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Integrating Institutional and Stakeholder Perspectives: a Conceptual Framework for Esg Adoption in European Firms

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Abstract

The increasing global emphasis on Environmental, Social, and Governance (ESG) practices has heightened scholarly and managerial attention on how firms embed sustainability principles into strategic decision-making. While prior research has explored ESG drivers, challenges, and stakeholder pressures, the literature remains fragmented, offering limited understanding of how these elements interact to shape ESG adoption outcomes. Our study addresses this gap by synthesizing evidence from three complementary investigations: a systematic literature review of ESG drivers, a quantitative prioritization of these drivers, and qualitative interviews with ESG officers across European firms. Drawing upon institutional and stakeholder theories, our paper asks how institutional pressures, firm-specific capabilities, and stakeholder engagement collectively influence ESG adoption, and how these relationships are shaped by organizational challenges and contextual factors.

The study proposes an integrative conceptual framework that positions external and internal drivers as the primary initiators of ESG adoption, stakeholder engagement as the mediating mechanism translating these pressures into practice, and challenges as moderating conditions that strengthen or weaken these links. Contextual factors such as firm size, sector, and country define the boundaries of this process. The framework advances theoretical understanding of ESG adoption by linking institutional pressures with engagement dynamics and offers practical insights for managers and policymakers seeking to enhance sustainability performance.

Keywords: Esg Adoption, Stakeholder Engagement, Institutional Theory, Conceptual Framework, Sustainability Strategy, Eu Firms