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The sustainability about the corporate sustainability itself (environment, social and governance): Methodological review in guidance of research onion

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Abstract

The decline in non-renewable resources has prompted growing attention to sustainability, leading to the rise of the Environmental, Social, and Governance (ESG) framework in corporate contexts. This study reviews the research article The End of ESG by Alex Edmans (2023), published in the Wiley Journal, using the Research Onion approach by Mark N.K. Saunders. The review covers three aspects: theoretical comparison between Edmans' work and other ESG-related studies, methodological analysis based on the Research Onion framework, and comparison of research findings using Publish or Perish and Scopus tools. The study finds that Edmans' approach is largely based on observation and experience, with limited theoretical grounding and no explicit mention of research methodology. Over the past five years, more than 200 ESG-related studies were identified. Edmans concludes that ESG is important but not exceptional. This review suggests that incorporating quantitative models could enhance Edmans' arguments. The findings offer useful insights for investors evaluating ESG-focused firms and highlight ESG's nuanced role in corporate value.

Keywords

Sustainable, ESG, Value

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Introduction

The decreasing number of non-renewable resources makes companies think hard about meeting their production and operational needs. Many parties also care about the sustainability of limited resources. Based on these concerns, a concept of sustainability emerged for the company. Sustainability is then often discussed in the context of three areas, namely the environment, social and governance, which is then called ESG.

There are various versions regarding the beginning of the emergence of ESG, including those that say ESG emerged in the 1600-1700s, at which time there was concern about the environmental and social impacts of resistance to the Vietnam War and was accompanied by the civil rights movement. The next one continued in 1962, at which time there was environmental damage as a result of careless use of pesticides. In 1969 there was a leak in an oil rig operated by Union Oil which resulted in the coast and seawater of California being covered in thick black oil, this event sparked the environmental movement in America. Next, in 1973 there was a global economic crisis caused by rising oil prices, because oil producers increased prices drastically. In the following year, on 1978, in India, specifically in Bhopal, there was a poison gas leak at a pesticide company.

At the United Nations in 1987 the UN Brundtland Commission published a report entitled "Our Common Sense" or called the Brundtland Report. This report is published to introduce the concept of sustainable development and how to achieve it. Continuing in 1992 from 3 to 14 June 1992, the UN held a conference session on environment and development with the title "Earth Summit". This conference was held in Rio de Janeiro, Brazil. This conference was held to commemorate the 20th anniversary of the first environmental congress in Stockholm, and concluded that the concept of sustainable development is a goal that can be achieved by all parties throughout the world. In 1999 the UN Secretary General initiated "The United Nation Global Compact." Which is intended to unite companies with the UN body, namely the International Labor Organization (ILO), with the aim of involving all parties in supporting universal environmental and social principles in order to realize a more inclusive and sustainable global economy. 2000, this year is an important year because it is the year when the ESG index was born, which is called the Dow Jones Sustainability Index. This measurement technique explains how important sustainable business practices are to generating long-term investment value for an investment portfolio. This index is the first benchmark for sustainability on a global scale and assesses the performance of company shares in social, environmental and economic criteria. in 2006 Kofi Annan together with several heads of the largest institutional investors in the world launched the principles of responsible investment or commonly called PRI (Principles of Responsible Investment). Next, in 2015, 193 countries that are members of the UN agreed to implement the 2030 agenda, namely regarding sustainable development. The meaning of this agenda is to emphasize the importance of corporate social and environmental responsibility to achieve sustainable development. Apart from that, this agenda also discusses sustainable development to achieve prosperity and peace for planet Earth and humanity in it (Rizki, 2023).

Since Environmental, Social, and Governance (ESG) criteria emerged, companies have shifted their budgeting behavior. They have begun to consider the aspects of ESG in their budgeting and operational practices, adopting a budgeting approach that prioritizes the three ESG aspects: Environment refers to awareness of climate change, population growth, and their detrimental impacts on the natural environment. Social encompasses corporate social responsibility (CSR), which is a company's response to issues such as climate change, population growth, and the effects of corporate activities on the communities where they operate. Governance involves good corporate governance practices (Armstrong, 2020).

