



Article

ESG Importance for Long-Term Shareholder Value Creation: Literature vs. Practice

Ilze Zumente and Jūlija Bistrova *

Faculty of Engineering Economics and Management, Riga Technical University, LV-1048 Riga, Latvia;
ilze.zumente@edu.rtu.lv

* Correspondence: Julija.Bistrova@rtu.lv

Abstract: This article aims to detect how ESG adds value to the long-term shareholder value creation and to discover whether businesses are aware of positive ESG effects and, therefore, whether they will become more ESG-conscious. By conducting a qualitative content analysis on the academic literature, this article firstly aims to determine if shareholders' value is positively affected by corporate ESG awareness. Secondly, to test whether companies are becoming more conscious about the importance of ESG, the mission statements of publicly listed Central and Eastern European (CEE) companies are compared to their decade-old versions. This analysis allows us to conclude on whether companies have shifted their attention to the ESG factors as a part of their purpose of existence and, therefore, for long-term shareholder value creation, which is one of the main goals of the exchange-listed enterprises. The content analysis results show that companies with higher sustainability awareness ensure shareholder value creation via improved financial performance, management quality as well as reduced risk metrics. Additionally, qualitative nonfinancial factors such as reputation, stakeholder trust, employee satisfaction and engagement provide an even more significant effect on the long-term value than the pure financial matters. The theoretical trend is found to be supported by the fact that sustainability practice and consumer-oriented keywords dominate the mission statements of CEE companies, while keywords related to shareholders and profit experienced the most significant decrease from 2012 to 2021. The present research is unique as it looks at how companies tend to become more ESG aware, integrating the sustainability perspective into their mission statements in response to the global sustainability trend.

Keywords: disclosures; CEE; ESG; firm value; shareholder value; sustainability



Citation: Zumente, I.; Bistrova, J. ESG Importance for Long-Term Shareholder Value Creation: Literature vs. Practice. *J. Open Innov. Technol. Mark. Complex.* **2021**, *7*, 127. <https://doi.org/10.3390/joitmc7020127>

Received: 4 April 2021
Accepted: 30 April 2021
Published: 6 May 2021

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1. Introduction

The mission statements of corporations have changed tremendously over the years. If previously there was an open debate on whose interests should come first—shorter-term profit maximization, as suggested by Shareholder theory [1], or longer-term total value maximization for wider society, as described by the Stakeholder theory [2]—recently, the focus has heavily shifted towards the more sustainable, more long-term-oriented version of value creation. The stock markets and investors have proven this point by the fact that, as of 2019, 84% of the S&P500 company value consisted of intangible assets [3]. This means that if historically investors were willing to pay mainly for physical assets such as property, equipment, and machinery, then nowadays the value of the companies consists largely of intangible values such as reputation, corporate culture, and customer loyalty. Additionally, public interests have shifted from seeing corporations as solely financial market participants to actors that should contribute to the well-being of society and the environment.

While initially the shareholder value mainly described short-term profit orientation, nowadays the concept increasingly leans towards reflecting the need to act responsibly and sustainably for the organization to ensure its place in the economy in the long term. More and more focus is put on long-term value preservation for the shareholders and sustainability [4].

The exploration of the Environmental, Social and Governance (ESG) concept as the variable measuring the sustainability performance suggests that the trade-off between short-term returns and long-term value is hardly existent—the higher sustainability companies not only perform better on the environment and society-related factors, but also ensure higher expected returns for the legitimate owners, indicating that “it pays off to do good” [5].

While sustainability is a broad, multifaceted, and hardly measurable concept, ESG serves as a specific quantitative measure of a company’s sustainability and corporate social performance, thus allowing one to better understand the impact of social responsibility efforts on quantifiable outcomes of the company’s financial and operational performance [6]. Integration of ESG factors in the investment selection process as a method for choosing sustainable investments has been trending in the current business and academic literature. One of the main reasons for this is the significant power attributed to the ESG disclosures and endeavors to affect companies’ values and financial performances. The academic literature largely tends to support the positive ESG and corporate financial performance relationship—for example, a meta-study by Friede et al. [7] found that around 90% of the 2200 academic papers in their sample revealed improved financial performances of companies with better sustainability practices. Additionally, other operational and stakeholder-related factors, such as long-term growth and reputation, are positively influenced by higher ESG performance [8]. The factors found to be impacted by ESG essentially correspond to the critical criteria used to define a shareholder’s long-term value, suggesting an inter-relatedness of both concepts. Furthermore, the focus on sustainability, as measured by ESG, is how companies can create value for all their stakeholders, including the financial return sought by the shareholders.

The academic research streams on these subjects have historically been relatively separated and remain highly fragmented. The primary goal of the present research is to find out if the companies with higher ESG quality can deliver higher long-term shareholder value through various factors (e.g., better financial performance, higher trustworthiness). Furthermore, the authors study if the companies themselves recognize the importance of ESG by including sustainability-related concepts into their mission statements. This empirical study was conducted based on the compiled Central and Eastern European (CEE) companies’ mission statements database, which allowed the comparison of corporate mission statements gathered in 2012 and 2021.

