

## What drives ESG pursuit in emerging markets? Evidence from Vietnamese listed firms

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### Abstract

This study examined the impact of various organisational factors—board diversity, digitalisation, gender diversity, company size, and stakeholder engagement—on environmental, social, and governance (ESG) pursuit, as well as the subsequent relationship between ESG pursuit and investment decisions. Employing Partial Least Squares Structural Equation Modelling, the study analysed these associations utilising a dataset comprising 133 listed Vietnamese firms across various industries. The results revealed that all the aforementioned factors exert a significantly positive influence on ESG initiatives, with company size and stakeholder engagement demonstrating the strongest effects. However, no significant relationship was identified between ESG pursuit and investment decisions, indicating that robust ESG practices do not necessarily attract greater investment. Discriminant validity assessed using the Heterotrait–Monotrait ratio, confirmed the distinctiveness of each construct within the model. These findings suggest that organisations should prioritise diversity, digitalisation, and stakeholder engagement to improve ESG outcomes. Policy recommendations include promoting board diversity, incentivising digital transformation, supporting gender balance, and encouraging investment in firms exhibiting exceptional ESG performance, ultimately fostering a more sustainable and responsible corporate environment.

*Keywords:* company size, ESG pursuit, investment decisions, stakeholder engagement

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### 1. Introduction

The pursuit of environmental, social, and governance (ESG) objectives has emerged as a

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central priority for enterprises worldwide, driven by rising stakeholder expectations and the recognition that sustainability is integral to long-term corporate value. Prior research indicates that ESG adoption is influenced by multiple organisational and governance factors, including firm size, board characteristics, stakeholder engagement, and digitalisation.

Firm size impacts ESG capacity through resource availability, while governance structures such as board diversity and independence affect the strategic orientation towards sustainability. Stakeholder engagement further reinforces ESG practices by aligning corporate behaviour with external expectations, and digitalisation enhances transparency, data management, and ESG-related reporting.

Despite the proliferation of ESG research, critical gaps in the existing literature persist. Prior studies have predominantly focused on ESG outcomes for firm performance or value, particularly in developed markets (Gonçalves et al., 2023). Nonetheless, relatively limited attention has been paid to the organisational drivers that motivate firms to pursue ESG initiatives. Moreover, existing evidence is often fragmented, examining governance, stakeholder engagement, or digitalisation in isolation rather than within an integrated framework. Empirical findings on whether ESG pursuit influences investment decisions by firms also remain limited and inconclusive. These gaps are particularly salient in emerging markets such as Vietnam, where institutional settings, stakeholder pressures, and investment dynamics vary substantially from those of developed economies.

Addressing these gaps, this study investigated the organisational drivers of ESG pursuit and sought to determine whether ESG pursuit is associated with investment decisions by firms in Vietnam. It was guided by the following research questions: (i) What organisational and governance factors drive ESG pursuit by firms in an emerging market context? (ii) How do stakeholder engagement and digitalisation influence ESG pursuit? and (iii) Does ESG pursuit translate into investment decisions by firms?

## 2. Literature review and research methods

The pursuit of ESG objectives—driven by factors such as enterprise size, board gender diversity, board characteristics, stakeholder engagement, and process digitalisation—has become increasingly important for enterprises. This literature review synthesises findings from recent studies to elucidate how these factors influence ESG performance and investment decisions.

### 2.1. Size of enterprise and ESG pursuit

Firm size plays a pivotal role in shaping ESG engagement. Larger enterprises typically possess greater resources, capabilities, and market influence, enabling them to implement comprehensive ESG strategies and enhance investor visibility. Wu (2023) discovered that larger Chinese banks exhibit higher ESG disclosure owing to broader access to resources and networks. Similarly, Costanza et al. (2025) demonstrated that large firms are more likely to

adopt integrated reporting, linking sustainability practices to improved performance and value creation, while Datar (2023) reported that ESG-oriented firms often exhibit higher market capitalisation. Firm size also moderates disclosure quality: larger firms tend to provide more comprehensive ESG reporting, thereby strengthening investor confidence and fostering sustainable growth (Costanza et al., 2025). *H1: The size of an enterprise positively impacts ESG pursuit.*

## 2.2. Board gender diversity and ESG pursuit

Board gender diversity has been extensively examined for its influence on ESG performance. Empirical evidence suggests that gender-diverse boards enhance firm value by improving ESG ratings, indicating that diversity mediates the relationship between ESG ratings and financial outcomes (Nicolò et al., 2026). Balanced representation, particularly when a critical mass of women is achieved, correlates with stronger ESG outcomes, although the effect is nonlinear and subject to thresholds. Studies further indicate that gender-diverse boards improve sustainability strategies and mitigate environmental emissions (Khatri, 2022; Kyaw et al., 2022). Consistent with stakeholder theory, boards characterised by greater gender diversity are better positioned to address stakeholder interests and bolster ESG performance (Harjoto & Wang, 2020). *H2: Gender diversity within a board positively impacts ESG pursuit.*