The emergence of ESG as an intangible corporate asset has sparked discussions among scholars and academics. An article titled The End of ESG by Alex Edmans (2023) discusses how people's perspectives on ESG change when viewed through the lens of long- term value. This perspective considers ESG not as a set of privileged factors, but rather as elements that companies, investors, and even professors feel compelled to prioritize over other value variables (Edmans, 2023). In his article, Edmans concludes that ESG is very important but not exceptional. He argues that it is crucial because it impacts long-term shareholder value but should not be viewed as extraordinary. Edmans' opinion differs significantly from other similar studies on ESG and its influence on firm value, which are predominantly conducted through quantitative methods. Some findings related to ESG include research by Y. Chang & Lee (2022), which concluded that ESG positively affects firm value. Furthermore, it was found that industry concentration and industry growth rate— variables representing industry characteristics—moderate the relationship between ESG and firm value. Additionally, a study by Aouadi & Marsat (2018) revealed that ESG controversies have a highly significant and positive impact on a company's market value.

The purpose of writing this article is to provide a review of the research article authored by Alex Edmans (2023), titled "The End of ESG," which was published in the Wiley Journal in 2023. The author's reason for conducting an analysis related to Alex Edmans' article is that the author wants to see the position, especially in terms of theory, result and methodology, regarding how Alex Edmans provides his views on ESG using a conceptual and narrative qualitative approach, where there are many other studies regarding ESG discussed in a descriptive quantitative way.

Literature Review

Sustainable Management

Sustainable management refers to a management activity that seeks sustainable growth through increasing company value and company competitiveness by meeting the expectations of various stakeholders (Y. J. Chang & Lee, 2022). The aim of sustainable management itself is to reduce the company's negative impacts in social and environmental aspects and contribute to sustainable development (Y. J. Chang & Lee, 2022).

There are many experts who interpret sustainable management. Several existing definitions emphasize harmony between economic, social and environmental development aspects (Y. J. Chang & Lee, 2022). The reference that is then used by investors in assessing sustainability is the Triple Bottom Line (TBL), which is the three pillars of sustainability management, which is defined as a form of management that seeks sustainable growth based on a harmonious foundation of economic profitability, environmental health and social responsibility for management. sustainable (Y. J. Chang & Lee, 2022)

Environment, Social, Governance (ESG)

There are several attributes at the company level that are specifically said to influence the company's contribution to sustainability activities. These are the type of industry, size and age of the company (W. Roberts, 1992). Both financial performance (FP) and company value have recently attracted academic attention in assessing how ESG initiatives impact a company's prospects (which also matters for its value) (Abdi et al., 2022).

Environment, Social, Governance (ESG) is a company's non-financial wealth which can then be used as a signal about the potential and risks in a company, this is a global trend that is positioned as a long-term company strategy (Y. J. Chang & Lee, 2022). Through ESG Stakeholders can feel the company's risk where the influencing factors come from the government, social factors and environmental factors (Y. J. Chang & Lee, 2022).

The success of a business strategy implemented by a company can be said to be successful if the company's performance capability is positive or improves well (Indri et al., 2024). The application of ESG is a strategic decision by managers that aims to increase company value in the future (Y. J. Chang & Lee, 2022). The emergence of ESG as a new concern for both companies and stakeholders has led many parties to conduct research on this matter. In the last ten years alone there have been many papers trying to examine either the influence or relationship between ESG and company performance (Dincă et al., 2022). In their research (Y. J. Chang & Lee, 2022) also said that the phenomenon of reflecting ESG in the investment decision making process became even more extraordinary during the COVID- 19 outbreak. Even before COVID-19, ESG was highlighted as a new trend in corporate management seeking carbon reduction, circular economy, social contribution, and transparent corporate governance.

Research Design

A review of Alex Edmans' article will be carried out from several aspects, namely the theory of the article, the research methods used and the research results of the article. For more details, it is as follows:

Theoretical Aspect

The author will compare the theory used in the Edmas (2023) research article with the theory used in four similar previous studies regarding the influence between ESG and Company Value.

