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ESG IMPLEMENTATION IN MODERN BUSINESS ORIENTED TOWARDS SUSTAINABLE MANAGEMENT

Elli WIDIA[1], Chablullah WIBISONO[2]
[1,2]Galileo College of Science, Batam University, Indonesia
Corresponding author: Elli Widia
E-mail: ellie.widiaa@gmail.com

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Abstract:
This research aims to understand how ESG (Environmental, Social, and Governance) implementation strategies can be optimized to improve the company's financial performance and long-term value. In addition, this research identifies the main obstacles that companies face in adopting and integrating ESG principles into their business strategies, especially in the current context of globalization and market complexity. This research also analyzes the influence of ESG implementation on a company's reputation and image in the eyes of stakeholders, including investors, consumers and the wider community. The research results show that effective ESG implementation can reduce operational risks, increase efficiency, and attract sustainable investment, ultimately strengthening a company's competitiveness. However, challenges such as measurement difficulties, implementation costs, and pressure from stakeholders remain obstacles that must be overcome. Successful ESG integration can create long-term, sustainable value for a company and its stakeholders.

Keywords: ESG, Sustainability, Modern Business

INTRODUCTION

Background regarding strategic management for sustainability with the implementation of ESG (Environmental, Social, and Governance). ESG helps companies achieve long-term sustainability goals by managing environmental and social risks and improving overall company performance. In modern business, ESG reflects the increasingly urgent global paradigm shift towards social and environmental responsibility. In this era of Industry 4.0, companies are expected to create economic value and consider their operations' social and environmental impacts. The ESG concept highlights three crucial dimensions to consider in strategic decision-making: environmental, social and corporate governance. ESG is not just a trend but an urgent business need. By integrating ESG into business strategy, companies can create long-term value, enhance reputation and contribute to sustainable development.

Companies must face environmental challenges such as climate change, the sustainability of natural resources, and waste management. Strategies to reduce carbon footprints, implement environmentally friendly technologies, and promote energy efficiency are essential in their efforts to contribute to environmental conservation. The social aspect of ESG includes the company's responsibility towards employees, customers and society. Initiatives that support gender equality, diversity, employee welfare and positive contributions to local communities are becoming increasingly important in building a sustainable corporate reputation (Prawoto et al., 2023).

Corporate governance is essential in ensuring companies operate with transparency, accountability and integrity. Good governance practices guarantee compliance with regulations and high ethical standards and increase trust from company stakeholders, including investors and consumers (Firdaus et al., 2021). ESG implementation is no longer just a corporate social responsibility but is crucial to managing risk, increasing operational efficiency and identifying new growth opportunities. In modern business that is increasingly connected and transparent,

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companies that adopt a sustainable approach have a significant competitive advantage (Doloksaribu., 2024). They can attract long-term, sustainable investment and position themselves as leaders in innovation and building a more sustainable future.

Thus, strategic management for sustainability with ESG implementation is not just about meeting regulations or societal expectations but also a foundation for creating long-term, sustainable value for the company, stakeholders and the global environment (Hendro & Pranogyo, 2023). Therefore, based on the background that has been presented, 3 problem formulations can be taken in the form of:

1. How can ESG implementation strategies be optimized to improve the company's financial performance and long-term value?
2. What are companies' main obstacles in adopting and integrating ESG principles into their business strategies, especially in globalization and market complexity?
3. How does ESG implementation affect the company's reputation and image in the eyes of stakeholders, including investors, consumers and the wider community?

This research aims to find out how ESG implementation strategies can be optimized to improve the company's financial performance and long-term value. It also aims to identify the main obstacles companies face in adopting and integrating ESG principles into their business strategies, especially in globalization and market complexity. Finally, this research aims to analyze the influence of ESG implementation on a company's reputation and image in the eyes of stakeholders, including investors, consumers and the wider community.

Literature Review. ESG (Environmental, Social, and Governance) is a company standard in its investment practices which consists of three concepts or criteria (Aditama, 2022), namely:

a) Environmental: This criterion discusses the conservation of natural resources and the impact of company operations on the surrounding environment.
b) Social: This criterion discusses the company's relationship with external parties, such as the community, customers and employees, and the impact of the company's operations on society.
c) Governance: This criterion discusses sustainability principles in company operations, including implementing good corporate governance (GCG), which adheres to "people, planet and profit."

ESG is essential because it positively impacts the excellent image of investors in the capital markets and improves the company's reputation. The term ESG is being widely discussed worldwide, especially after the COVID-19 pandemic spread worldwide and impacted capital markets (Inawati & Rahmawati, 2023). Companies with strong ESG practices have better reputations, attract investors and build better customer relationships. ESG can drive innovation and efficiency as companies look for new ways to reduce environmental impact and increase social impact. More and more companies are realizing the importance of implementing Environmental, Social and Governance (ESG) principles (Rahelliamelinda & Handoko, 2024). It is driven by various factors, ranging from pressure from investors, consumers and regulators to awareness of the impact of business on the environment and society. Companies that implement ESG have a better reputation in the eyes of consumers, investors and other stakeholders. ESG can encourage companies to seek innovative solutions to environmental and social problems. By identifying and managing ESG risks, companies can avoid significant financial losses. ESG is increasingly becoming an integral part of the business world. Companies that successfully integrate ESG into their business strategy will be better prepared to face future challenges and create long-term value for all stakeholders.