First, 65 academic articles were included in the qualitative content analysis, yielding 183 units of analysis divided into 12 categories. Next, to examine whether, with a tendency of the market to move towards higher sustainability and long-term orientation, there was a shift in companies’ mission statements, the results of a content analysis of 70 Central and Eastern European (CEE) companies’ mission statements performed by Bistрова and Lace in 2012 [4] were compared to the 2021 data of the same companies.

The main contribution of the research is the determination of the core factors, which relate the ESG performance to shareholder value sustainability, allowing the realization of the potential factors through which sustainability creates value. The results shed light on the most critical factors, which companies can indirectly affect by improving their sustainability performances. In addition, this article provides a qualitative baseline for further research and empirical confirmation on the topic of specific financial markets or geographies.

2. Literature Review

2.1. ESG Performance and Its Implications for Company Results

According to research, the primary reason for why investors today use ESG data is its relevance to the investment performance. Other reasons, such as client requests and ethical considerations, come second, signaling that financial considerations still dominate the demand for ESG information over ethical reasons, as suggested by [9]. The research thread exploring the relationship between corporate social performance (or ESG) and financial

performance has been constantly growing. One of the most extensive pieces of evidence today is the meta-study performed by Friede et al. in 2015 [7]. The study aggregates the existing evidence from around 2200 empirical studies performed between 1970 and the year-end of 2014. The authors employ a two-step research approach by combining the vote-count method and econometric study aggregation or meta-analysis. The results of both approaches are comparable and, in general, confirm a positive business case for investing in ESG—the authors conclude that around 90% of the academic papers or around 2100 studies show a non-negative relationship between financial performance and ESG. Broadly similar results are also offered by Clark and Viehs [6]—around 88% of the included studies revealed the positive financial impact of higher sustainability.

While the financial performance in terms of either higher stock returns or improved accounting records is the outcome of the relationship, directly translating into a higher firm's value, the literature has found a list of intermediating factors, which seem to moderate the ESG–firm value relationship. As summarized in an aggregated literature review by Brooks and Oikonomou in 2018 [10], the main reasons for ESG disclosure include the firm's efforts for legitimacy and decreased regulatory burden, improved reputation, enhanced brand value, and employee motivation. Next, corporate social performance and ESG disclosure may affect its value via its risk metrics. Based on the risk–return trade-off, a lower risk profile shall theoretically be associated with a higher value. In line with the prediction, Sassen et al. (2016) found an adverse relationship between ESG performance and company risk [11]. Similarly, Henisz and McGlinch and Giese tested ESG correlation with the credit risk metric and confirmed that improved ESG performance can be linked to lower credit risk for companies [12,13].

Additionally, the cost of equity is considered as a moderating factor influencing the company's value. The existing literature primarily supports the hypothesis that ESG performance may lower the cost of equity. Dhaliwal et al. investigated the company's CSR disclosure relationship with the cost of equity and found that increased CSR disclosure activities lowered the cost of equity in subsequent years [14]. Ng and Rezaee set forth this line of research and similarly found a negative relationship between ESG performance and cost of equity capital. In their study, only environmental and social pillars caused a significant impact on the cost of capital [15].

Much of the difficulty of balancing corporate responsibility with the financial and nonfinancial performance of the company arises due to the lack of a detailed understanding of how corporate responsibility issues can affect drivers of value. Only a few authors, for instance, Aguinis and Glavas (2012), have attempted to consolidate these potential impacts in schematic models [16]. In contrast to the individual studies, their article integrates the vast and heterogeneous literature. According to the authors, the outcomes or the effects of the CSR efforts of companies can be summarized into (1) financial performance, (2) firm-specific factors such as firm capabilities, reduced risk, and enhanced employee engagement, and finally, (3) more company external factors, such as reputation, consumer loyalty, and stakeholder relations. Similar conclusions are drawn by Malik (2015), who performed an overarching review of the existing literature and found that CSR has three main impact areas related to a firm's value-enhancing measures—(1) performance, (2) management, and (3) financial statement-related measures [17].

By combining the existent knowledge on the long-term shareholder value creation and the impact on company's performance resulting from better ESG performance, there appears to be a link between the concepts via value driver factors that will be examined in more detail in the analysis part of this paper.

2.2. The Evolution of the Shareholder Value Concept

For decades, there has been an ongoing debate regarding whose interests companies shall strive to satisfy: shorter-term financial goals or longer-horizon extra-financial interests. While both terms are used to indicate the contradictory goals of the *raison d'être* of companies highlighted by the Shareholder theory proposed by Friedman [1] and Stakeholder

theory argued for by Freeman [2], the introduction of the ESG concept as the variable between the goals arguably serves both ultimate beneficiaries—not only the financial goals of the legitimate owners of the company but also the benefit of the broader network of the impacted parties (customers, society, employees, and other stakeholders).

