

BARRIERS AND ENABLERS OF ESG ADOPTION: A CONCEPTUAL PERSPECTIVE

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Abstract: The Environmental, Social, and Governance (ESG) adoption has evolved from a peripheral concern to a strategic imperative in contemporary organizational practice. While the discourse around ESG has matured, the lived reality of implementation remains fragmented, often shaped by a shifting constellation of regulatory pressures, cultural constraints, market expectations, and internal capacity. This article explores ESG integration not as a linear process but as a dynamic, adaptive negotiation – marked by both friction and momentum. Drawing on insights from institutional theory, organizational behaviour, and strategic management, the study maps the interplay between key barriers – such as regulatory ambiguity, financial constraints, data insufficiencies, and organizational inertia – and emerging enablers including digital innovation, leadership commitment, stakeholder pressure, and policy scaffolding. Rather than presenting a prescriptive framework, this work foregrounds the interpretive processes through which firms navigate the ESG complexity. It highlights the conditions under which ESG initiatives are resisted, reframed, or embedded into core strategy. In doing so, the article contributes a more nuanced, systems-aware understanding of ESG adoption across contexts. Implications are outlined for policymakers, who are urged to offer clearer regulatory signals and financial mechanisms; for researchers, who are encouraged to examine ESG integration through longitudinal, sector-specific, and micro-level lenses; and for practitioners, who are challenged to align ESG ambition with operational reality. Ultimately, the findings underscore that ESG transformation is not guaranteed by mandates or market signals alone, but shaped by how firms interpret, improvise, and institutionalize sustainability under conditions of uncertainty.

Keywords: Corporate Culture; Social Responsibility, Corporate Finance and Governance, Organizational Behaviour, Sustainability.

JEL Classification: M14, O16, D23, Q56.

1. INTRODUCTION

What once lived at the periphery of boardroom conversations – climate disclosures, supply chain equity, governance codes – is now moving closer to the centre. ESG is no longer fringe. It is becoming structure. The rise of ESG integration reflects more than just a normative pivot in corporate discourse. It signals a broader reconfiguration of what constitutes strategic value in an increasingly volatile, resource-constrained, and socially complex world. ESG is no longer a matter of brand alignment or Corporate Social Responsibility (CSR) optics. It is a risk framework. A strategy lens. A new way of understanding performance – long-term, multi-stakeholder, and interdependent.

Eccles et al. (2014) investigated the effect of corporate sustainability on organizational processes and performance. The findings initially indicated that ESG factors might hold financial significance, and the study demonstrates that organizations focused on sustainability tend to achieve substantially better long-term outcomes – both in stock performance and in accounting metrics – compared to their peers. Nowadays, the evidence is mounting – but the implementation remains uneven. Many firms recognize the imperative, some even the opportunity. Yet they struggle, because ESG adoption is nonlinear and complex, it unfolds in a landscape riddled with friction – regulatory ambiguity, temporal misalignment, short-term investor expectations, internal knowledge gaps, and cultural inertia. Some barriers are loud. Others are ambient. Not all are visible

on the surface, and they rarely operate in isolation. But it is not just resistance. Enablers exist. And they are growing louder – policy shifts, technological advances, stakeholder demand, digital infrastructure. Still, the equation is unstable. The presence of enablers does not negate the friction. Firms must interpret, adapt, and improvise.

This paper does not treat ESG adoption as a linear path or a checklist to be completed. Instead, it examines the underlying tensions – how barriers emerge and evolve, how enablers shape new possibilities, and how firms manoeuvre in between. Drawing from institutional theory, sustainability governance, and organizational change literatures, the discussion weaves together theoretical framing and practitioner logic to explore ESG adoption as a situated, adaptive, and often nonlinear process. The aim is simple – not to offer prescriptive solutions, but to better understand how ESG becomes embedded, and what gets in the way, because that is where the real work is – where ambition meets constraint. Where practice gets political, and where firms – those that choose to – start to change.

