

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) PRACTICES AND THEIR IMPACT ON MARKETING STRATEGIES

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Abstract

Environmental, Social, and Governance (ESG) practices have emerged as critical determinants of corporate performance and long-term sustainability. This study investigates the influence of ESG adoption on marketing strategies, emphasizing how ethical, social, and environmental considerations shape branding, customer engagement, and competitive positioning. Drawing on stakeholder theory and sustainable marketing frameworks, the research explores the linkages between ESG integration and marketing effectiveness. The study employs a quantitative research design, collecting data from 300 marketing professionals and corporate managers across various industries. Statistical software is utilized to perform structural equation modeling, assessing the relationships between ESG practices, marketing strategy adaptation, and corporate performance indicators. Key findings reveal that ESG practices significantly enhance marketing strategies by improving brand reputation, customer trust, and differentiation in competitive markets. Moreover, environmental initiatives positively affect green marketing campaigns, social responsibility drives customer loyalty, and governance practices strengthen credibility and transparency in marketing communications. The study highlights the mediating role of marketing strategy innovation in translating ESG initiatives into tangible business outcomes. These insights contribute to the literature on sustainable business practices and marketing management by providing empirical evidence of the practical benefits of ESG integration. The study also offers actionable guidance for marketing managers and policymakers seeking to align corporate sustainability goals with strategic marketing objectives. Overall, the research underscores the necessity for firms to adopt ESG frameworks not only for compliance or ethical reasons but also as a strategic lever to enhance market positioning and achieve long-term competitive advantage. This study bridges the gap between corporate social responsibility and marketing strategy, emphasizing the role of ESG as a driver of sustainable value creation in contemporary business environments.

Keywords: *Environmental Social Governance, ESG practices, Marketing Strategy, Sustainable Marketing, Brand Reputation, Stakeholder Theory*

Introduction

In recent years, Environmental, Social, and Governance (ESG) practices have gained prominence as essential factors shaping corporate strategy and sustainable business development. ESG represents a holistic approach to corporate responsibility, encompassing environmental stewardship, social accountability, and robust governance mechanisms. The rising global awareness of climate change, social equity, and ethical governance has prompted organizations to incorporate ESG principles into their operational and strategic frameworks. Firms are increasingly expected not only to generate financial returns but also to contribute positively to society and the environment, aligning their practices with stakeholder expectations (Eccles et al., 2014).

Marketing strategies, which traditionally focus on product promotion, customer engagement, and revenue generation, are now evolving under the influence of ESG considerations. Consumers, investors, and regulatory bodies are demanding transparency and accountability in corporate operations, making ESG

integration a strategic necessity. The integration of ESG practices into marketing strategies allows firms to communicate ethical values, environmental responsibility, and social commitments effectively. This strategic alignment enhances brand credibility, strengthens customer loyalty, and differentiates firms in increasingly competitive markets (Kotler & Keller, 2022). For instance, environmentally conscious marketing campaigns appeal to eco-sensitive customers, while social initiatives resonate with communities and employees, creating a broader positive brand perception.

Despite the growing interest in ESG, there remains limited empirical research linking ESG practices directly to marketing strategy outcomes. While previous studies have explored ESG's impact on financial performance and corporate reputation (Friede et al., 2015), the specific mechanisms through which ESG shapes marketing approaches remain under-investigated. Understanding these mechanisms is crucial, as marketing functions are central to translating corporate sustainability commitments into visible market actions, shaping consumer perceptions and behavior.

This study aims to address this research gap by examining how ESG practices influence marketing strategies. The study focuses on three primary dimensions of ESG: environmental initiatives, social responsibility, and governance practices. Each dimension is analyzed for its contribution to marketing strategy adaptation, including branding, promotional activities, and customer relationship management. Drawing on stakeholder theory and sustainable marketing frameworks, this research hypothesizes that ESG practices positively impact marketing strategies and that this relationship is mediated by marketing innovation.

The research adopts a quantitative approach, employing structural equation modeling using Smart-PLS to assess the relationships between ESG dimensions and marketing strategy outcomes. Data collected from 300 professionals across various industries provide insights into the practical implementation and effects of ESG-aligned marketing strategies. This study contributes to both academic literature and managerial practice by offering empirical evidence of the strategic benefits of ESG integration. By linking ESG initiatives to marketing strategy effectiveness, the research highlights how organizations can leverage ethical, social, and environmental commitments to achieve competitive advantage and long-term sustainability.

Literature Review

Environmental, Social, and Governance (ESG) practices have become a cornerstone of sustainable business management, emphasizing that corporate success extends beyond financial performance to include ethical, social, and environmental responsibilities. ESG frameworks guide firms in addressing global challenges such as climate change, social inequality, and corporate misconduct, ensuring that organizations operate sustainably and transparently (Kotsantonis et al., 2016). Each ESG component plays a distinct role: environmental practices focus on resource efficiency and emission reduction; social practices emphasize employee welfare, community engagement, and human rights; governance practices ensure ethical decision-making, transparency, and accountability (Friede et al., 2015).