There is a substantial amount of the academic literature that finds that stakeholder interest consideration does not always contradict profit maximization endeavours. Therefore, the instrumental stakeholder theory described by Donaldson and Preston (1995) suggests that companies, which operate by considering all their stakeholders, also perform better in “conventional performance terms” such as profitability [18]. The corporate social activities and practice of ethical principles aimed at satisfying the needs of the stakeholders are instruments used for achieving sound financial performance [19]. This is especially true when considering the longer-term value shareholders achieve from their companies.

The initial academic literature on this subject mainly stressed the financial facets of the shareholder value concept. For instance, Rappaport (1986) suggested that shareholder value is driven by the sales growth rate, operating profit margin, working and fixed capital investment, income tax, cost of capital, and competitive advantage period. With time, the financial focus was supplemented by more organization and external stakeholder-related facets [20]. In particular, when thinking about the long-term value preservation, it was suggested that additional value drivers, including reputational factors and customers’ opinions and a more long-term strategic orientation, should be considered [21]. Additionally, Jensen (2002) contrasted the competing approaches and proposed a concept of “enlightened [long-term] value maximization”, which considers the company’s operations that also reflect the interests of all of its key stakeholders [22]. Further, with respect to stakeholders, Moir et al. (2007) proposed a model linking stakeholder and shareholder value, suggesting that stakeholder actions, via their effect on the competitive advantage of the company, influence one of the three value drivers, (1) improved performance, (2) reduced costs of capital and (3) reduced capital intensity, which ultimately translates into the changes in the share price and company’s financial value [23]. Complementarily, Lazonick and O’Sullivan (2000) suggested that the shareholder value can be seen as a term describing corporate governance, especially seeing it as a concept related to the decisions on profit distribution (dividends) and a company’s stock market performance [24].

A potential link between the concepts of ESG or corporate responsibility and shareholders’ value is provided by Porter and Kramer (2011), who elaborated a concept of shared value [25]. The theory, which focuses on the inter-relation between economic and societal values, is based on three primary methods of application: via dedicated products and markets, via productivity, and achieved competitive advantage and local societal development (including stakeholder engagement). This concept has also been analysed and elaborated by international organizations, such as the United Nations (UN). An independent tool developed by the UN Global Compact and Principles of Responsible Investment offers a methodology to explain how a company’s sustainability efforts contribute to the overall performance. The model suggests that the shareholder value is affected by three dimensions: (1) revenue growth, (2) productivity implying cost savings, and (3) a well-established risk management framework [26].

Finally, an all-embracing proposition on the shareholder value and its sustainability is offered by Bistrova and Lace [4], who have developed a hypothetical model of shareholder value measurement. Based on a content analysis of the academic literature, the authors proposed that the shareholder value and its sustainability is created and measured by (1) profitability, (2) capital budgeting, which directly influences the cost of a company’s capital, (3) accountability and ethics of the management, (4) quality of corporate governance, and (5) the company’s innovation capacity. With respect to innovation capacity and specific green innovation potential, Chouaibi et al. (2021) found that green innovation fully mediates the relationship between ESG and financial performance [27]. In 2014, Bistrova and Lace verified their initial shareholder value model by using stock market data for CEE countries [28]. Ultimately, in addition to Dimensions (1) to (3), the list was amended to

include (4) earnings quality and (5) ownership characteristics. As a part of their research, the authors used mission statement analysis to assess whether the long-term value creation for its shareholders has also been prioritized by the companies in CEE. By analysing the mission statements of 85 listed companies, the authors found that only around 30% of the sample mentioned commitment to shareholders. Higher proportions of mentions were attributed to customers, quality, leadership, and market position.

With the global tendencies shifting in the direction of sustainability, it might be expected that the changes shall be reflected in the updates to the mission statements during this decade, providing the basis for the second part of the study. Analou and Karami [29] concluded that mission statements play an important role in setting the company's course towards a comprehensive sustainability strategy. As shown by Duygulu et al. (2016), the importance of a strategically aligned mission statement can be crucial for successful sustainability performance not only for large global corporations, but also for small and medium size entities [30]. Moreover, referrals to the fundamental business drivers of the company in their mission statements are proven to influence their financial performance positively [31], thus underlying the importance that the mission statement can have regarding the overall business performance [32].

3. Methods

Qualitative content analysis of the scientific literature and mission statements was employed to address the research question.