METHODS

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This paper uses a literature review to explore and analyze the implementation of Environmental, Social, and Governance (ESG) in modern business sustainability strategy management. The data collection process is carried out by identifying, evaluating and integrating relevant research and literature from various academic sources, journals, books, industry reports, and online publications related to ESG and strategic management topics. The stages in this methodology include literature searches using specific keywords, filtering articles based on relevance and quality, and critical analysis of existing research findings. The main focus of this literature review is to understand how ESG principles are applied in business practices, the challenges faced, and their impact on sustainability and company performance. With this approach, it is hoped to provide a comprehensive picture of the role of ESG in supporting sustainability strategies in modern business.

RESULT AND DISCUSSION

ESG Implementation Strategies can be Optimized to Improve Financial Performance and Long-Term Value for the Company. Implementing ESG (Environmental, Social, and Governance) in business strategy has become increasingly important in a changing global context, where companies are assessed based on their financial performance and the resulting social and environmental impact. An ESG implementation strategy is substantially about compliance with regulations and ethical demands and creating long-term, sustainable value for the company. One of the main ways in which ESG implementation can optimize a company's financial performance is through better risk management (Sunday et al., 2023). In this context, the environmental aspects of ESG, such as waste management and energy efficiency, can reduce long-term operational costs. For example, companies that reduce carbon emissions or adopt green technology often experience significant reductions in energy and waste costs (Amalia & Kusuma, 2023). In addition, managing environmental risks well can also reduce fines and legal costs that can arise due to environmental violations.

The social aspects of ESG can also provide financial benefits for companies. Investments in employee welfare, gender equality, and community development can increase workforce productivity, reduce absenteeism rates, and increase employee retention (Antonius & Ida, 2023). Additionally, companies with good relationships with local communities and implementing responsible social practices often have a more loyal customer base, increasing revenue and profitability. In addition to operational and social benefits, ESG implementation can generate long-term value for companies through increased access to capital. Investors are increasingly demanding transparency and accountability from companies regarding their ESG practices. Companies that demonstrate a solid commitment to ESG and build a good track record are generally more attractive to investors who care about sustainability. It can increase company access to capital from institutional investors, pension funds and private investors who prioritize responsible investment (Sintyawati & Dewi, 2018).

Apart from increasing access to capital, implementing ESG can also reduce the cost of capital. Companies that manage ESG risks well tend to face lower risks in the long term, which can reduce borrowing costs and increase company valuations. Financial institutions are also increasingly inclined to provide better lending conditions to companies with low ESG risk profiles. Overall, an ESG implementation strategy is not just about complying with regulations or maintaining reputation but is a holistic approach that can optimize the company's financial performance and long-term value (Messakh et al., 2024). By taking environmental risks, social aspects and corporate governance

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seriously, companies can create significant added value, strengthen their competitiveness and build a solid foundation for sustainable growth in the future.

The Main Obstacles that Companies Face in Adopting and Integrating ESG Principles into Their Business Strategies, Especially in the Current Context of Globalization and Market Complexity. Adopting and integrating ESG (Environmental, Social, and Governance) principles into business strategy is challenging for companies, especially in globalization and market complexity (Ningwati et al., 2022). The following are some of the main obstacles that companies often face in this process:

1. **Difficulty in Measuring and Reporting:** One of the main obstacles is measuring and reporting corporate environmental, social, and governance impacts consistently and transparently. Companies often face challenges in determining relevant indicators and metrics that can be accurately measured to assess their ESG performance. Different reporting standards across countries or industries can confuse and complicate compiling trustworthy ESG reports.
2. **Lack of Internal Skills and Capacity**: Many companies need more skills and capacity to manage and implement ESG strategies effectively. This includes a need for more staff trained in ESG aspects, such as environmental risk management, social analysis and understanding good governance. Training and developing human resources in ESG matters is often necessary but can be time-consuming and expensive.
3. **Pressure from Stakeholders:** Despite pressure from various stakeholders, including investors, consumers, regulators and civil society, not all companies have full support from all these parties to implement ESG principles. Companies can face conflicts between investors' short-term expectations for maximum profits and long-term demands for sustainability that can hinder ESG strategic decisions.
4. **Implementation Costs:** Implementing an ESG strategy often requires significant upfront investment, whether in green technology, sustainable product development, or compliance with new regulations. These additional costs can be an obstacle for companies, especially given the pressure to optimize investment returns and increase profits.
5. **Challenges in Supply Chains:** Companies often face challenges integrating ESG principles into their supply chains. Ensuring suppliers and business partners comply with ESG standards can be complex, especially if the global supply chain involves many different parties.
6. **Changing Regulations:** Companies must navigate a changing regulatory environment related to ESG issues in various jurisdictions. Regulatory uncertainty can make long-term planning more difficult and unnecessarily increase compliance risks.
7. **Difficulty in Measuring Long-Term Impact:** The long-term benefits of ESG implementation are often challenging to measure clearly and directly. If the financial benefits cannot be demonstrated or felt within a short time frame, internal persuasion efforts to adopt a sustainable approach can be complicated.