Method Used

in discussing the methods used in Alex Edmans' (2023) research, the author will compare them with the research onion concept by Mark N.K. Sounders. There will be 6 things that the author will observe according to the layers of the onion. These are:

1. Research Philosophy
2. Research Approach
3. Research Strategy/Research Design
4. Choice
5. Time Horizon
6. Techniques and Procedures

After looking at the position of each methodological item used by Alex Edmans, the author will then provide comments regarding the position of the methodology he uses by referring to Saunders' Research Onion Methodology.

Research Results

First, the author will use the Publish and Perish and Data tools on Scopus to find out the number of studies related to the Influence of ESG on Company Value, then the author will compare the results of the Edmans (2023) article with the results of four similar studies as samples.

Results and discussion

Theories

Several theories were utilized by Alex Edmans in his 2023 research titled "The End of ESG". These theories, along with those employed in five other similar studies, are presented in the Table 1.

Table 1. Theories in Studies on the Influence of Environment, Social, and Governance (ESG) on Firm Value

No.	Authors and Year	Study Title	Theory Name, Proponent(s), and Year
1	Alex Edmans (2023)	The End of ESG	(No specific theory mentioned in the research)
2	Yaghoub Abdi et al. (2021)	Exploring the impact of sustainability (ESG) disclosure on firm value and financial performance (FP) in airline industry: the moderating role of size and age	Agency Theory (Jensen & Meckling, 1976) Slack Resources Theory Market to Book Effect Theory (Fama & French, 1995) Trade-off Theory
3	Marius Sorin Dinca et al. (2022)	The Relationship Between ESG and Firm Value. Case Study of the Automotive	(No specific theory mentioned in the research)
4	Guangyou Zhou et al. (2022)	Sustainable development, ESG performance and company market value: Mediating effect of financial performance	Theory of Sustainable Development (Zhou et al., 2022) Resource-Based View (Wernerfelt, 1984) Absolute Valuation Theory

5	Junhee Seok et al. (2024)	How ESG Shapes Firm Value: The mediating role of customer satisfaction	Relative Valuation Theory Stakeholder Theory (Freeman, 2010) Dynamic Capabilities Theory (Teece et al., 1997; Teece, 2018)

This Table 1 highlights the diversity in theoretical frameworks applied in ESG-related research, contrasting Edmans limited explicit reliance on theoretical foundations with the multi-theory approaches adopted in other studies.

Methodology Review

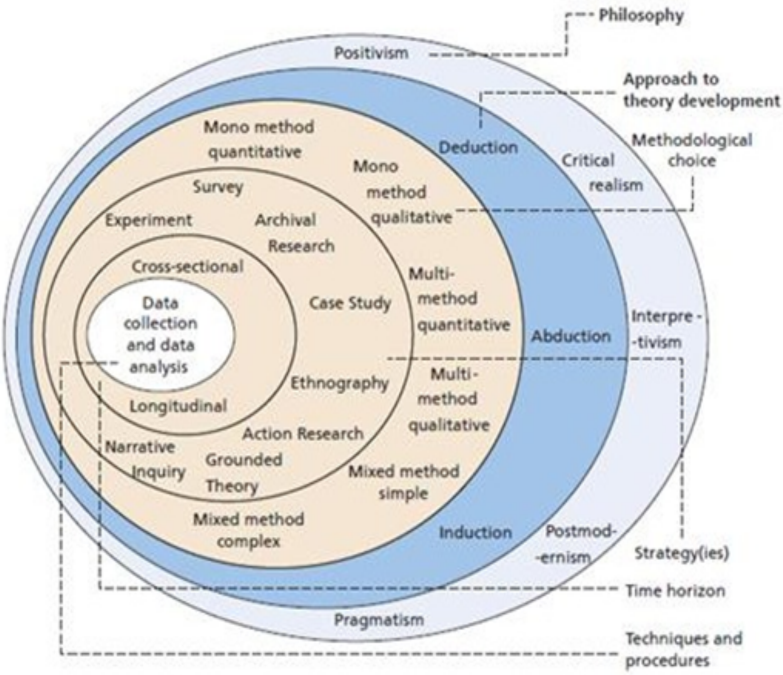

Figure 1. Research Onion

Source: Mark Saunders, Philip Lewis, Adrian Thornhill (2018)

