

Sustainability Practices and Its Impact on Organizational Performance

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Abstract

The increasing use of Environmental, Social and Governance (ESG) factors in business strategies has changed how companies look at sustainability. It is no longer about following rules. It is now a way to gain an edge over others. This study looks at how sustainability efforts affect how well a company does. It uses information collected directly from 141 managers and workers in areas like Banking/Finance, Manufacturing, Services, IT and Construction. The study focuses on how different types of sustainability activities are connected to how well a company performs. It uses methods like correlation and regression to see how overall sustainability efforts and the parts of ESG affect measures of success. The results from the Pearson correlation show that there is a link between the actual results from sustainability work and things that help improve performance like new ideas, better quality and happier workers. Also the linear regression shows that the overall ESG activities have an impact on how well a company does. These activities explain 33.9 percent of the differences in performance. The results, from this study show that putting ESG practices into work helps companies do better in business.

Keywords: Sustainability Practices, Organizational Performance, ESG Dimensions, Non-Financial Factors.

Introduction

The strategic role of corporate sustainability has evolved rapidly over recent decades, transitioning from a reactive approach focused on compliance to a proactive framework driving firm competitiveness and long-term value creation. In contemporary business landscapes, modern enterprises are increasingly required to address ecological challenges, workplace welfare, and ethical governance while maintaining financial health. The imperative to balance profitability with socio-environmental accountability has shifted sustainability from a marginal corporate social responsibility (CSR) activity to an essential component of corporate strategy. Modern business institutions operate under heightened scrutiny from institutional investors, regulators, and consumers alike, making the operationalization of sustainable practices indispensable for long-term survival.

Companies do a lot better when they make Environmental, Social and Governance principles a big part of what they do every day. This helps them avoid problems that can hurt their business use resources in a way make their brand look good and make the people they work with trust them. When it comes to the environment companies try to use resources make less waste and reduce their carbon footprint. This helps cut down on costs. Companies also do things to make their employees happy which helps keep them working for the company and makes the community like the company. The way companies are run is also important. They have to follow the rules avoid risks and make sure the leaders are doing what they are supposed to do.

Now that people are paying attention to what companies are doing and the rules are getting stricter all around the world it is really important for the people who make big decisions at companies to understand how being sustainable affects how well the company does. The Environmental, Social and Governance principles are key to this. In countries like India where the economy is still developing companies that work in different areas have some good chances and some problems when they try to be sustainable. Some studies say that when companies are sustainable they do better but there are still some gaps in our understanding of how this works. For example we do not fully understand how happy employees, good operations and new ideas help companies be sustainable. We also need to look at how the different parts of Environmental, Social and Governance principles the Governance part affect companies in different sectors. This study looks at how companies in different areas, such, as manufacturing, finance, service, IT and construction benefit from being sustainable. It shows how sustainability practices directly and indirectly make companies better.

Objectives

1. To examine the relationship between sustainability practices and organizational performance.
2. To evaluate the influence of Environmental, Social and Governance (ESG) practices on organizational performance.

Review of Literature

Gadenne et al. (2012) examined sustainability performance management practices among 314 Australian firms, establishing that structured environmental and social practices are positively associated with distinct financial and non-financial performance indicators.

Othman (2012) evaluated top sustainable global corporations against matched control firms, finding that superior sustainability commitment leads to significantly higher sales growth, return on assets, and operating cash flows over time.

Maletic et al. (2014) surveyed 116 European manufacturing and service firms, identifying that deployment of sustainability-oriented innovation in processes and products directly accounts for 38% of organizational performance variance.

Maletič et al. (2016) demonstrated through a multi-country survey across five European nations that sustainability exploration practices act as primary drivers of competitive differentiation and overall performance variance.

Khattak et al. (2018) conducted a survey of 346 managers in Pakistan, finding that non-financial drivers including quality, innovation, and employee satisfaction mediate the connection between sustainability practices and financial outcomes.

Ali Alshehhi et al. (2018) synthesized 132 empirical studies, confirming that 78% of existing academic literature documents a positive impact of corporate sustainability on corporate financial performance.

Huynh (2020) evaluated listed enterprises in Vietnam using multiple regression, concluding that environmental responsibility enhances firm performance through the full mediating pathway of operational environmental performance.

Giovanna Afeltra et al. (2022) studied Italian manufacturing firms, confirming that commitment to economic, environmental, and societal innovation significantly strengthens competitive advantage and stakeholder relations.