As the base of the literature on the subject is extensive and covers various research domains such as finance, sustainability, marketing, human resources and others, the selection of the articles to be included in the content analysis was performed in consecutive steps. The use of systematic literature selection for the content analysis in the social and environmental reporting research is relatively rare due to the large volume of the literature and the wide domain of distinct topical deviations [33]. Consequently, it was also not applied in this case. Firstly, a thorough review of the existing literature was performed by screening and reviewing articles indexed at the Web of Science or Scopus databases according to research relevant keywords in their titles—"ESG", "environmental/social/governance" and "corporate social responsibility". The keywords were chosen based on the notion that, as already previously mentioned, the current academic literature often uses the terms CSR and ESG interchangeably—see, e.g., the work of Clark and Viehs (2014), which argues that the ESG factors can provide a quantitative measure for the otherwise hardly measurable CSR concept. The articles' abstracts were screened in order to determine whether the research interest of the article corresponds to the chosen research question. In short, for the article to be chosen, it had to provide empirical results and robust conclusions on the ESG impact on a company's financial or nonfinancial performance or another firm-related characteristic. After evaluating the validity and generalizability of the research, several articles revealing limited and specific geographic evidence (e.g., Japan, Brazil, Tunisia) were excluded. Finally, several additional articles were added to the sample by examining the cross-references to the already selected articles. The final selection consisted of 65 scientific articles and working papers published across academic journals from 1997 to 2020. The selected text fragments yielded 34 unique codes, totalling 183 coded instances. The unique codes were unified into twelve larger categories, of which the frequencies were analysed (see Table 1).

To test whether ESG factors have also been recognized and captured by the companies operating in the CEE region, a sample of the mission statements of 122 publicly listed companies from countries including Croatia, Hungary, Czech Republic, Slovakia, Poland, Estonia, Lithuania, and Latvia was created. The rationale behind selecting CEE companies as the analytical sample, apart from historical data availability, was the intention to focus on the emerging region, where ESG factors have been of lower priority compared to the more developed regions. Therefore, it is imperative to know if the sustainability trends have reached the emerging countries and whether the companies can pay attention not

only to the pure business operations but also to the sustainability of the processes and decent disclosures. A frequency analysis across 20 concepts was performed via text search software. The authors focused on the concepts centred around the stakeholders per se and around their interests, primarily to determine whether the interests of shareholders are becoming less important at the expense of the interests of other stakeholders in the corporate mission statements.

Table 1. Industry overview of the sample for mission statement analysis—created by authors.

Industry Sector	Count of Companies in the Entire Sample	Count of Companies in the Like-For-Like Sample
Financial	32	15
Noncyclical consumer	13	12
Industrial	18	12
Communications	11	9
Cyclical consumer	14	8
Energy	13	7
Utilities	7	4
Basic materials	5	2
Technology	4	1
Real estate	5	n.a.
Total	122	70

To analyse the mission statement changes over the last decade, the sample data of Bistrova and Lace (2012) used for mission statement analysis were retrieved, and the updates to the mission statements of the companies used in 2012 were added either from the webpages or annual statements of the companies as of February 2021. By doing so, the authors created a database of the mission statements that the sample of companies had in 2012 and 2021. The database, therefore, allows one to explore how significantly the companies have altered their mission statements in the indicated time frame. In order to allow for direct comparison, the same companies were chosen for this analysis (“like-for-like” sample). An overview of the industries represented in the sample is given in the table below. As in 2012, the initial sample was based on the company inclusion in the main trading list of the respective stock exchanges, and an equal split of the industries was not foreseen. Consequently, only the sectors with over five companies in the sample were chosen for sector-level analysis.

4. Results

The definitions of the categories presented in Table 2 were developed by the authors to include the various facets used in the formation of the categories.

The frequency results of the content analysis in Figure 1 show that a higher ESG performance has a positive impact on various company-related factors, which have a consequent positive influence on shareholders’ value in the company.

The results show that the most notable impact from high ESG performance comes from the financial factors. Improved financial performance is characterized in both accounting terms (i.e., net profitability, return on equity) and the stock return performance, which are direct input variables in the firm’s value calculation, thus yielding higher value for the shareholders. The financial market performance is also partly related to one of the next most impactful factors—reduced risk. This suggests that higher sustainability companies show lower stock market volatility as well as reduced credit and business risk, which allows investors to attribute higher valuation to the company based on the risk–return trade-off.

Companies that exhibit healthier ESG performances benefit from better reputations and public image, potentially leading to easier attraction and retention of employees as well as higher attributed customer loyalty. These nonfinancial factors work as sources of competitive advantage vis à vis other companies leading to higher sales growth and lower costs in terms of employee turnover, which increase the firm’s value in the long term.

Similar positive effects arising from higher ESG performance come from other firm-level factors such as more qualitative nature-operating capabilities, higher management quality, including reliability and execution efficiency, and more efficient capital management. These factors speak of the company's ability to make strategically sound decisions, efficiently allocate and attract capital and lead the company in an efficient, productive, and value-creating manner. Even though reputation, management, and operating performance factors, which have been shown to be positively linked to ESG disclosures, do not directly translate into higher company's valuation, the efficiencies and trust in company management are valued positively by investors. Contrary to this, capital management has a direct link to company's value calculation via the reduced costs of equity and debt and the easier attraction of additional funds, which all directly result in a higher calculated market value of a company and, therefore, a higher long-term shareholder value.

Table 2. Categories, definitions and the results of the content analysis—created by authors.