Research indicates that ESG adoption positively influences firm reputation, customer trust, and stakeholder engagement (Eccles et al., 2014). For example, environmentally responsible practices, such as energy-efficient operations or green supply chains, enhance corporate image and attract environmentally conscious consumers. Social initiatives, including philanthropy, diversity, and labor welfare programs, foster goodwill and loyalty among stakeholders. Governance practices, such as transparent reporting and ethical board oversight, reduce risk perception and improve credibility. Together, ESG practices can create a strategic

advantage by aligning organizational actions with stakeholder expectations, thereby strengthening market positioning (Clark et al., 2015).

Marketing strategies are increasingly integrating ESG considerations to address shifting consumer preferences and regulatory pressures. Sustainable marketing, green marketing, and cause-related marketing represent key approaches by which firms communicate ESG initiatives to the market. Sustainable marketing emphasizes product lifecycle responsibility, minimizing environmental impact while maximizing societal benefits (Peattie & Belz, 2015). Green marketing focuses on promoting environmentally friendly products and practices, responding to growing demand for sustainable consumption. Cause-related marketing links corporate initiatives to social causes, enhancing brand image and fostering consumer loyalty (Kotler & Lee, 2011). These approaches indicate that marketing strategy is a crucial mediator between ESG adoption and market performance outcomes.

Empirical studies reveal positive correlations between ESG engagement and marketing effectiveness. For instance, firms that actively promote ESG initiatives experience enhanced brand equity and customer satisfaction (Du et al., 2010). Stakeholder theory provides a theoretical foundation, suggesting that firms addressing the interests of multiple stakeholders, including customers, employees, and investors, achieve superior strategic outcomes. By integrating ESG practices into marketing communication, firms demonstrate commitment to stakeholder welfare, reinforcing trust and long-term loyalty (Freeman, 1984). Furthermore, research highlights the role of ESG in innovation-driven marketing, as sustainable product development and ethical branding create differentiation in saturated markets (Hart & Milstein, 2003).

Despite the growing body of literature, gaps remain regarding the direct impact of ESG on marketing strategy formulation and implementation. Most studies focus on ESG's influence on financial performance or corporate reputation, overlooking the mechanisms through which ESG shapes market communication, product positioning, and promotional activities. Understanding these pathways is essential for practitioners aiming to leverage ESG for strategic marketing advantage. Moreover, there is limited quantitative evidence using advanced modeling techniques, such as structural equation modeling, to validate the relationships between ESG dimensions and marketing strategy outcomes.

This study addresses these gaps by developing a conceptual model linking environmental, social, and governance practices to marketing strategy adaptation. Environmental practices are hypothesized to influence green marketing initiatives and eco-friendly branding. Social practices are expected to affect customer engagement, community-oriented campaigns, and corporate social responsibility marketing. Governance practices are anticipated to enhance credibility, transparency, and ethical communication in marketing channels. By empirically testing these hypotheses using Smart-PLS, the study provides robust evidence on how ESG adoption translates into tangible marketing benefits.

Conceptual Model / Theoretical Framework

Theoretical Framework:

The study is grounded in Stakeholder Theory (Freeman, 1984) and Sustainable Marketing Theory (Peattie & Belz, 2015). Stakeholder theory emphasizes that firms addressing the interests of customers, employees, investors, and communities can achieve competitive advantage. Sustainable marketing theory integrates environmental and social considerations into marketing strategies to generate long-term value.

Conceptual Model:

- Independent Variables: ESG Dimensions

- Environmental Practices
- Social Practices
- Governance Practices
- Mediator: Marketing Strategy Adaptation (Branding, Promotion, Customer Engagement)
- Dependent Variable: Marketing Effectiveness / Corporate Performance

Methodology

This study adopts a quantitative research design to examine the relationship between ESG practices and marketing strategy effectiveness. Data were collected through structured questionnaires administered to 300 marketing managers and corporate executives across multiple industries. A five-point Likert scale measured respondents' perceptions of ESG practices, marketing strategy adaptation, and organizational performance. The questionnaire was pre-tested for reliability and validity using a pilot sample of 30 respondents.

The research employs Smart-PLS 4 for structural equation modeling (SEM) to analyze the hypothesized relationships. SEM is chosen for its ability to handle complex models with latent constructs and mediating variables, providing robust estimates of direct and indirect effects. The study evaluates measurement model reliability using Cronbach's alpha, composite reliability, and average variance extracted (AVE). Discriminant validity is assessed via HTMT ratios, and multicollinearity is tested using variance inflation factor (VIF) values. The structural model is evaluated by examining path coefficients, t-values, and bootstrapped confidence intervals.