By overcoming these barriers, whether by developing internal capabilities, improving reporting and measurement, or gaining more significant stakeholder support, companies can position themselves to more effectively integrate ESG principles into their business strategy, thereby enhancing long-term competitiveness. Length and strengthen the sustainability of their operations.

The Influence of ESG Implementation on a Company's Reputation and Image in the Eyes of Stakeholders, Including Investors, Consumers and the Wider Community. Implementing ESG (Environmental, Social, and Governance) can significantly influence a company's reputation and image in the eyes of various stakeholders, including investors, consumers and the wider community (Fadilah & Rosdiana, 2024). Here are some of the main aspects of its influence:

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1. **Investors:** For investors, ESG implementation shows that companies consider sustainable factors in their strategic decision-making. Institutional investors and pension funds, which increasingly consider ESG factors in their investment decisions, provide more excellent added value to companies that practice ESG well. It can increase companies' access to capital from investors who care about sustainability and reduce risk from investors who demand more transparency and accountability.
2. **Consumers:** Modern consumers increasingly support companies committed to social and environmental responsibility. Robust ESG implementation can improve a company's image in the eyes of consumers, who are often more likely to purchase products or use services from companies that are considered socially and environmentally responsible. It can create better consumer loyalty and increase the company's market share.
3. **Wider Society:** ESG implementation can also affect the company's image in the eyes of the broader public in general. Companies that pay attention to environmental issues, such as reducing carbon emissions or responsible waste management, and are committed to social issues, such as gender equality or empowering local communities, tend to receive more significant social support. It can reduce reputational risks arising from controversy or societal demands for irresponsible business practices.
4. **Employees:** ESG implementation can also influence employee motivation and pride in their workplace. Employees often feel more motivated and connected to companies committed to ESG values. It can increase employee retention, reduce absenteeism rates, and increase overall productivity.
5. **Other Stakeholders:** Besides investors, consumers and society, ESG implementation can influence perceptions and relationships with other stakeholders, such as governments, non-profit institutions and business partners. Companies that adhere to high ESG standards have better relationships with all of these parties, which can support smoother and thriving business operations.

Overall, ESG implementation is not only about meeting regulatory demands or avoiding adverse reputation risks but also about building a solid corporate image and reputation in the eyes of all stakeholders (Firmansyah et al., 2023). Companies that can effectively integrate ESG principles into their culture and operations often have significant long-term competitive advantages regarding access to capital, customer loyalty, community support and employee engagement.

CONCLUSION

Implementing ESG (Environmental, Social, and Governance) in business strategy is no longer just an option but necessary for companies that want to build a sustainable and profitable future. In an era where various stakeholders increasingly emphasize transparency and social responsibility, companies that take ESG principles seriously have a better chance of improving long-term financial performance, strengthening reputations and building stronger relationships with investors, consumers, and the wider community. The implementation of ESG brings clear benefits in various aspects. Financially, companies can reduce long-term operational costs by better managing environmental risks, increasing energy efficiency and minimizing negative environmental impacts. It not only improves the company's bottom line but also strengthens its position in the face of increasingly stringent regulations regarding environmental sustainability.

Socially and humanly, companies that care about ESG tend to attract and retain more talented employees, reduce workforce rotation costs, and increase productivity and employee satisfaction. In addition, they are also more likely to receive strong support from consumers who are increasingly aware of environmental and social issues. Modern consumers tend to choose products and services from companies that are considered socially and environmentally responsible, creating stable market share and intense loyalty. Apart from that, ESG implementation also forms a solid foundation for building a good reputation in the eyes of the wider community. Companies that are transparent in ESG reporting and have a good track record of sustainable practices can reduce the risk of damaging reputations arising from conflict or controversy. It also generates greater trust from regulators, governments, non-profits, and other business partners, facilitating better relationships and collaboration opportunities.

Thus, ESG integration is not just about complying with regulations or responding to market demands; it is a long-term investment in building solid business sustainability. Companies that can overcome existing obstacles, such as measurement difficulties, implementation costs, and supply chain challenges, can take advantage of new opportunities, reduce risks, and solidify their position as leaders in sustainable industries. In doing so, they optimize shareholder value, increase value for all their stakeholders, and contribute positively to society and the global environment.

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