Category	Definition	Frequency
Financial performance	Company's performance in accounting and stock return terms.	39
Reputation	The perception of company's image by the public	22
Reduced risk	Reduced level of risk associated with less volatility, lower business, financial and idiosyncratic risk.	20
Operating capabilities	Operating efficiencies of the company characterized by its productivity, competitive advantage, and effectiveness.	19
Management	Describes the reliability, execution efficiency and decision-making power of the firm's management.	17
Transparency	Transparency of company's financial and nonfinancial information.	14
Capital management	Describes company's capital policy-allocation efficiency, cost of capital, ease of capital attraction.	12
Stakeholder engagement	Accountability and trust of the stakeholders (excluding employees).	11
Long-term orientation	Company's long-term vision, strategic planning.	11
Employees	Employee-related capabilities—ease of attraction, engagement, job satisfaction.	9
Growth	Growth prospects of the company (including revenue growth).	6
Customer value	Company's product perception by its customers.	3

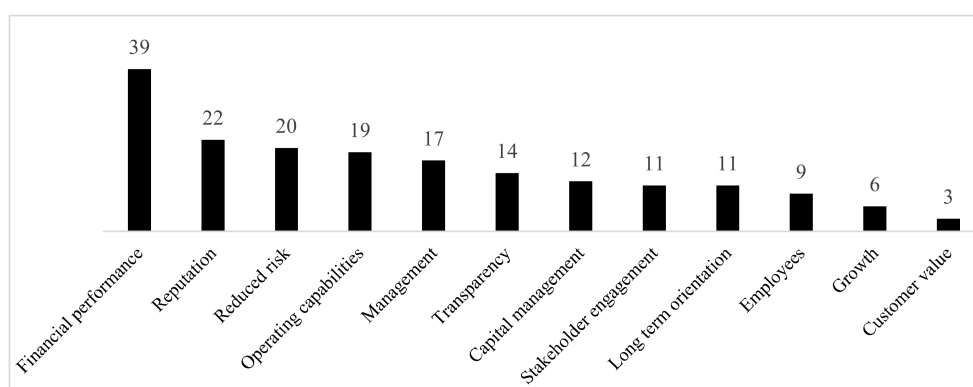


Figure 1. Frequencies of the ESG impact categories—created by authors.

Higher transparency in terms of better disclosures is in line with stakeholder engagement and trust factors. The stakeholders, including the financial value holders, positively price in the effects of company disclosures as they decrease the riskiness and uncertainty about the performance and potential incidents. Finally, higher ESG companies are found to be more long-term-oriented, have a more strategic approach to decisions, and, potentially as a consequence, have higher growth prospects. Although these results do not positively impact a firm's value in the short term, they have a large impact when considering the sustainability of the shareholders' value.

All the factors captured as a result of the analysis are not homogenous and could seemingly be divided into two parts: on the one hand, there are primary effects such as increased financial performance or reduced risk, which have a direct impact on a firm's value calculation formula and therefore on the created long-term financial value for the shareholders; on the other hand, many of the revealed impact factors can be seen as having moderating effects, meaning they do not directly contribute to the firm's value calculation; however, they have an impact on the nonfinancial results and therefore have an indirect effect on the long-term shareholders' value.

To analyse whether these factors have also been captured by the companies in the CEE region, a content analysis of the mission statements was performed via text software. The results (see Figure 2) indicate that the highest focus is put on the sustainability-related metrics, including references to responsibility, innovations, environment, long-term orientation, and community. More than 90% of the companies had at least one reference to these topics in their mission statements. The second highest priority was consumers—more than half of the companies referred to their customers in their mission statements. References to the stakeholders were found more frequently than those to shareholders. Shareholder commitment and financial performance were mentioned comparatively rarely. While the categories in the analysis have been added mostly for illustrative purposes, it can be argued that all three first categories (sustainability, consumer, and stakeholders) generally relate to a wider nonfinancial dimension of companies on their path towards sustainable development and are constituents of the general dimensions usually comprised by the ESG factors.

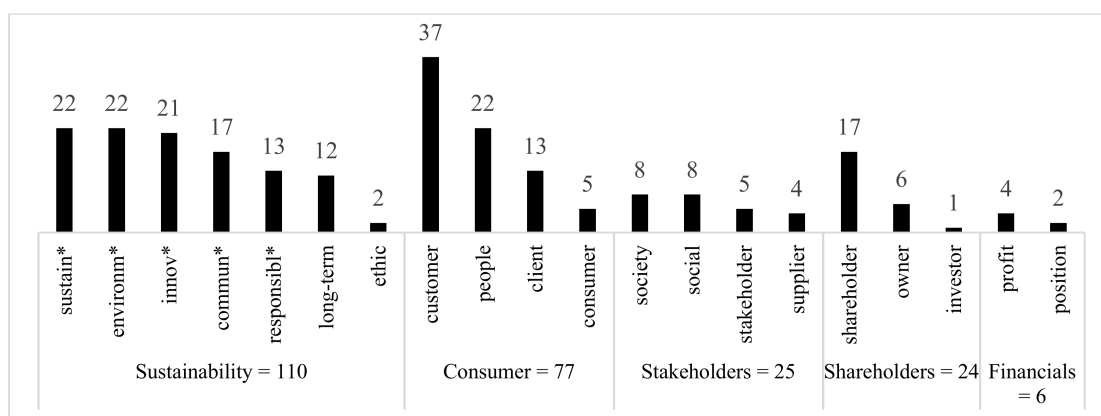


Figure 2. Results of the mission statement analysis of CEE companies—created by authors.