Naween Weerasinghe et al. (2023) analyzed apparel firms in Sri Lanka during crisis periods using PLS-SEM, demonstrating that economic, ethical, and social equity dimensions account for 55.6% of organizational performance variance.

Martín et al. (2025) applied structural equation modeling with a three-year time lag to European and US enterprises, confirming that higher business sustainability indexes directly improve Return on Assets (ROA) and Return on Equity (ROE).

Research Gap

While existing literature broadly affirms a general association between corporate sustainability and financial outcomes, significant empirical gaps persist in understanding operational dynamics. Prior studies remain heavily geographically concentrated in developed Western economies or restricted to single-industry contexts, offering limited cross-sectoral evidence from rapidly developing markets such as India. Furthermore, empirical findings regarding individual ESG dimensions remain inconsistent, with several studies reporting mixed or statistically insignificant impacts for governance and environmental metrics during economic shifts.

Additionally, few empirical models simultaneously evaluate the direct relationship between composite ESG dimensions and firm performance alongside the mediating influence of non-financial organizational capabilities. Many enterprises continue to view corporate sustainability as an administrative burden or marketing exercise due to a lack of concrete statistical evidence linking ESG execution to measurable internal performance drivers. This study addresses these research gaps by evaluating multi-sector primary data to quantify both the direct impact of composite ESG dimensions and the mediating role of non-financial factors on overall organizational performance.

Hypotheses

Hypothesis 1

H₀₁ (Null Hypothesis): There is no significant relationship between the overall adoption of sustainability practices and organizational performance.

H1₁ (Alternative Hypothesis): There is a significant relationship between the overall adoption of sustainability practices and organizational performance.

Hypothesis 2

H0₂ (Null Hypothesis): Environmental, Social and Governance (ESG) practices have no significant influence on organizational performance.

H1₂ (Alternative Hypothesis): Environmental, Social and Governance (ESG) practices have significant influence on organizational performance.

Research Methodology

Research Design: Descriptive and Correlational Research Design

Research Approach: Quantitative Research Approach

Nature of Data: Primary Data

Data Collection Instrument: Structured Questionnaire distributed via Google Forms

Measurement Scale: Five-Point Likert Scale (1 = Strongly Disagree/Very Low to 5 = Strongly Agree/Very High)

Sampling Technique: Non-Probability Convenience Sampling and Snowball Sampling

Sample Size: 141 Valid Responses

Target Respondents: Employees and Managers across Banking/Finance (27.7%), Manufacturing (24.8%), Services (22.7%), IT (15.6%), and Construction/Others (9.2%) Scale

Reliability: Tested using Cronbach's Alpha ($\alpha = 0.8553$), confirming high internal consistency

Data Analysis Tool: Microsoft Excel

Statistical Techniques: Pearson Correlation Analysis and Simple Linear Regression Analysis

Statistical Analysis

1. Pearson Correlation Analysis

Pearson Correlation Analysis was conducted to evaluate the relationship between the direct outcomes of sustainability initiatives and performance-mediating non-financial factors such as innovation, quality, and employee satisfaction.

Table 1: Pearson Correlation Matrix

	There is a clear, direct relationship between sustainability initiatives and business outcomes in the organization.	Non-financial factors (e.g., innovation, quality, employee satisfaction) mediate the link between sustainability and performance in the organization.
There is a clear, direct relationship between sustainability initiatives and business outcomes in the organization.	1	

Non-financial factors (e.g., innovation, quality, employee satisfaction) mediate the link between sustainability and performance in the organization.	0.323514577	1
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Interpretation:

The Pearson Correlation analysis yields a correlation coefficient of $r = 0.3235$ with statistical significance ($p < 0.05$). This indicates a moderate positive relationship between the direct tangible outcomes of sustainability programs and internal non-financial performance mediators such as quality enhancement, process innovation, and employee morale. The statistical output confirms that when organizations achieve measurable success in sustainability initiatives, there is a corresponding rise in workforce engagement, operational quality, and internal capabilities. Because the p-value falls below the standard alpha threshold of 0.05, the statistical evidence is sufficient to reject the null hypothesis.

The null hypothesis (H_{01}) is rejected, and the alternative hypothesis (H_{11}) is accepted. There is a statistically significant relationship between the overall adoption of sustainability practices and organizational performance.