## 2.3. Board characteristics and ESG pursuit

Board characteristics—such as size, independence, and specialised committees—significantly influence ESG disclosure. Diverse and independent boards are more likely to promote transparent ESG practices and stronger accountability (Lagasio & Cucari, 2019). Large boards potentially enhance oversight and sustainability-related decision-making through broader expertise; however, they may encounter coordination challenges and diluted accountability (Nicolò et al., 2026; Arayssi et al., 2020). Board independence further enhances ESG outcomes, as independent directors provide objective monitoring and address stakeholder concerns more effectively (Bhatia & Marwaha, 2022; Nuhu, 2023). Overall, a balanced board size and independence are essential for effective ESG governance. *H3: The characteristics of a board positively impact ESG pursuit.*

## 2.4. Stakeholder engagement and ESG pursuit

Stakeholders—including investors, customers, employees, regulators, and communities—significantly influence corporate ESG policies and practices. Effective stakeholder engagement is essential for successful ESG implementation, as integrating ESG into corporate strategy strengthens relationships and attracts investment (Gold, 2023). In line with stakeholder theory, firms that prioritise diverse stakeholder interests are more likely to achieve sustainable performance (Wang, 2024). High-quality ESG performance enhances transparency, reduces information asymmetry, and draws scrutiny from media and analysts, thereby increasing

stakeholder pressure for improved practices (Yu et al., 2018). This pressure from stakeholders, including non-governmental organisations and communities, encourages responsible innovation, transparent reporting, and improved sustainability outcomes (Taufik & Adhariani, 2022). *H4: Stakeholder engagement positively impacts ESG pursuit. Top of Form.*

### 2.5. Digitalisation and ESG pursuit

Digital transformation plays a crucial role in enhancing ESG performance by improving data collection, reporting quality, and stakeholder engagement. Digital tools—including artificial intelligence and big data analytics—strengthen transparency, accountability, and governance by enabling more accurate ESG measurement and disclosure (Xie et al., 2025). They also facilitate the strategic integration of sustainability into corporate decision-making, aligning ESG objectives with broader business goals. Moreover, digital capabilities enhance operational efficiency, optimise resource allocation, and improve supply chain management, thereby supporting sustainable practices and long-term ESG outcomes (Su, 2023; Liu, 2024; Li, 2024). *H5: Digital transformation positively impacts ESG pursuit. Top of Form.*

### 2.6. ESG pursuit and investment decision-making

Investors increasingly recognise ESG factors as critical in decision-making, as robust ESG practices signal lower risk and stronger long-term performance. Firms adopting ESG strategies often benefit from improved financing opportunities, enhanced investor confidence, and greater alignment with ethical investment preferences (He, 2024). Empirical evidence confirms a positive relationship between ESG performance and financial outcomes, validating ESG as a driver of long-term value creation (Friede et al., 2015). Despite measurement challenges and inconsistent standards, high-quality ESG disclosure enhances the attractiveness of a firm and supports sustainable investment decisions (Almeyda & Darmansya, 2019; Wang, 2023). *H6: ESG pursuit positively impacts investment decision-making. Top of Form.*

### 2.7. Research methodology

This study applied a partial least squares (PLS) path model to test hypotheses, demonstrating that structural model complexity has minimal influence on ‘partial least squares structural equation modelling’ (PLS-SEM) sample size requirements. Based on Cohen’s (1992) guidelines (80% power, 5% significance, and a minimum coefficient of determination [ $R^2$ ] value of 0.1), the minimum sample size was determined to be 122. Using simple random sampling, data were collected from chief executive officers, chief financial officers, chief accountants, and managers of Vietnamese listed firms via Google Forms, yielding 133 valid responses. After data cleaning, analysis was conducted using SmartPLS.

### 2.8. Development of measurements

Firm size is denoted as SIZE (five observed variables) and board gender diversity as GEN (five

observed variables). Board characteristics are designated as BOD (five observed variables), stakeholder engagement symbols as STAKE (three observed variables), digital transformation symbols as DIGI (three observed variables), ESG pursuit symbols as ESGP (four observed variables), and investment calling symbols as INVE (four observed variables).