To discover whether there has been a shift in company objectives over the last decade, the 2021 mission statement data were compared to those of 2012. From the previous study by Bistрова and Lace (2012), who analysed a sample of 122 companies and 85 available mission statements, 70 updates as of 2021 were available due to some companies undergoing restructuring or liquidation. In the like-for-like comparison for the same companies, the following topics (as summarized in Figure 3) underwent the most significant changes.

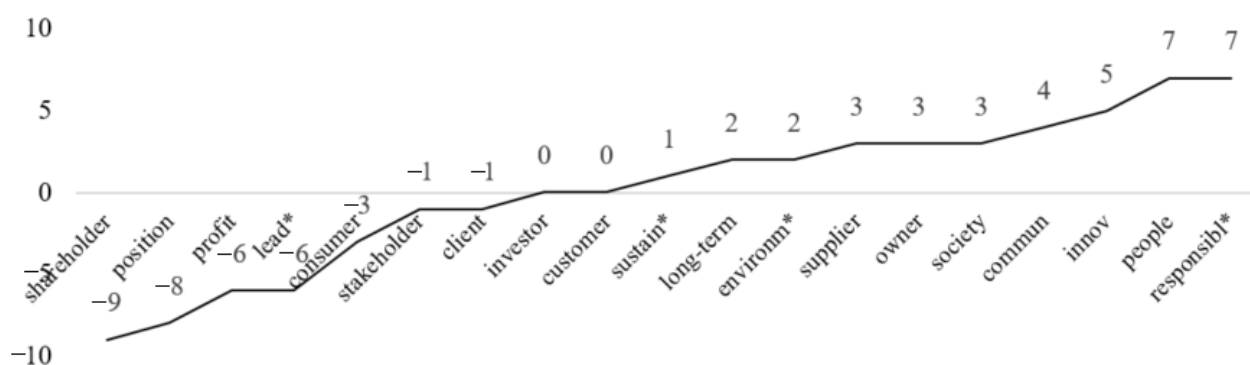


Figure 3. Results of the like-for-like mission statement analysis summarizing the changes in topic occurrence in the company mission statements over the time period from 2012 to 2021—created by authors.

While, in 2012, the content analysis of the offered mission statements showed that a third of the companies mentioned their commitment to the shareholders, this number over the decade has decreased to only 17%. Surprisingly, references to shareholders in the mission statements have experienced the most dramatic decrease, followed by similar terms describing financial orientation in terms of position (e.g., market position) and profit. On the other hand, the focus has increasingly been put on contributions to society (characterized by terms as “people”, “society”, “community”) and sustainable operations (“sustainability”, “responsibility”, “long-term”, “environment” and “innovation”).

When putting these trends in the industry sector setting, the results in Figure 4 indicate that none of the sectors showed an increase in dedication towards the financial matters in their mission statements. Almost all sectors followed the trend of higher sustainability focus in their mission statements. The only sector that showed relatively controversial results compared to the rest of the sample was the energy sector, which showcased decreased focus on sustainability and consumers combined with a significantly stronger focus on stakeholders and shareholders.

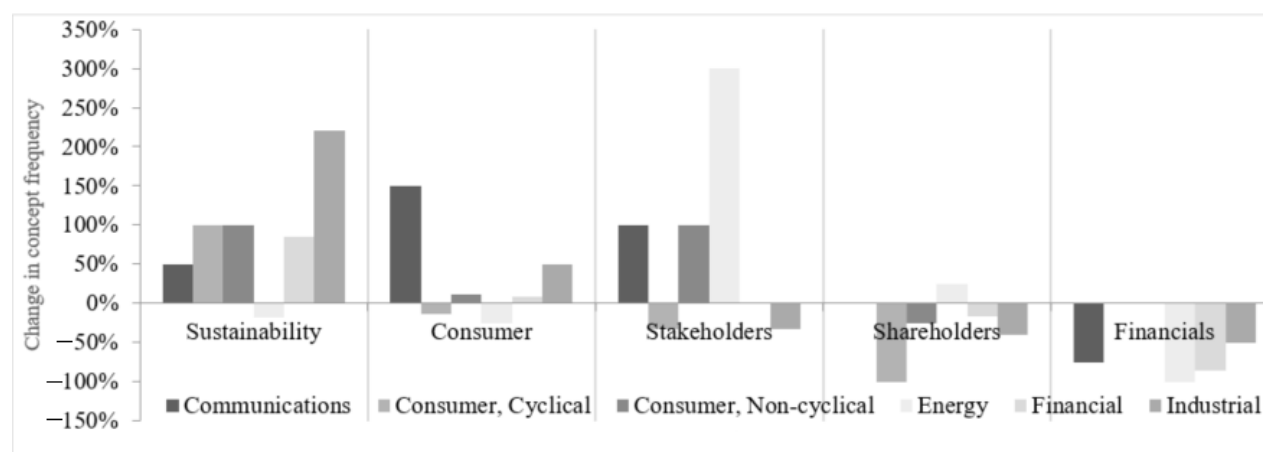


Figure 4. Results of the like-for-like mission statement analysis summarizing the changes in topic category occurrence in the companies’ mission statements over the time period from 2012 to 2021 sorted by industries—created by authors.

