



Shortcomings in Corporate Sustainable Development and Improvement Strategies from an ESG Perspective

Shiyu Du

Hangzhou Huadian Banshan Power Generation Co., Ltd., Hangzhou 310015, Zhejiang, China.

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***Corresponding author:** Shiyu Du, Hangzhou Huadian Banshan Power Generation Co., Ltd., Hangzhou 310015, Zhejiang, China.

Abstract

As attention to development that can continue over time increases across the world, organizations in business face social responsibilities that become more difficult while these organizations also work to increase economic outcomes. The framework examining environmental factors, social factors, and governance factors provides a main approach for measuring value in organizations over time and responsibility to society. This work examines difficulties that organizations face in development that can continue from the perspective of the framework, examining these three factors. The analysis describes important issues that include differences between the concepts in the framework and actual governance in organizations, and differences between putting practices into effect and providing information about practices. These issues appear to affect how organizations carry out strategy and have a significant influence on society in significant ways. The work uses this analysis to suggest approaches for making governance structures that relate to the three factors work better, and for improving practices and providing information. The aim is to present paths that organizations can follow to reach goals for development that can continue. Findings in the study suggest that organizations can truly include the framework examining environmental factors, social factors, and governance factors in the main strategy only by making governance work better in all aspects and providing information with high accuracy. This approach allows organizations to create development that can continue over time.

Keywords

ESG; Corporate Sustainable Development; Governance Structure

Introduction

The study examines factors relating to development in organizations across markets and contexts. Data show that organizations consider issues that extend from performance measures to include concerns such as effects on the environment, effects on the population, and methods for operating with features that allow examination. This approach provides a structure that organizations use to establish practices following these multiple factors. The framework shows importance in work that examines development over time. Analysis indicates that organizations apply this approach, but findings reveal differences between use in practice and use in reporting. These differences appear across cases and suggest limitations in how organizations develop practices using the structure. The issue shows patterns that affect outcomes over time and indicate effects on development that organizations require. The study considers these patterns and examines factors that relate to differences between stated approach and actual practice. Results

suggest that differences occur from problems in establishing methods that follow from the stated structure. Data indicate that problems include cases where the understanding of the approach differs from the methods used in operating the organization. Analysis also shows differences between implementation in practice and presentation in reports that organizations provide. These patterns appear with considerable frequency in the sample. The findings suggest that such differences limit the effects that the approach produces and affect development over time. Results indicate that examining these issues in detail provides a basis for developing methods that improve practice. This work shows the importance of establishing development that organizations maintain across time and contexts.

1. Characteristics

1.1 Characteristics of ESG Governance Integration

Globalization continues, and corporate strategies show increasing focus on responsibility to society. ESG, which includes environment, society, and governance dimensions, appears as a standard for evaluation that considers multiple factors. This framework becomes part of the structures that guide corporate management and decisions made for strategy [1]. The main features that ESG provides relate to making corporate behavior more standard and transparent. ESG also relates to addressing requirements from different groups that hold stakes in the company. Companies that use ESG in practice often pursue economic gains while also considering the protection of the environment and their responsibility to society. Companies also work to improve structures for governance to support development that continues over long periods. ESG functions as a central framework in management of companies. It also appears increasingly as a standard that measures value to society and the ability to compete in markets. The integration of ESG in governance shows significant effects on the values that companies hold, planning for strategy, and the models used in operations. Changes that occur through this process form a comprehensive system for governance that is comprehensive. This system includes the three dimensions of environment, society, and governance.

Looking at operations in practice, incorporating governance that considers environmental, social, and organizational factors produces substantial changes in structure, particularly in areas that involve making decisions and managing possible problems. Companies face pressure from conditions within the organization and from sources outside the organization, and this pressure requires that they include protection of the environment, responsibility to society, and sound approaches to governance in the main plans that guide activities and in operations that occur each day. This creates a condition in which different groups that have an interest in the company work together. In this process, the structures that provide governance show increasing variety and openness, and interactions between the entities that provide governance become more complex. The traditional approach that uses a single model for management cannot address the growing requirements for responsibility to society in an effective manner. The incorporation of governance considering these factors produces a shift in how companies approach governance, moving from the traditional model that focuses on shareholders to a model that provides a more comprehensive balance and considers all groups that have stakes in the company. Companies must satisfy the economic interests that shareholders have, but they also must consider the broader interests that employees have, that consumers have, that the environment requires, and that society requires. This change in structure increases the ability that a company to adapt to conditions and to show resilience in market environments that are complex and that change rapidly.

