

Sustainability as Strategy: Understanding the ESG-Performance Link

Aljaž Herman, Žan Jan Oplotnik, Timotej Jagrič

*University of Maribor, Faculty of Economics and Business, Institute of Finance and Artificial Intelligence,
Slovenia*

Abstract

Over the past two decades, environmental, social, and governance (ESG) factors have moved from the periphery of corporate responsibility into the core of strategic decision-making. Investors, regulators, and consumers increasingly expect companies to demonstrate not only financial success but also commitment to sustainable and ethical practices. While ESG has become a widely discussed concept, questions remain about its tangible impact on corporate performance. Does a stronger ESG profile genuinely translate into better financial results, or is it primarily a matter of reputation and compliance? This study examines how ESG engagement relates to the overall business performance of listed firms, offering insights into patterns that emerge when sustainability meets financial reality. Our findings indicate that ESG is more than a symbolic commitment – it can be an important part of competitive advantage and long-term value creation. By situating ESG within the broader context of corporate decision-making and market expectations, our findings contribute to the ongoing debate on sustainable finance by providing a market-based perspective on ESG's potential to drive value creation. They also highlight the importance of viewing ESG not as a uniform formula but as a strategic framework whose impact depends on context, priorities, and execution. For companies, this underscores the need to integrate sustainability into core operations rather than treating it as an isolated initiative. For investors and policymakers, it suggests that ESG considerations may offer valuable insights into long-term resilience and competitiveness.

Keywords: Business Performance; Corporate Strategy; ESG; Listed Companies; Sustainable Finance