2. METHODOLOGY

This study adopts a qualitative, exploratory methodology grounded in conceptual synthesis. Drawing on interdisciplinary academic literature, industry reports, and documented case studies, it examines the dynamic interplay between barriers and enablers of ESG adoption across sectors and geographies. Rather than isolating variables, the analysis traces patterns, tensions, and shifting conditions under which ESG practices are interpreted and institutionalized. The selected sources were thematically coded to identify recurring frictions – regulatory, financial, cultural – and enabling forces such as leadership alignment, stakeholder pressure, and technological infrastructure. Emphasis was placed on understanding ESG not as a static checklist, but as a context-dependent and adaptive process. The aim is to offer a theoretically informed conceptual framework that reflects the complex and situated nature of ESG integration.

3. BARRIERS TO ESG ADOPTION

Despite the growing emphasis on sustainability, several significant barriers to ESG adoption remain. These barriers are often interrelated and stem from both external pressures and internal organizational constraints.

Regulatory Ambiguity and the Fragility of ESG Integration

It starts, often, not with bad intentions – but with ambiguity. One of the most enduring impediments to the systemic adoption of ESG principles lies in the absence of regulatory coherence. Not merely incoherence – but fragmentation. A 2024 MDPI study highlights how ESG-financing relationships are compromised by fragmented regulatory oversight and inconsistent ESG rating systems, particularly in emerging economies.

The European Union, through instruments such as the EU Taxonomy, the Non-Financial Reporting Directive (NFRD), and more recently the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), has sought to articulate a unified regulatory vision. A vision, yes – but one that operates in isolation. ESG regulation continues to develop asymmetrically, shaped by divergent political economies and sectoral logics. Firms operating across borders must navigate inconsistent reporting obligations, misaligned implementation timelines, and unclear enforcement mechanisms. Leuz (2010) argues that convergence of reporting practices is also unlikely due to persistent enforcement differences around the world, underscoring the fragmented regulatory landscape firms must navigate.

Regulatory uncertainty compounds this. And it does so quietly. Firms do not just comply; they calculate. They forecast. But how do you forecast compliance obligations when policies shift – suddenly, sporadically, and often without warning? The irony is sharp – just as firms begin building internal ESG infrastructures, the very scaffolding of regulatory support begins to erode. Take the recent Omnibus proposal in the EU. On paper, a fine-tuning exercise. In practice? A recalibration of ambition. Reporting thresholds loosened. Due diligence softened. Regulatory

pressure – formerly a catalysing force – now recedes. And with it, the coercive and normative institutional logics that once drove internal organizational change.

The rollback does not simply reduce compliance burdens. It signals deprioritization. And organizations listen. Strategy pivots. Resources shrink. ESG teams dissolve or are absorbed elsewhere. Institutional memory fades. Subtly, then all at once.

From an institutionalist lens, this is a disruption of the enabling environment. The regression in mandatory compliance mechanisms undermines the legitimacy of ESG as a governance priority. What follows is not merely operational confusion – but a deeper discursive instability. When the rules grow quieter, so do the commitments. Policy harmonization, then, is necessary – but not sufficient. Without regulatory ambition, without credible enforcement, harmonization becomes noise. A signal without substance.

What remains is this: ESG integration is not linear. It is fragile, contingent, relational, and highly susceptible to the political economy of regulation. To sustain it, firms require more than guidance – they need clarity. Without clarity, ESG remains vulnerable to rollback, reframing, or even strategic abandonment.

The Financial Realities Behind ESG Implementation

It is not just about values. It is about resources. And often, the lack of them. ESG transformation does not come cheap. It demands time, expertise, systems, capital. For many firms – especially small and medium-sized enterprises (SMEs) – this is not just a hurdle. It is a wall. High. Rigid. Unyielding. ESG integration calls for robust data infrastructures, frequent audits, workforce training, cross-functional governance mechanisms. None of this comes free. None of it fits easily into lean budgets. Particularly when ESG still competes internally with “core business priorities.”