Figure 1. Overview of the theoretical framework

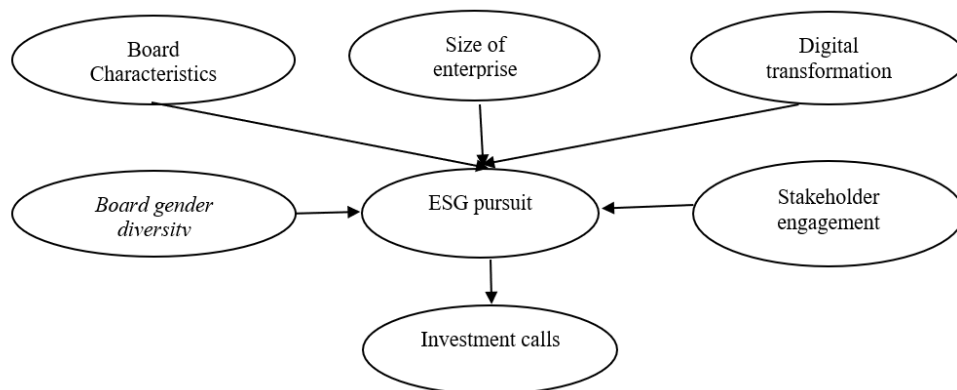


Figure 2. Conceptual framework of the study



### 3. Results and discussion

The measurement model results were generated using SmartPLS (Table 1). The outer loadings for SIZE5 and ESGP4 fell below 0.708, indicating inadequate reliability. Consequently, both indicators were removed, as each accounted for less than 50% of the variance, thus weakening

the validity of the latent construct.

Furthermore, all factors yielded Cronbach’s Alpha and Composite Reliability values above 0.7, confirming strong reliability and scale dependability. Average variance extracted (AVE) values exceeded 0.6, demonstrating robust convergent validity and consistency with the latent constructs

**Table 1.** Reliability coefficient assessment outcomes

Coding of variables	Cronbach’s alpha	Outer Loading	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
BOD	0.897	0.815	0.900	0.924	0.710
		0.892			
		0.858			
		0.763			
		0.879			
DIGI	0.861	0.894	0.878	0.915	0.782
		0.857			
		0.901			
		0.834			
ESGP	0.789	0.859	0.790	0.877	0.703
		0.823			
		0.786			
GEN	0.856	0.790	0.878	0.895	0.631
		0.739			
		0.826			
		0.826			
		0.773			
INVE	0.895	0.895	0.986	0.921	0.745
		0.888			
		0.890			
		0.859			
SIZE	0.896	0.884	0.899	0.928	0.762
		0.864			
		0.884			
STAKE	0.825	0.890	0.837	0.895	0.740
		0.868			
		0.823			

Heterotrait–Monotrait (HTMT) analysis indicated that all confidence values fell below the 0.85 threshold, confirming discriminant validity among the latent constructs in the PLS-SEM model (Hair et al., 2022). ESGP, SIZE, and BOD exhibited moderate yet distinct associations,



while INVE demonstrated weak correlations, underscoring its uniqueness. The post-combination HTMT results are presented in Table 2.

**Table 2.** Discriminant validity assessed using the HTMT method

Variable name	Heterotrait-Monotrait (HTMT) ratio
DIGI <-> BOD	0.438
ESGP <-> BOD	0.645
ESGP <-> DIGI	0.587
GEN <-> BOD	0.202
GEN <-> DIGI	0.240
GEN <-> ESGP	0.431
INVE <-> BOD	0.033
INVE <-> DIGI	0.097
INVE <-> ESGP	0.085
INVE <-> GEN	0.093
SIZE <-> BOD	0.489
SIZE <-> DIGI	0.371
SIZE <-> ESGP	0.655
SIZE <-> GEN	0.147
SIZE <-> INVE	0.082
STAKE <-> BOD	0.292
STAKE <-> DIGI	0.212
STAKE <-> ESGP	0.568
STAKE <-> GEN	0.188
STAKE <-> INVE	0.102
STAKE <-> SIZE	0.237

To explore the relationships among the factors influencing ESG initiatives, as well as their effects on investment decisions, we employed SmartPLS to analyse the collected data. This method involved evaluating multicollinearity using the variance inflation factor (VIF) and applying bootstrapping to assess the statistical significance of the path coefficients.

**Table 3.** Inner VIF values

Variable name	VIF
BOD -> ESGP	1.387
DIGI -> ESGP	1.254
ESGP -> INVE	1.000
GEN -> ESGP	1.070
SIZE -> ESGP	1.299
STAKE -> ESGP	1.100

According to Hair et al. (2019), VIF values below 3 indicate no multicollinearity. SmartPLS revealed that all VIFs were below 2, confirming the absence of multicollinearity concerns; the structural relationships are summarised in Table 4.