The next sections discuss the findings in light of the previous research and draws conclusions.

5. Discussion

The content analysis of the academic literature revealed twelve categories of factors that are positively impacted by higher ESG performance. The results are broadly in line with the multilevel and multidisciplinary model of the corporate social performance developed by Aguinis and Glavas (2012), who concluded that higher CSR performance is associated

with outcomes such as financial performance, reputation, improved stakeholder relations, firm-specific capabilities in terms of operational efficiency, reduced risk and enhanced organization identification, including employee engagement and customer loyalty [16]. Contrary to the conclusions of these authors, the content analysis additionally reveals the company-related factors to be higher management quality, long-term strategic orientation, and transparency missing in the CSR model. The management factor, however, has been previously captured by Malik (2015), while the transparency could potentially be included as a subfactor in another category such as, e.g., stakeholder engagement. This alignment with the existing literature confirms that no meaningful categories have been left out.

By combining the insights from the academic literature on the long-term shareholder value creation and the impact of higher ESG performance on a company's overall performance, this paper proposes viewing these concepts in a joined framework, where ESG performance translates into sustainable shareholder value via the value drivers.

According to the content analysis performed, the most notable impact of high ESG performance comes from the financial factors. Improved financial performance both in accounting statement terms and in the stock returns are direct input variables in the firm's value calculation, thus yielding higher value for the shareholders. The financial performance metrics such as profitability have been historically noted as key shareholder value drivers [20,28]. As the results suggest, from 183 coded instances, 39 of them (21%) correspond to the direct financial implications. This stand-alone category also has the highest frequency, which confirms the first hypothesis. These results, however, fail to explain the path of causality—it is not possible to further break down exactly why higher ESG firms are more profitable. While improved accounting and financial market performance provide the least effective explanation on how exactly the improved ESG performance translates into a firm's value, there are two other high-frequency categories revealed by the analysis which can be seen as partly qualitative and partly quantitative. Arguably one of the most compelling motives for sustainable investment is the potential to reduce risk [30]. As the climate changes and the increasing societal pressure on the social dimensions generates significant risks for the future of the companies, it is of the utmost importance that more sustainable companies will avoid such risk, thus evading potential harm for the shareholders' value in the long term. The results confirm this view by a relatively high placement of the "reduced-risk" category. In addition, an appropriate risk management approach is mentioned as a shareholder value driver by UN Global Compact [26].

Secondly, capital allocation is the direct way how investors, banks, and other capital providers can foster the development and growth of sustainable companies. If lower-scoring ESG companies face mounting pressure from the capital providers, this will indirectly foster their higher-scoring peers. Hence, the top ESG companies also have better chances of capital attraction and are more efficient at the allocation process, implying a lower cost of equity and debt and thus positively influencing the long-term value for the shareholders. Both results are in line with Sassen et al. (2016), who argue that a firm's risk is an important determinant of the cost of capital and, consequently, that ESG has a direct impact on the company's value [11]. Additionally, scholars researching shareholder value stress the importance of an efficient capital policy, suggesting that shareholder value is influenced by lower capital costs and intensity, as well as efficient capital budgeting [23,28].

One of the next key factors, according to the results, is the quality of management. This category includes not only the professionalism of the management and high perceived earnings quality, but also the accountability, commitment, reliability, and trust in the executive power put into the management by the owners. The role of the management in long-term shareholder value creation and preservation has been crucial both in terms of higher accountability and better corporate governance [28] as well as strategic and long-term orientation [21]. According to the results, it can principally be argued that the more sustainable companies have more efficient operating capabilities, which can be seen as the source of competitive advantage. In turn, superior efficiency and productivity also allow cost reduction, thus leading to higher valuation of the company. Both Porter and

Kramer (2011) and the Global Compact guidelines see the increased productivity as a direct driver for long-term shareholder value [25,26].

On the other hand, a large share of impact still comes from various nonfinancial intermediary factors. According to Hillman and Keim (2001), “building better relations with primary stakeholders like employees, customers, suppliers, and communities could lead to increased shareholder wealth by helping firms develop intangible, valuable assets which can be sources of competitive advantage” [34]. The results of this study support this thesis and imply that particularly the qualitative, nonfinancial factors, if summed up, have the greatest contribution to the value creation. Categories such as reputation, transparency, stakeholder engagement, employees, and customer value signal a well-built primary stakeholder relationship [21]. In sum, if potentially joined in a larger meta-category, the various facets of stakeholder involvement and relationship management are the most important drivers of the shareholder value. These results should be taken into account by corporations when thinking about the potential ways of increasing the long-term shareholders’ value. Even though specific suggestion development is beyond the scope of this study, it seems that more public corporations could benefit from applying a more stakeholder-oriented path achieved via dedicated ESG performance improvement.