For instance, when it comes to “greening” a supply chain, or making your supply chains more sustainable, it is not a matter of replacing one vendor with another. It is systemic. You audit upstream. You monitor emissions. You redesign logistics. Then comes reporting. Alignment with frameworks like the Global Reporting Initiative (GRI), the Task Force on Climate-Related Financial Disclosures (TCFD), CSDDD or the CSRD demands tech capacity, ESG literacy, and considerable financial resources. Even when the intention exists, the financial resources are often not available.

Especially in emerging economies, green financing remains elusive for firms that have not yet established ESG as a strategic asset. Instruments such as green bonds and ESG-linked loans exist, but access is asymmetric – larger firms with established reputations dominate the landscape, while smaller private players are often sidelined due to market and structural barriers.

Organizational Culture as ESG’s Silent Saboteur

Despite the proliferation of ESG frameworks, reporting tools, and incentive structures, resistance to ESG often originates not from lack of resources or policy ambiguity – but from internal culture. It is a quiet undercurrent – harder to measure, and even harder to move. ESG is still largely perceived as external. As optics, compliance or something done for the market, or to appease regulators. Not as a core value driver. Not as strategy. Because of this, integration fails to take root. The initiatives remain adjacent to “real” business. Tacked on, decorated with KPIs, but not embedded in purpose.

The underlying culture – especially in firms shaped by quarterly cycles and margin pressure – tends to default to short-termism. Corporate sentiment, investor holding data, and secular trends underscore the short-term pressures confronting firms and the strategic compromises they are often forced to make (Tang et al., 2016). Companies conditioned over decades to optimize for financial performance may find it cognitively, even emotionally, difficult to reframe value beyond shareholder returns.

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This resistance is rarely overt. It hides behind familiar questions: What is the return-on-investment? Who owns this? How does this fit with operations? When ESG initiatives are interpreted as distractions rather than enablers, even the most well-crafted strategies face breakdowns. Not through sabotage, but through disengagement.

The dominant organizational discourse often frames ESG as an added task. A burden. Another dashboard to maintain. Rarely is it framed as innovation, resilience, or risk mitigation. And those framing matters. Because culture is not changed by policy – it is changed by narrative, and if the narrative does not evolve, neither will practice.

What emerges is not an absence of capacity – but an absence of belief. In many ways, the most dangerous resistance is not loud. It is ambient. Unquestioned. A company might have ESG officers, reports, board committees – and still fail to internalize sustainability as a strategic imperative. Why? Because belief systems do not shift just because governance structures say they should.

To unlock real integration, firms must invest not just in ESG systems – but in the reconfiguration of meaning. ESG needs to be unlearned as a burden. Relearned as a lens. A way of seeing value, risk, opportunity. Not additional, but rather foundational.

Until that shift occurs – until organizations stop asking why ESG and start asking why not – cultural inertia will remain ESG’s quietest, and most persistent adversary.

The Knowledge Deficit Undermining ESG Integration

Commitment is not the issue. Not always. Plenty of firms want to engage ESG seriously. Strategically. But wanting is not knowing, and knowing – truly knowing – requires more than broad values and good intentions. It requires expertise and data. Neither of which, frankly, are evenly distributed across the corporate landscape.

Many organizations, even those with formal ESG strategies, lack the technical literacy to map, measure, or manage ESG risks at scale. The capacity gap is wide. The problem is not just individual knowledge – it is institutional know-how. ESG is inherently interdisciplinary. It spans environmental science, regulatory interpretation, social impact evaluation, and financial modelling. Few firms have that breadth internally, and fewer still know how to integrate it across functions.

Then comes the data. Or rather, the lack of it. Even those with ambition often find themselves operating in an informational fog. Fragmented disclosures. Inconsistent methodologies. Self-reported metrics without verification. Some firms report carbon intensity per unit of revenue. Others per product line, or not at all. There is no common language – just parallel dialects.

In many emerging markets and developing economies (EMDEs), the lack of granular data, technical capacity, and comprehensive taxonomies undermines the effective implementation of sustainable finance frameworks, leaving financial institutions with broad discretion in climate risk reporting and increasing the risk of greenwashing due to inconsistent disclosures (World Bank, 2023).