2. Linear Regression Analysis

Linear Regression Analysis was performed to evaluate the influence of combined Environmental, Social, and Governance (ESG) practices on overall organizational performance.

Table 2: Regression Analysis Output

Regression Statistics					
Multiple R		0.58213176			
R Square		0.338877386			
Adjusted R Square		0.334121108			
Standard Error		0.585565347			
Observations		141			
ANOVA					
	df	SS	MS	F	Significance F
Regression	1	24.43014877	24.43014877	71.24844269	3.70E-14
Residual	139	47.66126179	0.342886775		
Total	140	72.09141056			
	Coefficients	Standard Error	t Stat	P-value	

Intercept	1.454518807	0.265298622	5.482572041	1.92E-07
X Variable 1	0.598930853	0.070955979	8.44087926	3.70E-14
Lower 95%	Upper 95%	Lower 95%	Upper 95%	
0.929976303	1.97906131	0.929976303	1.97906131	
0.458638277	0.739223428	0.458638277	0.739223428	

Interpretation

The linear regression model evaluating the impact of composite ESG practices on organizational performance demonstrates strong statistical fit and explanatory power. The model yields an R^2 value of 0.3389 (Adjusted $R^2 = 0.3341$), proving that composite ESG implementation directly accounts for 33.89% of total performance variance across the surveyed companies. The overall ANOVA test confirms high statistical significance ($F(1, 139) = 71.2484$, $p < 0.001$), indicating that the predictive model is highly reliable. The parameter estimates reveal an unstandardized slope coefficient of $\beta = 0.5989$ ($t = 8.4409$, $p < 0.001$). This demonstrates that for every 1-unit increase in composite ESG practice execution, organizational performance increases by 0.5989 units on a 5-point scale. The statistical significance ($p = 3.70 \times 10^{-14}$) provides empirical validation that ESG integration is a meaningful structural driver of business performance. Because $p < 0.001$, which is well below the standard 0.05 significance level, the null hypothesis must be rejected.

The null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted. Environmental, Social, and Governance (ESG) practices have a statistically significant influence on organizational performance.

Overall Findings

The Environmental, Social and Governance model shows that Environmental, Social and Governance execution is a part of how well a company does. It accounts for 33.89% of the difference in how companies perform. This means that Environmental, Social and Governance is very important for how well a company does.

There is a link between how well a company does with sustainability and how well it does in other areas. This link is positive meaning that when a company does with sustainability it also does well in other areas like innovation and employee morale.

Many companies are doing a job with environmental and social initiatives. However corporate governance practices are seen as important for the success of a business. Even though not many companies are doing well with governance practices most people think it is crucial for success.

It is good for companies to have a plan for sustainability. This is true for all kinds of companies including those in Banking and Finance Manufacturing, Services, IT and Construction. So adopting Environmental, Social and Governance practices is good for all companies no matter what kind of business they do. Environmental, Social and Governance is important, for all companies.

Limitations of Study

The study uses a cross-sectional survey design. This means it looks at the organizations views at one time. It does not follow changes over years.

The main way data was collected was through surveys filled out by employees and managers. This can lead to opinions that're not completely objective. It is different from data that comes from records that have been checked.

The research used a type of sampling where people were chosen because they were easy to reach. It also used snowball sampling. This means people were asked to help find others. This limits how well the results can be applied to parts of the industry.

The people who answered the survey were mostly at a level. About two-thirds were junior-level professionals. Also most had been with the organization for than two years. This means the study may not have views from people, in higher-level positions.

Suggestions

Management needs to turn ideas about sustainability into simple and clear goals that everyone can understand. They have to make sure that these goals, which are also called Key Performance Indicators show how well the company is doing. This way the things that employees do every day will match what the company wants to achieve when it comes to being good to the environment and society.

Companies should make sure they have rules in place like being honest about what they are doing having leaders who do the right thing and following the law. This will help them do well. People will think they are a good company.

The people in charge should make sure that employees get the training they need to keep learning about sustainability. They should also let employees come up with ideas to make the company better. This will help create a culture where everyone is working together to make things better.

In the future the company should ask employees what they think and look at how the company is doing financially over a long time. They should do this in different places and use numbers like Return on Assets and Return, on Equity to measure how well they are doing. Sustainability is important. Companies should always be working to get better at it. The company should keep working on sustainability. Make sure that employees are involved in the process.

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