The application of the theoretical framework to mission statement analysis allows us to conclude that, over the last decade, the shift of the companies in the CEE region has happened in favour of more pronounced stakeholder orientation and long-term shareholder value achievement via sustainable actions. While, as indicated by Bistrova and Lace based on the 2012 results, the companies that signalled their shareholder value commitments simultaneously had a focus on profitability and financial performance, it seems that over the decade, the focus has shifted, and companies, via their mission statements, put more emphasis on a wider contribution to society, environment and long-term value creation via sustainable performance. The significant decrease in the mention of profitability and market focus by the companies over the decade correspond to the trend of the long-term shareholder value being set as an ultimate goal created via high ESG results and therefore better financial performance, and not via short-term isolated focus on financial results.

It has to be noted that this study has several limitations. First, a probable limitation of the content analysis performed is the potential inequality in the inclusion of the various shareholder value impacting outcomes. The results of the analysis do not indicate the role of the factor in the impact model, meaning that it can be the case that the improved stock market performance is a result of another moderating factor that has not been included in the analysis, and so the result only relates to the ultimate outcome, which is the positive stock price effect. Even though the inclusion of a range of nonfinancial factors was aimed for to reduce this limitation, it cannot be clearly stated that no other moderating factors have been omitted. Secondly, in line with the first limitation, it cannot be verified by this study that other effects usually discussed in the journals of other specific domains, such as marketing, human resources, and customer analysis, are sufficiently included in the study and therefore are represented by adequate category frequency. As the theory and the achieved results suggest, ESG disclosures have a wide range of positive cross-sectional impacts on a firm’s capabilities, including not only financial effects but also reputation, employees, and customer product perception. As these subjects are often addressed in more specific industry journals, there is a potential limitation of insufficient respective article inclusion in the content analysis. Finally, as the present study is not exhaustive and discusses only the direct ESG effects on the shareholder value, it should be noted that there might be other factors that can impact the long-term shareholder value; however, they are not captured by this study. Consequently, wider cross-subject research could be suggested in the future to allow drawing a more comprehensive conclusion about the potential impacts.

6. Conclusions

Ethical concerns and the global movement towards sustainability progressively moves the goal of corporations from short-term profitability to more long-term value creation. According to the data, the highest value in stock markets nowadays is majorly created by intangible concepts, including relationships, reputation, and stakeholder loyalty (Ocean Tomo, 2019). The exploration of ESG as the variable measuring the sustainability performance suggests that the choice between short-term returns and long-term value must not be made—the more sustainable companies perform better with regard to the environment and society-related factors and achieve long-term shareholder value.

The first aim of this article was to explore the link between ESG performance and long-term shareholder value creation by determining the critical factors through which ESG can impact the long-term value creation for the company's shareholders. While separately solidly described, the academic literature currently offers only a few insights on the inter-relatedness of both concepts.

By employing a qualitative content analysis method, the results reveal that improved financial performance is the most decisive single factor linking the higher sustainability companies with higher shareholder value. Other benefits of higher ESG companies, leading to a better long-term shareholder value, include a more qualitative and committed management, reduced uncertainty and risk, as well as improved capital policy and management. Additionally, various nonfinancial intermediary factors, according to the content analysis results, have large impacts on companies. By maintaining a good reputation and nurturing more positive relationships with primary stakeholders such as employees, customers, and communities, companies increase shareholders' value via developing intangible asset value.

When examining whether these values and focus areas also have been captured by companies in practice, a sample of 122 mission statements of companies operating in the CEE region was analysed. The results indicate that sustainability and consumer-related keywords dominate companies' agenda. In addition, when examining the changes in the mission statements over the last decade, the results reveal a stronger focus on society and sustainable operations, while direct reference to shareholders and profit have experienced the most dramatic decrease.

The main contribution of this study is the elaboration of the core factors, which relate the ESG performance to shareholder value sustainability, allowing the realization of the potential factors through which sustainability creates the value. The results shed light on the most important factors that companies can focus on to ensure that their value is maximized in the long-term. The research is unique as it looks at how companies tend to become more ESG aware, integrating the sustainability perspective into their mission statements to respond to the global sustainability trend.

Author Contributions: Conceptualization, I.Z.; funding acquisition, J.B.; investigation, I.Z.; methodology, J.B. and I.Z.; project administration, I.Z.; supervision, J.B.; writing—original draft, I.Z. All authors have read and agreed to the published version of the manuscript.

Funding: This research was funded by Department of Corporate Finance and Economics at Faculty of Engineering Economics and Management of Riga Technical University.

Conflicts of Interest: The authors declare no conflict of interest.

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