Hypotheses tested include

1. Environmental practices positively influence marketing strategy adaptation.
2. Social practices positively influence marketing strategy adaptation.
3. Governance practices positively influence marketing strategy adaptation.
4. Marketing strategy adaptation mediates the relationship between ESG practices and marketing effectiveness.

This methodology ensures a comprehensive assessment of ESG's impact on marketing strategies, allowing for empirical validation of theoretical propositions.

Analysis

Table 1: VIF Values (Multicollinearity Test)

Variable	VIF Value
Environmental Practices	1.92
Social Practices	1.85
Governance Practices	1.78
Marketing Strategy	1.65

Table 1 Analysis

The VIF values for all constructs are below 5, indicating no multicollinearity issues. Environmental practices have the highest VIF at 1.92, suggesting moderate correlation with other independent variables but within acceptable limits. Social, governance, and marketing strategy constructs also fall well below the threshold, confirming the stability of the regression coefficients and robustness of the SEM model.

Table 2: HTMT Discriminant Validity

Variable Pair	HTMT Value
Environmental – Social	0.62
Environmental – Governance	0.57
Social – Governance	0.64
ESG – Marketing Strategy	0.69

Table 2 Analysis

The HTMT values are all below the 0.85 threshold, confirming discriminant validity among constructs. This indicates that environmental, social, and governance practices are distinct dimensions and do not significantly overlap, validating the theoretical framework. The HTMT values between ESG dimensions and marketing strategy adaptation suggest adequate discriminant validity, ensuring that observed effects in the structural model are reliable.

Table 3: Structural Model (Bootstrapped Confidence Intervals)

Path	Beta	t-value	p-value	95% Lower	CI	95% Upper	CI
Environmental → Marketing Strategy	0.42	5.32	0.000	0.31		0.52	
Social → Marketing Strategy	0.35	4.78	0.000	0.25		0.46	
Governance → Marketing Strategy	0.28	3.85	0.000	0.18		0.39	
Marketing Strategy → Marketing Effectiveness	0.51	6.12	0.000	0.41		0.61	

Table 3 Analysis

Bootstrapped confidence intervals show significant positive relationships between ESG dimensions and marketing strategy adaptation. Environmental practices have the strongest effect ($\beta = 0.42, p < 0.001$), highlighting the importance of eco-friendly initiatives in marketing campaigns. Social practices also exert a substantial positive impact ($\beta = 0.35, p < 0.001$), emphasizing the role of CSR and community engagement in shaping customer perceptions. Governance practices, while slightly lower ($\beta = 0.28, p < 0.001$), contribute significantly to marketing credibility and transparency. The path from marketing strategy adaptation to marketing effectiveness is the highest ($\beta = 0.51, p < 0.001$), confirming the mediating role of marketing strategies in translating ESG practices into measurable market outcomes. Overall, the analysis supports the theoretical proposition that ESG practices drive marketing strategy adaptation, which in turn enhances corporate performance.

Conclusion and Discussion

This study provides empirical evidence that ESG practices significantly influence marketing strategies. Environmental initiatives, social responsibility, and governance mechanisms positively impact marketing strategy adaptation, confirming that firms can leverage ESG to improve brand reputation, customer engagement, and competitive positioning. Environmental practices drive green marketing and eco-friendly branding, social practices enhance customer loyalty through community engagement, and governance practices reinforce credibility and trust in marketing communication.

The findings highlight the mediating role of marketing strategy adaptation. ESG practices alone are insufficient to enhance marketing effectiveness unless integrated into strategic marketing frameworks. By translating ESG initiatives into concrete marketing actions, firms can strengthen stakeholder relationships and achieve sustainable competitive advantage.

From a managerial perspective, the research suggests that marketing managers should incorporate ESG principles into campaign planning, product development, and customer communication. Firms that actively communicate their sustainability initiatives can differentiate themselves in crowded markets and foster long-term loyalty. Policymakers and regulators can also support ESG-driven marketing through incentives and guidelines promoting transparency and responsible corporate behavior.

Future research can explore longitudinal effects of ESG on marketing strategy, investigate industry-specific differences, and examine the role of digital marketing channels in amplifying ESG initiatives. Additionally, qualitative studies can provide insights into consumer perceptions of ESG-driven marketing campaigns, complementing quantitative findings.

In conclusion, ESG practices are not merely ethical or compliance obligations; they represent strategic levers that enhance marketing effectiveness and contribute to long-term business sustainability. Integrating ESG into marketing strategy bridges corporate responsibility with market performance, offering firms a pathway to achieve both societal impact and competitive advantage.

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