Table 2. Methodological Position of Alex Edmans' "The End of ESG" (2023) in the Research Onion

No.	Saunders' Research Onion Layer	Methodology in Edmans (2023)	Explanation
1	Research Philosophy	Interpretivism	Edmans' research falls under interpretivism as he interprets the meaning of ESG based on observation and experience. ESG is viewed as a long-term value factor for companies and investors. The approach also considers ESG as intangible wealth for businesses beyond financial elements.
2	Approach to Theory Development	Inductive	The inductive approach is evident as Edmans develops new theories based on his observations and empirical insights related to ESG. These contrasts with hypothesis testing typically found in quantitative research.

3	Methodological Choice	Qualitative	Edmans' study is qualitative, relying on textual data such as arguments, interpretations of existing research, and expert opinions on ESG.
4	Strategy	Narrative Inquiry	A narrative inquiry strategy is used as Edmans shares perspectives on ESG through expert opinions and previous studies.
5	Time Horizon	Cross-Sectional	The research evaluates ESG in its current state, exploring its role in long- term corporate value as an intangible asset for investment decisions.
6	Data Collection Techniques	Literature Analysis	While the data collection techniques are not explicitly detailed, the study combines theories, related research, and Edmans' personal insights into finance and ESG.

Analysis of methodology

From Table 2, several aspects of Edmans' methodology can be analyzed:

1. Empirical data

Edmans' study has limited empirical data. The arguments are based on qualitative studies, integrating expert opinions and personal views on ESG. Adding quantitative data or direct testing of ESG's impact on firm value would enhance the validity of the arguments presented.

2. Generalizability constraints

The study adopts an approach that is challenging to generalize across industries or company types. This is because it emphasizes ESG within the broader context of general investment rather than specific industrial applications.

Research results

Based on a search using the Publish or Perish application, more than 200 research articles on ESG were identified over the past five years (2019–2024), with Scopus as the data source. The application limits the results to a maximum of 200 articles. In contrast, a direct search on Scopus.com using the keywords "ESG" and "ESG Investment" for the same time period yielded 286 articles. The following are the visual summaries of the search results:

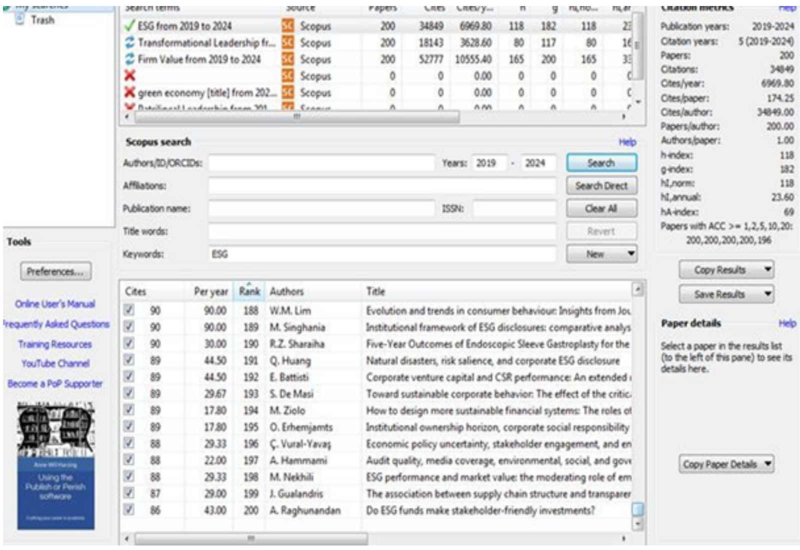

Figure 2. ESG Articles Found Using Publish or Perish

Source: Illustration or table summarizing the search output from Publish or Perish.

