into dependent variables, independent variables, moderating variables and control variables as follows.

Dependent Variables: Firm performance (ROA, Tobin's Q).

Independent Variables: Scores of the Environmental, Social, and Governance practices (survey).

Moderating Variables: Firm Size (dummy variable for SME), Sector Risk (dummy variable for high-risk sectors).

Control Variables: Firm Age, Leverage, R&D Intensity, and Board Size.

Hypothesis testing: The analysis will test hypotheses based on CEIF. For example:

H1: There is no significant difference between the positive relationship between governance performance and firm performance between SMEs and PLCs.

H2: Environmental performance and firm performance have a stronger positive association in low-risk sector firms than in high-risk sector firms.

H3: Governance and Social performance have a positive interaction effect on firm profitability among SMEs in high-risk industries.

Analysis

Regression analysis will be used to refine and test the CEIF based on the results of the analysis. The ultimate result will be an empirically based framework that determines the most important ESG pillars that firms ought to focus on depending on their size and the risk associated with the sector to maximize performance.

Ethical Considerations

Ethical standards will be followed in conducting this research. All participants will also have the free will to participate in the interviews and surveys, and informed consent will be obtained. All information will be anonymized to maintain the privacy of the participating firms and people. The research protocol will be forwarded to the Institutional Review Board (IRB) of the university for approval before the data collection begins.

The literature review and proposed methodology above are based on one major assumption: the way to successful ESG integration in the consumer industry in Malaysia is not a standard but a contingent matter. The inconsistencies and gaps in the current research do not imply that ESG implementation is ineffective, but rather that a universal implementation strategy fails. As part of the synthesized evidence and research design suggested, the Contingent ESG Implementation Framework (CEIF) is presented and discussed in this section. The framework is designed to address the ESG-performance paradox by offering a roadmap for firms to realistically align their sustainability investment levels with their firm-specific operational environment.

Contingent ESG Implementation Framework (CEIF)

The CEIF is constructed based on two main contingency variables: Firm Size and Sector Risk. These two variables have been selected because they are the most important moderators of the ESG-performance relationship mentioned in the literature (Jasni and Zulkifli, 2024; Adenan et al., 2024). The model hypothesizes that the best order of adoption and focus of the pillars of ESG differ among the four archetypal firms, as shown in Table III.

Table III: The Contingent ESG Implementation Framework (CEIF)

Quadrant 1: PLCs in High-Risk Sectors (Integrated Approach)

Decision rules. A firm is assigned to this quadrant if it is a publicly listed company (PLC) operating in a sector characterised by high regulatory oversight, significant environmental or safety hazards, and substantial reputational exposure (e.g., oil & gas, chemicals, mining, utilities). Placement requires the firm to have both the organisational capacity and stakeholder pressure to implement a fully integrated ESG strategy.

Measurable indicators

Governance: board-level ESG committee existence, frequency of compliance audits, percentage of executive compensation linked to ESG targets.

Social: social license to operate metrics (e.g., community grievance resolution rate, local employment share, employee turnover).

Environmental: carbon intensity per unit of output, investment in green R&D as a percentage of revenue, year-on-year reduction in environmental incidents.

Justification for pillar sequencing

The CEIF framework places *governance* first in this quadrant because high-risk sectors face stringent regulatory and legal scrutiny; a governance-first approach ensures compliance, risk control, and credibility with investors (Rosley et al., 2023). *Social* is ranked second because maintaining a social license to operate and managing relations with a large workforce are critical for uninterrupted operations (Ahmad et al., p2023). *Environmental* is placed third not because it is unimportant, but because meaningful environmental transformations in capital-intensive industries require stable governance foundations and social stability to justify long-term investment; the emphasis is on green innovation and efficiency gains rather than short-term compliance (Mukhtar et al., 2023).

Quadrant 2: PLCs in Low-Risk Sectors (Market-Leader Approach)

Decision rules. A firm is placed in this quadrant if it is a publicly listed company operating in a low-risk sector (e.g., retail, consumer goods, services) where regulatory pressure is moderate, but brand reputation and consumer loyalty are primary competitive assets. The quadrant also requires the firm to have sufficient market position to pursue differentiation through ESG leadership.

Measurable indicators

Social: brand trust scores, employee Net Promoter Score (eNPS), community investment per RM4 millions revenue, third-party ethical sourcing certifications.

Environmental: percentage of product portfolio with eco-labels, supply chain carbon footprint reduction, adoption of circular economy practices.

Governance: ESG disclosure quality (e.g., alignment with TCFD or GRI), shareholder satisfaction scores, board diversity metrics.

Justification for pillar sequencing

The framework adopts a *social-first* sequence because in low-risk sectors brand equity and consumer trust are the primary value drivers. Fair labour practices, community engagement, and ethical marketing directly translate into competitive advantage and customer loyalty (Murali et al., 2012; Agu et al., 2024). *Environmental* initiatives are placed second as they serve as a vehicle for innovation and differentiation in saturated markets, allowing firms to capture premium segments. *Governance* is sequenced third because, while essential for transparency and investor confidence, it functions as a foundational enabler rather than a direct market-facing differentiator in this context.