The benchmarking also becomes problematic. Firms cannot compare meaningfully to their peers. And even less so across borders or sectors. How do you track performance when the yardstick keeps changing? Without clean, reliable data, decision-making defaults to narrative. ESG progress becomes rhetorical rather than measurable. Firms end up telling stories about impact – because they cannot prove it.

This lack of data-driven insight feeds a larger problem: strategic vagueness. Without robust indicators, firms cannot set credible targets. Cannot monitor outcomes. Cannot improve. They circle and drift. ESG becomes a reputational gesture rather than a governance tool. There is also risk here – a growing one. Regulatory bodies, particularly in the EU are beginning to demand auditable, standardized ESG disclosures. Firms lacking the infrastructure for that will not only struggle with compliance – they will lose credibility.

In short, without expertise and data, sustainable reporting becomes unreliable. A performance – well-intentioned, but ungrounded. And this is the real danger. That ESG becomes more about language than impact. That strategies get built on assumptions. That boards approve initiatives they cannot interrogate. That progress becomes impossible to verify – or worse, easy to fake.

Addressing this gap requires more than training. It demands epistemic change. Firms must shift from believing in ESG to knowing ESG – its systems, metrics, and risks. That shift will not happen overnight. But without it, integration remains performative, shallow, and vulnerable.

Reconciling Temporal Logics in ESG Strategy

This is the paradox. And it is everywhere: firms are told to think long-term. Build sustainable models. Decarbonize. Diversify. Engage stakeholders meaningfully. But then – it is earnings season again. The quarterly clock ticks. Investors watch margins. Boards review returns. Analysts look for growth curves. And sustainability? It waits quietly. Or worse – gets reframed as “too long-term” to prioritize in the short term.

This is not new, nor rare. It is structural. The friction between short-term financial imperatives and long-term ESG trajectories constitutes one of the most enduring barriers to sustainability integration. The problem is not a lack of awareness. Most executives get it – conceptually. ESG is risk management. Reputation insurance. A future-proofing mechanism. They nod in agreement during panels and pledge alignment during strategic offsites. But when ESG proposals reach the budget table, they often meet a more immediate logic: return-on-investment within 6–12 months. If it does not fit that window, it gets delayed. Deferred. Deprioritized.

This dynamic is not entirely irrational. Many sustainability investments – climate adaptation, circularity models, social equity initiatives – are capital-intensive. Payback is long and often diffuse. Benefits materialize slowly, sometimes invisibly, across departments or years, and without clear metrics tying ESG performance to financial outperformance, it is easy to default to short-termism.

But this bias has consequences – it creates organizational dissonance. Long-term ESG goals sit on strategy decks while short-term KPIs shape everyday decisions. Sustainability teams plan for 2030. Meanwhile, procurement pushes for immediate cost savings. Legal advises against transparency. Marketing greenlights a campaign – but will not fund product redesign. The system fragments. Consultants call this misalignment. Academics – temporal dissonance. Either way, it undermines coherence. Makes ESG look optional and disposable.

What emerges then is a cultural tension. ESG becomes something the firm aspires to, but not something it is structurally enabled to pursue. The firm wants to be future-oriented. But it is institutionally tethered to the now. Fixing this is not easy. It is not just about changing incentive structures – though that helps. It is about reconfiguring how value is understood. Expanding what counts as a “return.” And redefining time not just as a constraint – but as an asset.

Because the truth is, ESG does not compete with short-term success, not inherently, but without mechanisms that bridge the two – shared metrics, cross-functional ownership, phased investments – it will continue to be framed that way. And so, many firms hover in the in-between. Not resistant. Not fully committed. Waiting. Watching. Caught between the urgency of now and the necessity of later. That, too, is a risk. One harder to quantify – but critical to manage.

4. ENABLERS OF ESG ADOPTION

Toward an Embedded Practice of ESG

The barriers to ESG adoption are structural, cultural, and financial. We have outlined them – tight budgets, limited data, strategic inertia, temporal friction. However, that is not the whole picture. Because even amid the drag, there are sparks. Frictions create heat, but they also reveal openings.