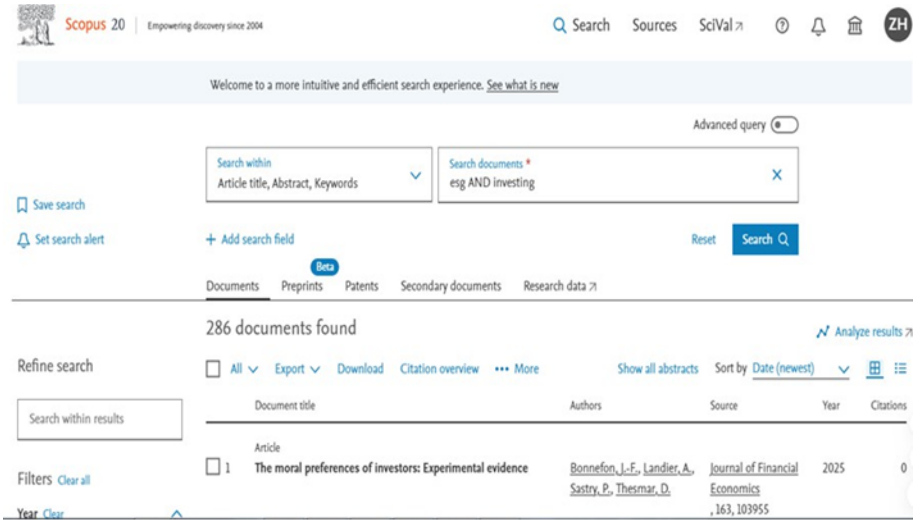

Figure 3. ESG Articles Found on Scopus.com

Source: Illustration or table summarizing the direct Scopus search output.

Based on the search results above, research on ESG remains an appealing area for further study. This is closely related to various regulations and initiatives aligned with the United Nations' 2030 Agenda for Sustainable Development. Below are the findings of Edmans' (2023) research titled "The End of ESG" compared to four other ESG studies:

Table 3. Comparison of Research Findings

No.	Author	Title	Result

1.	Alex Edmans (2023)	*The end of ESG*	ESG is essential but not extraordinary. It affects shareholder value in the long term, contributing to societal trust. However, ESG should not overshadow other intangible assets like management quality or innovation. It must not be reduced to mere metrics, and businesses should not be compelled to report irrelevant ESG factors. ESG must be applied thoughtfully without politicization.
2.	Yaghoub Abdi, Xiaoni Li, Xavier Càmara–Turull (2021)	*Exploring the impact of sustainability (ESG) disclosureon firm value and financial performance (FP) in airline industry: the moderating role of size and age*	Participation in social and environmental initiatives significantly enhances financial efficiency. Company size moderates the relationship between ESG disclosure, firm value, and financial performance. However, company age does not significantly moderate these relationships.
3.	Marius Sorin Dinca, Cosmin Danut Vezeteu, Dragos Dinca/ (2022)	*The Relationship Between ESG and Firm Value. Case Study of the Automotive*	Environmental (E) scores show limited predictive power for firm value year-over-year, with only a few statistically significant effects. Social (S) scores demonstrate stable but generally insignificant cross-lagged effects. Governance (G) scores show mixed effects, with both positive and negative cross-lagged impacts on firm value.
4.	Guangyou Zhou, Lian Liu, Sumei Luo (2022)	*Sustainable development, ESG performance and company market value: Mediating effect of financial performance*	Enhanced ESG performance improves market value, with financial performance acting as a clear mediator. Operational capacity also plays a key mediating role. In state-owned enterprises, ESG performance shows stronger mediation effects on operational capacity and market value.
5.	Junhee Seok, Yughee Kim, Yun Kyung Oh/ 2024	*How ESG Shapes Firm Value: The mediating role of customer satisfaction*	ESG performance increases firm value. Customer satisfaction positively mediates this relationship, particularly in environmentally sensitive industries.