1.2 Characteristics of the ESG Driving Mechanism

The formation of the ESG mechanism and the development that follows show patterns that relate to changes in how companies consider responsibility in society. The mechanism differs from approaches that focus on financial factors. It requires companies to examine factors beyond profit. Companies must consider effects on the environment, in society, and in structures for decision-making while they pursue performance in economic terms. When companies apply ESG approaches, they must address what multiple groups expect and require. These groups include individuals who provide investment, individuals who use products, organizations in government, and populations in local areas. Companies establish systems that assess risk and measure performance to address these different objectives that relate to each other. The systems allow ESG measures to function across different levels in organizations. Companies that use this mechanism do not rely only on financial data and assessments in markets to measure performance. They place focus on protecting the environment, on meeting obligations in society, and on improving structures for making decisions. These factors allow companies to develop advantages in competition that remain stable across time.

The main feature of the approach that provides guidance using factors relating to environment, society, and management shows how this approach allows companies to follow goals for development over time. This approach supports continued improvement of resources, development of innovative features, and increased focus on development that can provide results over time. How this approach functions is affected by conditions in markets and conditions in policy, but also by work within companies and work across companies that provides innovation [2]. From the viewpoint of markets, attention from individuals purchasing products to responsibility in society has provided a significant force that supports the use of this approach. From the viewpoint of management, companies show increased understanding that this approach is not just additional value to performance in the economy but a main factor that improves the reputation of companies and provides a stronger position in markets. The approach that provides guidance using these factors emphasizes strategies over time that use benefits to the environment and society as a basis, rather than resulting in financial gain over short periods.

2. Existing Problems

2.1 Misalignment of Concept and Governance

The process of putting ESG strategies into practice shows that companies often demonstrate significant differences between their understanding and their approach to governance [3]. Data indicate that more companies show awareness of the role that considerations relating to the environment, social factors, and governance structures provide for development that continues over time, but findings suggest that these companies relate to ESG as a means of responding to outside demands rather than as a main component of planning for strategy. This difference develops from understanding that remains at the surface level, and this understanding presents ESG as an approach for the market in the short term or as a requirement for meeting standards rather than as a change that occurs at a deep level within the culture of the company and within structures for governance. The individuals making decisions in companies operate within a structure that focuses on making profit as large as possible, and this structure does not allow these individuals to recognize fully the benefits over extended time that ESG provides and the substantial effect that it produces on the reputation of the company in society, on the ability of the company to compete, and on the performance of the company in financial measures. This difference in understanding produces a condition in which strategies relating to ESG do not receive recognition that is widespread and do not receive implementation that is complete, and this condition results in problems and in perspectives that are limited in governance.

The structure for governance in organizations shows patterns that differ from objectives relating to concerns in the environment, social factors, and governance. Organizations appear to focus on results in the immediate period, and this focus relates to problems in providing systematic approaches to factors in the environment and social context. The approach that organizations follow often indicates limitations in developing plans from the main decision levels. This produces an absence of clear direction and means for conducting work that implements specific measures. Individuals making decisions in organizations typically consider factors in the environment and social context as issues that supplement main operations, and this consideration differs from treating these factors as elements in the main strategy. The limited approach to these factors prevents full development of objectives, and results show that organizations provide efforts that appear superficial. The main source of differences between stated positions and actual governance relates to problems in assessing the value that factors in the environment, social context, and governance provide. Organizations show insufficient work in including these factors in the main strategy, and this limitation affects the extent to which true possibilities in governance can occur in practice.

2.2 Implementation and Disclosure Gap

The development of practices relating to environmental, social, and governance factors shows a significant difference between implementation and disclosure that affects effectiveness and transparency. Companies often appear to lack specific measures at the level of implementation or, when developing particular action approaches, provide responses that show limited depth and do not establish structured implementation processes and measures that allow assessment. The main factor that produces this issue involves insufficient resources that are provided for implementing strategies relating to environmental, social, and governance factors, and this occurs with limited collaboration across different organizational units, and these conditions result in implementation that does not follow from stated policies [4]. When management faces external pressures relating to environmental, social, and governance factors, the focus often involves disclosing data that show surface features rather than developing the deeper organizational structures and

cultural features that support such practices. The limited implementation of substantial changes at the level of actual practice makes it difficult for companies to demonstrate commitments in environmental, social, and governance areas through specific actions across time, and this produces the difference that occurs between disclosure and implementation.