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The ESG transition – however complex – is not without enablers. And these enablers matter. They are not panaceas. They do not remove complexity. But they shift it and make it negotiable. Some of these forces come from outside the firm, while others – from within.

Externally, the most salient enabler is regulation. When clear, credible, and enforced – regulatory frameworks can become accelerants. Not merely through coercion, but by offering legitimacy. A signal to markets that sustainability is no longer a differentiator – but an expectation. And when that expectation is consistent across sectors and borders, firms respond strategically – sometimes even proactively.

Investors, too, are reconfiguring the field. Through stewardship mandates, ESG screens, and engagement strategies – capital markets are beginning to reward firms that can demonstrate resilience, purpose alignment, and long-term thinking. It is slow, uneven, but the logic is shifting. Not uniformly – but noticeably.

Consumer behaviour – especially among younger demographics also acts as an external pull. Not always rational. Not always loyal – but vocal. And sometimes, visibility is enough to nudge a firm from performative to intentional.

Then, there’s pressure from peers. Industry benchmarking. Voluntary commitments. Even competitive mimicry. No firm wants to be the last one standing without a sustainability report. That is not reputation management anymore. That is strategic negligence.

Internally, leadership commitment is catalytic. Not symbolic leadership. But operational leadership. When top management teams embed ESG into decision-making – not just strategy decks – it reverberates. Through resource allocations. Incentive systems. Hiring priorities.

Digitalization, too, is an emerging enabler. Better data infrastructure means better monitoring, reporting, and forecasting. It reduces friction. Makes ESG more measurable, and measurability, in a corporate context, means manageability.

Organizational learning processes play a role as well. Firms that experiment, iterate, and reflect tend to evolve faster. Not because they get it right at first – but because they create space to adjust. ESG is not a plug-and-play model. It is adaptive. And firms that know how to learn – learn how to sustain.

The Architecture of Alignment: Policy as ESG Catalyst

Firms do not move in isolation. They move when conditions change. And regulation – done right – can change everything. Policy is not just a constraint. It is a scaffolding. A design choice for how sustainable future is built – or not built.

Governments and transnational bodies have become increasingly central in shaping the ESG agenda. Not merely through mandates or compliance structures, but by altering the economic logic that surrounds sustainability. Through targeted incentives – tax relief, grants, blended finance, subsidies – public actors can lower the cost of entry. Especially for those at the margins. Especially for those without ESG infrastructure baked into their models. Porter and Kramer (2011) framed this through the lens of shared value. Policy, here, becomes a tool for correcting market failures. For creating conditions under which doing the right thing is also the efficient thing. Ambiguous rules create noise. They deter action. Firms hedge, delay, over-disclose or underperform – depending on what they think the regulator really wants. Standardized frameworks reduce this friction. They offer structure, a baseline and a shared grammar for ESG.

Initiatives like the GRI, TCFD, and now the International Sustainability Standards Board’s (ISSB) consolidated standards provide this grammar. They do not solve every problem. But they create coherence. That is not trivial, especially in fragmented markets where multinationals operate under multiple, often conflicting regimes. The UN Sustainable Development Goals (SDGs) serve a similar function – normative alignment. They are aspirational, but they also help translate global challenges into local priorities, metrics and into investment logic. What emerges from all this is a

layered ecosystem of influence. Policy as mandate or as a market signal. When done well, it de-risks ESG adoption, normalizes it and even accelerates it.

But – and this is important – supportive policy does not just appear. It requires institutional intent. It requires capacity and follow-through. Without enforcement, even the best-designed frameworks fade into background noise. So, firms pay attention not just to what is written – but to what is enforced. Not just to targets – but to timelines. Not just to ambition – but to accountability. In short, policy is both architecture and choreography. It sets the stage. Provides the cues and if the design is sound, the players – corporate, civic, financial – begin to move in sync. That is when ESG shifts from possibility to probability.