Quadrant 3: SMEs in High-Risk Sectors (Survival-Focused Approach)

Decision rules. This quadrant includes small and medium-sized enterprises (SMEs) operating in sectors with high regulatory or operational risks (e.g., small-scale chemicals, waste management, construction). Placement is determined by resource constraints (limited capital, personnel) and high external pressure to meet basic compliance, with survival being the dominant strategic objective.

Measurable indicators

Governance: compliance cost as a percentage of revenue, existence of basic risk management documentation, time to rectify regulatory non-compliances.

Social: employee retention rate, customer satisfaction score (CSAT), days lost due to industrial disputes.

Environmental: waste reduction per unit of production, energy cost savings from efficiency measures, adoption of low-cost environmental practices.

Justification for pillar sequencing

The CEIF prioritises *governance* first because for resource-constrained SMEs in high-risk sectors, non-compliance can lead to immediate legal penalties or shutdown. A governance focus is implemented pragmatically emphasising cost-effective compliance and lean management (Adenan et al., 2024). *Social* is ranked second, concentrating on immediate stakeholders: positive employee relations and customer satisfaction are vital for securing repeat business and maintaining cash flow. *Environmental* is placed third, with actions limited to low-cost, high-efficiency measures (e.g., waste reduction, energy savings) that directly improve profitability, thereby reinforcing survival (Ratnasingam et al., 2023).

Quadrant 4: SMEs in Low-Risk Sectors (Community-Focused Approach)

Decision rules. A firm is assigned to this quadrant if it is an SME operating in a low-risk sector (e.g., local retail, hospitality, community services) where regulatory burden is light, and the firm's success is closely tied to local relationships, trust, and community embeddedness.

Measurable indicators.

Social: local customer retention rate, participation in community initiatives, percentage of procurement from local suppliers.

Governance: payment timeliness to suppliers, transparency of ownership/business practices, accessibility of financial records to local lenders.

Environmental: compliance with local environmental regulations, number of local environmental initiatives supported, energy efficiency measures implemented.

Justification for pillar sequencing

The framework adopts a *social-first* sequence because for these SMEs the primary competitive resource is deep integration with the local community. Strong local relationships generate customer loyalty and word-of-mouth reputation that larger competitors cannot easily replicate. *Governance* is placed second, focusing on basic transparency that builds trust with local suppliers, customers, and financial institutions that essential for accessing working capital and maintaining stable operations. *Environmental* is sequenced third, reflecting a pragmatic approach where firms aim for fundamental compliance and visible local environmental actions that reinforce community goodwill, rather than pursuing capital-intensive environmental investments.

Theoretical Implications

The CEIF is a contribution to theory in a number of ways. It is that, first, it generates Stakeholder Theory by introducing an aspect of contingency. The traditional stakeholder theory presupposes that firms should listen to all stakeholders but there are no strategies on how to align in cases where the number of available resources is limited. The CEIF asserts that the saliency of the distinct sets of stakeholders, and thus, the ESG facets responding in reaction to the matters by the group, rely on the context of the company. The governance (investors/banks) group is the most salient stakeholder group in the instance of an SME in a high-risk industry and the consumer (consumers) group in the instance of PLC in a low-risk industry. Second, the framework is an addition to the Resource-Based View (RBV). The RBV proposes that unique resources and capabilities are the way to have competitive advantage. The CEIF does not perceive ESG as a resource, but rather as a portfolio of resources (governance systems, social capital, and green technologies). This implies that such resources can be developed to make the maximum value out of them through strategic sequencing and aligning the development with the endowment of resources possessed by the firm (e.g. limited capital in an SME) and market position (e.g. threat profile in a risk-prone industry). It is an on-demand use of ESG resources that is transformed into a dynamic capacity.

Resolving the ESG Paradox

The CEIF deals directly with the relevance of the ESG-performance paradox that was identified in the literature review. Such incongruent outcomes can be explained by the fact that, the works may bring together companies representing different quadrants and test a universal ESG model. As suggested in the framework, short-term effects were negative, which was confirmed by Wong (2024) and Ming et al. (2024): both of their samples had firms operating in Quadrants 3 and 4, which immediately rushed to invest in the costly environmental initiatives (the third priority) without sufficient governance and social stability in place to absorb the costs. Positive results (RUHAINI et al., 2025), on the contrary, might be incidental, and consisted of companies already possessing an established ESG strategy that was well-suited to the case scenario. The CEIF offers the lost lens through which to view these antagonistic results, making a paradox into a cycle of contingent results as is expected.

DISCUSSION ON RESULTS AND FINDINGS

Implications for Managers, Investors, and Policymakers. The CEIF provides practical advice that is easily understood by key stakeholders in the Malaysian ecosystem.