Teoritical Aproach

1. Edmans (2023)

Edmans does not explicitly use a particular theoretical framework in his research. His theoretical approach is based on personal observation and experience, with a focus on conceptual arguments regarding the relevance of ESG in creating long-term value. He emphasized that ESG is important but not special compared to other intangible assets

2. Other Research on this article

Most other studies on this article use a clear theoretical framework, such as:

a. Agency Theory (Abdi et al., 2021) to explain ESG disclosure and its impact on financial performance.

b. Resource-Based View (Zhou et al., 2022) to understand how ESG influences a company's operational capacity.

c. Stakeholder Theory (Seok et al., 2024) to explain the role of ESG in building company value through customer satisfaction.

Methodology

1. Edmans (2023)

Edmans (2023) uses a qualitative approach based on narrative and conceptual interpretation. There is no quantitative data or statistical analysis is used to support his argument. Edmans relies on experience and relevant literature to emphasize his view that ESG is an important element of long-term investing but must be viewed holistically.

2. Other Research on This Article

Most of other studies use quantitative methods to analyze the relationship between ESG and company value, such as:

a. Panel Data Regression (Abdi et al., 2021) to identify the influence of company size and age on ESG impact.

b. Cross-Lagged Panel Analysis (Dinca et al., 2022) to evaluate the effect of individual ESG dimensions (E, S, G) on company value.

c. Structural Equation Modeling used by (Zhou et al., 2022) to analyze the mediating effect of financial performance on the relationship between ESG and company market value.

Main Result

1. Edmans (2023)

ESG plays an important role in a company's long-term value but is not the only significant factor, another results that ESG should not be prioritized over other factors such as innovation or management quality.

2. Other Result on This Article

a. Abdi et al. (2021): ESG disclosure significantly improves a company's financial efficiency, mainly influenced by company size.

b. Dinca et al. (2022): ESG dimensions have mixed effects on firm value, with inconsistent results across indicators (e.g., “E” scores are insignificant, while “G” has mixed effects).

c. Zhou et al. (2022): ESG performance increases market value through the mediating role of financial performance.

d. Seok et al. (2024): ESG increases firm value, and customer satisfaction mediates this relationship, especially in environmentally sensitive industries.

Conclusions

In conducting the study The End of ESG, Edmans (2023) demonstrates several limitations, particularly in his use of theories, relying more on experience and observation than on a structured theoretical framework. Regarding methodology, Edmans does not explicitly detail the approaches used, prompting this review to evaluate his work using Saunders' Research Onion framework. Over the past five years, more than 200 studies related to ESG have been identified through searches using Publish or Perish and Scopus, indicating the sustained relevance of this topic. Edmans argues that while ESG is crucial, it is not extraordinary. To strengthen his conclusions, Edmans could integrate quantitative models to provide empirical support for his arguments. Given the above analysis, the abundance of ESG research in recent years, and the zero-carbon vision set by IATA for 2020, it is evident that ESG will remain a prominent focus in future research endeavors. The Novelty of this research are: This article use comparative approach in Methodological Framework (Research Onion) by Saunders to evaluate the methods used by Alex Edmans and other research; This article compares with theories such as Agency Theory and Stakeholder Theory from other research and shows how Edmans' approach is more philosophical and holistic compared to research based on statistical data; This article contrasts Edmans' philosophical approach to ESG with empirical results from other research. This novelty lies in exploring the relationship between experience, observation, and conceptual theory with quantitative results from various ESG studies. This article bridges the gap between conceptual/narrative approaches and quantitative/empirical approaches in ESG research. This provides readers with insight into how these two approaches can complement each other, so that practically this research can also used by potential investors to more understand the application of ESG, its advantages and disadvantages in a company's operational practices. Even though there are several contributions, this article also has many limitations, Those are: it relies on literature reviews and theoretical analysis to compare Alex Edmans' research with other research; There is no primary data collection or empirical testing to validate the findings or conclusions presented; only includes a few selected studies, so may not cover the entire ESG literature as a whole and therefore is less representative; The use of the Research Onion framework provides a good methodological structure, but this approach may limits the exploration of other aspects of Alex Edmans' research, such as philosophical or strategic implications that are not accommodated in the model; The comparisons made are qualitative and theory-based without direct statistical testing or analysis of the impact of ESG on company value, and only focus on theory and methodology without involving practical perspective, such as interviews with industry players, regulators or investors to strengthen the relevance of the findings.

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