The Market Speaks: External Pressure as an ESG Accelerator

They are watching – the investors, consumers, employees, communities. And the market – it is listening, too. In recent years, the push toward ESG has been less of a drift and more of a pressure build. A steady tightening. Quiet at first. Then louder. Investors started asking different questions. Not just about earnings – about emissions, governance structure and human rights in the supply chain. And they were not just asking – they were reallocating.

Friede et al. (2015) offered empirical grounding for what many in the field already suspected – ESG performance correlates with long-term financial returns. Not uniformly and not always cleanly – but meaningfully enough to move capital. Fast-forward, and ESG-oriented funds are no longer niche.

But it is not just the boardroom that shifted. Consumers, too, began to care. Sustainability stopped being a differentiator – it became a baseline expectation. Brands that failed to align faced more than critique – they faced loss of trust, loyalty, and relevance. In many sectors, especially consumer-facing ones, ESG signals are now interpreted as proxies for quality, ethics, and competence (White et al., 2025)

In short – alignment pays, while misalignment costs. And this creates a feedback loop. Firms attuned to stakeholder sentiment, especially younger demographics, begin to reframe ESG not as compliance, but as strategy, brand equity, or market intelligence. The pressure does not just push – it reveals firms that can listen, adapt and integrate stakeholder voice into operational decisions. Those that cannot? They fall behind, not just reputationally – but structurally.

Market pressure, in this way, is not just an external force. It is interpretive and at times symbolic. It shapes what counts as credible. What counts as forward-thinking. And increasingly, what counts as investable. ESG adoption, then, is no longer optional. Not because of regulation. But because of relevance. And those who understand this – deeply, structurally – are not reacting. They are repositioning.

Leadership as a Catalyst for ESG Integration

It starts at the top – leadership commitment remains among the most consistent predictors of effective ESG adoption. Not symbolic commitment. Not mission statements. But active, resourced, strategic buy-in. Firms with sustainability-literate leadership tend to outperform in ESG maturity. They do not just talk ESG; they structure around it. Set governance routines, allocate capital, redesign incentives. In other words, leadership does not merely guide – it institutionalizes.

But leadership alone is not enough. It must link strategically. ESG initiatives, no matter how ambitious, tend to dissolve without alignment to core financial goals. That is the crux. If sustainability stays on the sidelines – separate from performance reviews, capital budgeting, or product design – it stays symbolic, peripheral and eventually dispensable.

ESG factors are not only risk mitigators – they are opportunity generators. When understood properly, they unlock new revenue streams, reduce volatility, improve stakeholder trust. All of which are financial outcomes, just with longer feedback loops. Still, this does not happen by accident. Alignment requires intentional design. It means KPIs that connect ESG metrics to

executive compensation. Board oversight that understands biodiversity and bottom lines. CFOs who can model carbon scenarios alongside revenue forecasts.

And perhaps most critically – it means leaders who are willing to sit with uncertainty. ESG is not precise. It is evolving. Standards change. Stakeholders shift. But firms with adaptive leadership tend to navigate that fluidity better. They do not wait for the perfect framework – they act, learn, and adjust. This form of leadership is not loud. Often not even visible. But you can see its fingerprints – across budgeting processes, hiring practices, supplier choices, reporting structures. It is slow work. Cultural. Systemic. Often nonlinear. But over time, it shifts the centre of gravity. ESG becomes embedded, and once embedded, it reshapes everything.

Technology as ESG Enabler

Sometimes change does not come from policy or purpose. It comes from tools. From infrastructure. From the silent systems that make action possible and scalable. Technology is doing just that. While regulatory ambition and leadership alignment matter, the operationalization of ESG – its real-world execution often hinges on something more mechanical – tools, platforms, digital architecture. Bocken et al. (2014) pointed to this early. The emergence of cleaner energy systems, closed-loop production models, smart reporting technologies – at that time, these were innovations. Now, they are fast becoming prerequisites.