For Managers

The framework is an effective strategic decision-making tool. Rather than posing the question of What ESG we should do, managers can pose the question of given our size and industry, what is our most pressing ESG priority? This provides a plausible reason for prioritizing governance and social factors initially, which can be employed to deal with internal expectations and the use of limited resources. It transforms ESG into a compliance process and a strategic survival-competitive advantage.

To Investors

The CEIF offers a more advanced risk evaluation and valuation prism. Investors no longer need to rely on aggregated ESG scores. Rather, they have the opportunity to judge a firm based on the suitability of its ESG strategy with its CEIF quadrant. An SME with a high governance and social score and a low environmental score in Quadrant 3 may become more attractive and less risky to invest in as compared to a similar SME with a balanced yet mediocre score across the three. Such context-based analyses may result in more informative capital allocation choices.

For policymakers and Regulators

The framework gives principles of how to develop more complex and efficient policies. One way in which SMEs may be overworked is the introduction of a blanket requirement, such as making all companies to prepare a full sustainability report. Rather, regulators can use the tiered approach. With PLCs, it is appropriate to report on the basis of international standards (including GRI or TCFD). In SMEs, regulators may focus on the designation of minimum governance disclosure and provide incentives (e.g., tax exemption, grants) to implement the best practices in the social and environmental issues. This individual approach would improve the levels of compliance and would lead to a more material insertion of ESG in the economy. CEIF does not deny the importance of each ESG pillar. Rather, it is conscious of the strategic reality of scarcity of resources and competing priorities. It includes a context-specific roadmap of applying ESG and enables locating the escape of the current stalemate and realize the true potential of sustainable business practices in the multi-faceted and highly necessary consumer sphere in Malaysia.

CONCLUSION

The road to environmental sustainability and well-established ESG inclusion into the Malaysian consumer product industry is hazardous. Despite the abundance of academic literature, this has left the image of uncertainty because a relationship between sustainable practices and financial performance is far-fetched and contradictory. This ambiguity, as discussed in this paper, is not a sign of ineffectiveness of ESG, but merely a symptom of an extremely deep-seated failure the perpetuation of a one-size-fits-all approach to a corporate environment that is vastly diverse. To identify the three key gaps that continue to fuel this confusion, the main themes of 50 studies carried out in the contemporary age are synthesized in this paper: the lack of focus on the size of the firm and sector risk as a key moderating concept, the precise and under-substantiated issues faced by the SMEs, and the impossibility to prescribe strategic advice on how to address the trade-offs existing between the E, S, and G pillars. To counter this, this paper is offering a theoretical framework to counter this gap; the Contingent ESG Implementation Framework (CEIF). CEIF is grounded in the evidence-based roadmap that assists firms to focus its ESG activities based on its specific context of operation and offers specific strategic paths to four archetypes of firms.

The primary implication of the research is the shift in the angle that the research brings, substituting the universalist view of ESG with a situational one. Theoretically, it extends Stakeholder Theory and the Resource-Based View, since it puts them into a context-sensitive framework, which explains why and how the value of ESG resources varies across firms. Practically, it has been a gold mine of resources to managers that would like to rationalize and direct their sustainability investments, investors that would rather make a more advanced risk analysis and policy makers that would rather construct a more constructive and equitable regulations. CEIF does away with the ESG-performance paradox by demonstrating that the divergent outcomes that are being found in the literature are not accidental findings, but rather anticipated outcomes of contextual miss-alignment.

Future Research Directions and Limitations

This research has a limitation since it is a concept paper which proposes a framework. Its greatest limitation is that the CEIF has not been empirically validated since it has been founded on extensive literature reviews. Such validation could be easily guided by the three-phase mixed-method research proposal, but the results of the future research will be required to further refine and confirm the propositions of the framework. Furthermore, the framework in itself is specifically oriented towards the Malaysian context; underlying logic of contingency could probably be extended to the other environments, yet its quadrant recommendations would need to be extended to other institutional and market settings. Some of these potential avenues are therefore the way forward in future research. The second one is the actual implementation of the proposed research design to gather the qualitative and quantitative data needed in testing the hypotheses of the CEIF. The longitudinal studies might then be conducted on the firms over time to establish whether the adoption of the recommended pathway offered by the CEIF leads to greater performance in both financial and sustainability terms. Lastly, cross-country studies across the different countries in the ASEAN region can explore how institutional diversity in the countries (e.g., regulatory stringency, stakeholder activism) can influence the contingency variables applied by the CEIF. Malaysia cannot risk a blanket solution to ESG in its pursuit of sustainable future. The Contingent ESG Implementation Framework suggests a more humanitarian, realistic, and, long-term, more functional escape- the one that considers individual challenges and opportunities of individual firms and the capacity of the latter to build a more sustainable and prosperous future one strategic step at a time.

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