Companies also face issues in providing ESG data. Most companies now provide ESG reports on a regular basis, but these reports show limitations in the information that they present. The data in these reports often fail to show the actual performance of the company across different areas, particularly in areas relating to the protection of the environment and responsibility to society. Companies lack standard methods and clear procedures for confirming information, and this allows certain companies to present only positive results that improve the image that others have of them while hiding or reducing the importance of negative information. This pattern of providing information in ways that are not balanced makes it difficult for groups outside the company to evaluate ESG performance in ways that are comprehensive and accurate. Jinlong Qiu indicates that this distortion in ESG information affects how the market evaluates the capacity of the company for development over time and also reduces the degree to which regulators and the public trust that the company fulfills its responsibilities to society [5]. The difference between what companies do in implementing ESG approaches and what they disclose, therefore, affects both the effectiveness with which ESG strategies are conducted and the capacity of the company to develop communication and trust with the groups that have interests in company activities.

3. Optimization Strategies

3.1 Misalignment of Concept and Governance

Optimizing the structure that provides direction represents a main requirement for organizations in implementing strategies that address issues in environmental, social, and organizational aspects. The structure that provides direction affects not only the process of implementing these strategies but also the capacity of organizations to respond to regulations and expectations from society [6]. Organizations should establish a framework that extends from leadership to operational units. This framework should provide support for decisions relating to environmental, social, and organizational factors at the level where strategy develops. Optimizing this structure requires that the board, management, and functional units maintain clear roles and mechanisms for working together. These mechanisms allow progress toward objectives in environmental, social, and organizational dimensions. Reinforcing the importance of these factors at the leadership level allows organizations to establish their role in long-term development. This approach provides alignment with objectives across different stages, from developing a strategy to implementing the strategy.

Companies examining structures for governing should focus on improving the flow of information and making decision processes more transparent to strengthen both internal control and oversight from external sources. Only in an environment where information is open and transparent can stakeholders participate in and supervise governance processes in an active manner, thereby forming a more complete mechanism for governing. Specifically, companies should establish committees that are independent and focused on ESG with sufficient authority for making decisions to ensure that deliberation and decision-making on matters relating to ESG occur in an efficient manner [7]. Mechanisms for internal control and auditing should also be aligned in a close manner with strategies for ESG, guiding companies to achieve standards that are higher in protection of the environment, fulfillment of responsibility to society, and practices for governance. This reform of structure is not merely a requirement that is technical for responsibility to society, but a measure that is strategic to enhance the reputation and competitiveness of companies. In an environment for business that is globalized and increasingly digital, optimizing structures for governance has become an imperative for the development of companies.

3.2 Optimization of ESG Practices and Disclosure

When organizations implement initiatives relating to these areas, they must incorporate measures addressing social obligations and environmental protection into regular business activities while also maintaining openness that allows assessment of these processes. In terms of actual operations, organizations should develop policies that can be put into practice along with specific plans for action, ensuring that requirements for environmental protection and social obligations are fully integrated into decisions about resource use, production methods, and management of supply relationships. Organizations should increase training for workers and develop understanding so that all individuals employed gain complete knowledge of objectives relating to environmental, social, and governance factors and can

deliberately apply relevant measures in their particular roles. Organizations also need to increase engagement with groups that have interests in organizational activities, actively obtaining input from various segments of society to ensure that practices addressing environmental, social, and governance concerns remain varied and complete, particularly regarding effects on the environment, conditions for labor, and welfare of communities, which should be incorporated throughout all decisions relating to business operations.

4. Conclusion

The study examines the main challenges that occur when companies use strategies for environmental and social governance. Analysis reveals how problems in governance structures and differences between implementation and disclosure limit the development that companies pursue over time. Companies often apply these strategies as a response to external pressure and do not integrate the approach into their main strategic frameworks. This produces deficiencies in governance structures and creates obstacles in the execution of strategy. The findings show that optimizing structures for governance and improving transparency in the disclosure of information are important for development that continues. Results indicate that emphasis on environmental and social factors in boards of directors, systems for management of risks, and mechanisms for communication, both internal and external, allow effective implementation of strategies. These approaches also improve the credibility that companies establish and the competitive position that companies develop. The analysis suggests that companies show achievement of goals for sustainability over an extended time only when optimization of governance structures occurs in comprehensive ways and when execution of practices receives reinforcement.

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