Take renewable energy. Once niche – now, increasingly cost-competitive. Solar, wind, geothermal – technologies that once signalled climate virtue now signal financial prudence. This is not about optics – it is about operational efficiency. About decoupling energy risk from volatility. About reducing scope 2 emissions without having to restructure entire business models. Or sustainable production practices – additive manufacturing, zero-waste design, bio-based materials are reshaping what is feasible, and for some sectors – what is profitable. Efficiency no longer just means lean.

And then there is data – the digitalization of ESG has been transformative. Platforms for tracking carbon intensity, AI tools that scrape supply chain data for human rights risks, blockchain experiments in traceability. All of it aimed at one goal – making sustainability measurable, verifiable, and comparable.

Much of ESG's early phase was guesswork, good intentions paired with bad data, or no data at all. Now, technological tools are closing that gap. They reduce the cost of collection, improve consistency, and allow firms to engage in dynamic benchmarking, scenario modelling, even predictive risk assessment. This matters, because if ESG is to move beyond reporting theatre – beyond sole reports with glossy images and little accountability – it needs precision. Tools bring that. They don't solve complexity, but they structure it.

And yet technology is not neutral. It does not scale equally. Not every firm can afford the latest emissions dashboard. Or integrate machine learning into their ESG forecasting. Digital asymmetry is real, and if we are not careful, it will replicate the same inequalities ESG claims to address. Technology is an enabler only if governance keeps up. Only if access expands. Only if firms learn to use these tools not just to monitor performance – but to rethink it. Because when ESG is digitized, it stops being abstract. It becomes operational, tangible and tracked. And once that happens – once sustainability is coded into the everyday logic of enterprise – it becomes harder to ignore. Harder to fake, and, ultimately, harder to avoid.

5. IMPLICATIONS FOR POLICY, FUTURE RESEARCH, AND PRACTICE

The evolving landscape of ESG adoption reveals not only the contours of institutional inertia but also the actionable spaces where change is most feasible. For policymakers, the implications are direct. Regulatory clarity goes beyond compliance – it is a key enabler for ESG adoption. Ongoing uncertainty, fragmented frameworks, and shifting policies still hinder meaningful ESG integration. Policymakers must focus not only on increasing disclosure obligations but on crafting frameworks that are predictable, enforceable, and proportionate across firm sizes and sectors.

Annual International Scientific Conference
“Competitiveness and Innovation in the Knowledge Economy”
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Financial incentives – targeted, accessible, and linked to clear outcomes can accelerate uptake, particularly among SMEs and firms in resource-constrained contexts.

Equally vital is the role of public infrastructure in supporting ESG data systems. Harmonizing reporting standards, facilitating access to ESG-related knowledge, and investing in green innovation ecosystems will be essential to scale both compliance and creativity. ESG regulation should not be designed only to correct behaviour but to invite participation in broader systems transformation.

For academic research, there remains a significant opportunity to map how ESG is internalized across different organizational typologies, sectors, and geographies. Future studies should focus on unpacking the micro-processes of ESG institutionalization – how ESG values are interpreted, translated, and sometimes resisted within firms. Longitudinal case studies and cross-sectoral comparative analyses will be especially valuable in revealing how barriers shift over time and under which conditions enablers convert into meaningful change.

Moreover, the impact of ESG integration on financial performance – while studied extensively – still demands contextual nuance. Sector-specific impacts, delayed benefits, and the complex, non-linear nature of risk mitigation warrant deeper examination. Research should also examine the unintended consequences of ESG mandates, including the rise of greenwashing, reporting fatigue, or performative compliance.

For executives, ESG officers, and board members, moving forward means going beyond simply embracing ESG – it calls for active integration and strategic commitment. ESG cannot be siloed or outsourced; it must be embedded into the DNA of corporate strategy. That means treating sustainability not as cost, but as capacity. Not as constraint, but as lens. Practically, firms should prioritize ESG literacy across functions – not just at the top but within operations, procurement, legal, and finance. Strategic alignment will depend on cross-functional fluency and the institutionalization of ESG as shared responsibility. Investing in adaptive governance structures, flexible KPIs, and iterative learning mechanisms will enable organizations to navigate complexity rather than avoid it.