**Table 4.** Research hypothesis test results

	Hypothesis	Original sample	Sample mean	Standard deviation	T statistic	P value	Supported/Not supported
H1	SIZE -> ESGP	0.301	0.301	0.063	4.778	0.000	Supported
H2	GEN -> ESGP	0.202	0.210	0.053	3.829	0.000	Supported
H3	BOD -> ESGP	0.226	0.222	0.061	3.670	0.000	Supported
H4	STAKE -> ESGP	0.271	0.270	0.064	4.254	0.000	Supported
H5	DIGI -> ESGP	0.214	0.217	0.073	2.917	0.004	Supported
H6	ESGP -> INVE	-0.084	-0.083	0.125	0.672	0.502	Not supported

The results indicate that organisational capacity variables—firm size, gender diversity, board independence, stakeholder engagement, and digitalisation—exert significantly positive effects on ESG performance, thereby supporting H1–H5. These findings suggest that internal resources and governance structures play a critical role in reinforcing ESG implementation. However, ESG performance does not significantly influence investment decisions (H6 rejected), implying that improvements in ESG practices may not immediately translate into financial or investment outcomes. This accentuates the potential time-lag effect and contextual constraints that may impact the financial benefits of ESG practices in emerging markets.

The effect size ( $f^2$ ) results revealed that firm size (0.171) and stakeholder engagement (0.164) have relatively stronger effects on ESG performance, while board characteristics and digitalisation exhibit moderate effects. Overall, organisational and governance capacities

demonstrate meaningful explanatory power in predicting ESG outcomes.

**Table 5.** Effect size ( $f^2$ )

Variable number	$f^2$ value
BOD -> ESGP	0.090
DIGI -> ESGP	0.090
GEN -> ESGP	0.093
SIZE -> ESGP	0.171
STAKE -> ESGP	0.164

The model demonstrated substantial explanatory power for ESGP ( $R^2 = 0.593$ ; adjusted  $R^2 = 0.577$ ), indicating that the independent variables account for a considerable proportion of the variance in ESG performance. In contrast, the model displayed negligible explanatory capacity for INVE ( $R^2 = 0.007$ ), suggesting limited predictive relevance for investment decision-making.

**Table 6.**  $R^2$  and adjusted  $R^2$  values

Variable name	$R^2$ value	Adjusted $R^2$ value
ESGP	0.593	0.577
INVE	0.007	-0.001

The findings offer several important implications. First, firm size plays a decisive role in the pursuit of ESG goals. Larger firms benefit from stronger resource capacity, higher disclosure quality, and more favourable investor perceptions, resulting in superior ESG performance, while smaller firms encounter structural constraints. This aligns with the findings of Gholami et al. (2022) and Hong (2023).

Second, stakeholder engagement is foundational to ESG success. Strategic alignment with stakeholder expectations, alongside responsiveness to external pressures, significantly enhances ESG performance and disclosure, consistent with observations by Taufik and Adhariani (2022).

Third, board characteristics merely exert a limited influence on ESG outcomes; nevertheless, factors such as size, independence, and diversity persistently support governance effectiveness, corroborating findings by Nuhu (2023).

Fourth, digital transformation exerts a marginal, non-essential effect on the pursuit of ESG goals, despite its potential to improve data management and operational efficiency (Xie et al., 2025).

Finally, the analysis revealed a significantly positive relationship between gender and ESG performance, suggesting that gender is instrumental in influencing the ESG outcomes of a company. These findings support the hypothesis, highlighting gender as a relevant factor in influencing corporate ESG strategies, aligning with prior positive findings (Kyaw et al., 2022).

#### 4. Results

This study provides empirical evidence regarding the organisational drivers of ESG pursuit and its relationship with investment decision-making in the context of emerging markets. The findings indicate that board diversity, digitalisation, gender diversity, firm size, and stakeholder engagement all exert significantly positive effects on ESG pursuit, with firm size and stakeholder engagement emerging as the most influential factors. Nonetheless, ESG pursuit does not significantly translate into investment calling, suggesting a potential decoupling between ESG engagement and investment outcomes in emerging markets. From a theoretical perspective, this finding contributes to the ESG literature by indicating that ESG may not yet function as a strong investment signal in contexts characterised by evolving institutional frameworks and investor awareness. From a practical and managerial standpoint, the findings underscore the importance of strengthening board diversity, enhancing stakeholder engagement, and leveraging digital technologies to improve ESG implementation. They also highlight the role of policymakers and financial institutions in aligning ESG performance with investment incentives. Notwithstanding, this study has certain limitations—including its cross-sectional design, reliance on self-reported survey data, and focus on listed firms within a single emerging market—which may limit the generalizability of the results. Future research should address these limitations by employing longitudinal or mixed-method approaches, incorporating additional institutional and market-level variables, and extending the analysis to cross-country or comparative settings to further explore the ESG–investment relationship.

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