In short, the successful future of ESG will depend not on isolated leadership or one-time compliance, but on multi-actor coordination, evolving capabilities, and a willingness to engage with uncertainty. Policy can set the direction. Research can illuminate the path. But practice – the everyday decisions made under pressure – ultimately determine how far the entities will go.

6. CONCLUSIONS

ESG adoption does not unfold along a clean, linear path. It evolves, often unevenly, within a shifting architecture of enablers and constraints. Firms move toward ESG not because the path is clear, but because conditions – regulatory, cultural, financial – begin to suggest that doing so is no longer optional. The decision to act emerges not from certainty, but from pressure, anticipation, and – occasionally – vision. This process is anything but static. The same factor that serves as a barrier today might become an enabler tomorrow, depending on shifts in institutional logic, market sentiment, or organizational learning. Timing matters. So does interpretation.

The variables are many, but they do not operate in isolation. Internal resistance, for example, is rarely just internal. It often mirrors external ambiguity – unclear policy mandates, volatile investor expectations, or rapidly evolving stakeholder norms. Conversely, external enablers – regulation, investor pressure, or reputational incentives – gain traction only when organizations are culturally and strategically positioned to respond. The interplay is recursive. Organizational culture, too, is not merely a background condition – it is an infrastructure of meaning. It informs how firms interpret ESG: as risk or as value, as compliance or as opportunity. Firms with an embedded culture of innovation, responsibility, and long-term orientation tend to frame ESG not as disruption, but as an extension of existing commitments. These are the organizations that find

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September 26-27, 2025
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ESG easier to internalize – not because they have more resources, but because they are structured to absorb complexity.

Still, resistance persists, and not irrationally. ESG initiatives are often resource-intensive, ambiguous in their payback timelines, and difficult to quantify in conventional financial terms. The logic of short-term performance metrics – quarterly earnings, margin targets – does not always sit easily beside climate disclosure or social impact. For many firms, particularly those navigating thin margins or volatile markets, ESG may appear aspirational at best, indulgent at worst. Yet this resistance is not fixed. With the right incentives, it can be softened – reshaped, even. Green bonds, blended finance instruments, sustainability-linked loans: these are not silver bullets, but they alter the calculus. Similarly, government-led interventions – clear standards, tax credits, streamlined compliance processes – can reduce friction and bring ESG within reach for firms that would otherwise delay or avoid adoption altogether.

But even when incentives exist, organizations must still act. Awareness does not guarantee alignment. Leadership commitment is essential – but not sufficient. Strategic alignment is where transformation happens. ESG must be translated into operational reality, budget priorities, KPIs, and governance routines. That is hard work, it is iterative, often slow, and it requires leadership not only at the top, but also in the middle – in those roles where strategic ambition meets logistical constraint. These are the actors who interpret ESG not as a disruption, but as part of the firm’s evolving risk and value narrative.

Technology plays a growing role in this process. Not as a solution in itself, but as an enabler of scale, accuracy, and accountability. Digital tools – from emissions tracking platforms to AI-based ESG risk analysis – reduce the labour of compliance and make abstract commitments more legible. They do not replace governance or leadership, but they help operationalize both. Yet technological access is uneven. The ESG digital divide is real. Without attention to infrastructure equity, the tools that enable transparency in some contexts may deepen opacity in others.

In this complex landscape, ESG adoption cannot be reduced to a checklist. It is a situated, adaptive process – responsive to the organization’s capabilities, context, and interpretation of risk and opportunity. It requires more than compliance. It demands reflexivity, not just about what ESG is, but about what it means – to the firm, to its stakeholders, and to the system it inhabits. This meaning, too, is dynamic.

And so, the task is not simply to remove barriers, or to scale enablers. It is to understand how organizations make sense of both. How they navigate the frictions. How they improvise within ambiguity and how they learn. ESG integration is not inevitable, but with the right combination of leadership, alignment, external pressure, and internal capacity – it becomes possible, and increasingly necessary.

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