

Corporate Sustainability: Theoretical and Integrated Strategic Imperative and Pragmatic Approach

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Corporate sustainability has become an economic and strategic imperative with the potential to create opportunities and risks for businesses. The tension and possible link between economic sustainability performance (ESP) and non-financial environmental, social, and governance (ESG) sustainability performance have been extensively yet inconclusively debated in business literature. This paper attempts to fill this void by proposing a framework consisting of four integrated strategies of the sustainability theory integration, sustainable shared value creation, continuous performance improvements, and sustainability performance reporting and assurance. Propositions are advanced for each of these four strategies in promoting future sustainability research.

Keywords: Sustainability Performance, Managerial Decision-Making, Shared Value Creation, Integrated Sustainability Reporting and Assurance

JEL Classification: M12, M14, M38, M48

I. Introduction

In today's business environment, global businesses are under close scrutiny and profound pressure from lawmakers, regulators, the investment community, and their diverse stakeholders to focus on sustainability performance (Rezaee, 2015). In recent years, corporate sustainability has evolved from the focus on promoting corporate social responsibility (CSR), and environmental, social and governance (ESG) performance to sustainability initiatives that can drive revenue growth and high quality financial performance (International Federation of Accountants, 2015).¹ Corporate sustainability has recently advanced to the central stage of business strategies, and business scholars now consider CSR as a component of corporate sustainability (Kiron *et al.*, 2015; Ng and Rezaee, 2015; Jain *et al.*, 2016; Rezaee, 2016). In this evolving and highly opaque field of corporate sustainability (Wijen, 2014), where the relation between financial economic

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¹ The terms business sustainability, corporate social responsibility (CSR), and triple bottom line of focusing on environmental, social, and governance (ESG) have been interchangeably used in the literature and authoritative reports. Rezaee (2015) and Brockett and Rezaee (2012) define sustainability as the process of focusing on the achievement of financial economic sustainability performance (ESP) in creating shareholder value while recognizing the importance of environmental, social, and governance (ESG) performance in protecting the interests of other stakeholders. Nidumolu *et al.* (2015, p. 3) argue that at its core sustainability is "about protecting and strengthening foundations for long-term success" by "being farsighted and planning ahead" in order to "minimize social and environmental harm, while maximizing business opportunity" in creating stakeholder value. Tonello and Singer (2015a: 1) define corporate sustainability as "the pursuit of a business growth strategy by allocating financial or in-kind resources of the corporation to ESG practices."

sustainability performance (ESP) and non-financial ESG sustainability performance may be viewed as complementing/completing or conflicting/competing (Rezaee, 2015 and 2016),² where sustainability guidelines for the most part are still voluntary (Gilbert *et al.*, 2011; Rezaee, 2016), and while there are a number of divergent sustainability theories (Aguilera *et al.*, 2007; Starik and Kanashiro, 2013), there is a need for a strategic imperative and pragmatic approach to corporate sustainability.

This paper presents a framework for a strategic imperative and pragmatic approach in managing sustainability performance and provides an integrated and holistic approach to corporate sustainability performance and reporting. The proposed framework is composed of four integrated strategies of sustainability theory implication, shared value creation, continuous sustainability performance improvements, and sustainability performance reporting and assurance as illustrated in Table 1 and explained in the following sections.³ Propositions are advanced for each of these four strategies in promoting future research in sustainability. The relevance and implications of the proposed sustainability framework to business organizations and future research are also presented.

Following this introduction, Section II reviews sustainability literature, which suggests that existing literature is not adequately addressing tensions among dimensions of sustainability performance. The four strategies of theory implication, shared value creation, continuous performance improvements, and sustainability performance reporting and assurance are examined in sections III to VI respectively. The last section concludes the paper, including a discussion on policy and managerial and academic implications of corporate sustainability with suggestions for future research.

²Ng and Rezaee (2015) define ESP as a long-term sustainable financial performance measured in terms of accounting-based measures (return on equity, sales), market-based measures (stock returns, market-book value), and long-term investments (R&D and advertising).

³Much of the discussion of the proposed framework comes from Rezaee (2016).

Table 1: An Integrated Sustainability Framework

Stakeholders	Capitals	Risks	Performance	Shared Value	Actions	Sustainability Initiatives	Sustainability Theories	Sustainability Reporting/ Assurance
Management	Strategic Capital	Failure	Purpose/Mission	Strategic planning	Management performance	Long-term strategic decisions reporting	Stewardship	Management discussion & analysis
Shareholders	Financial Capital	Financial	Economic/ financial	Create shareholder value	Improve market and accounting performance, earnings, growth, R&D investment	Management fiduciary duty is to create shareholder value.	Agency/ Shareholder	Financial statements and audit reports
Governance Participants	Human Capital	Strategic/ Operational	Governance	Effective governance and ethical culture	Independent board, board committees, executive compensation, internal controls	Management should design and implement effective corporate governance measures to protect stakeholder interests.	Shareholder/ Stakeholder	Governance reports and assurance
Society	Social Capital	Reputation	Social	Corporate Social Responsibility	Customer satisfaction, work environment, corporate giving	Management should invest in corporate social responsibility (CSR) activities that create good brand, image and reputation.	Legitimacy/ Signaling	Social reports and assurance
Environment	Compliance/Regulatory Capital	Compliance	Environmental	Leave a better environment for the next generation	Understanding of complex climactic dynamics, compliance with environmental laws	Management should comply with all applicable environmental laws, rules, regulations, and best practices to mitigate environmental risks.	Institutional	Environmental reports and assurance

This study contributes to the sustainability literature in several ways: First, this paper is an attempt to reconcile the perceived conflict between achieving financial ESP to create shareholder value and achieving non-financial ESG sustainability to protect the interests of other stakeholders. Second, there are four integrated themes of the suggested sustainability framework which enable organizations to take their sustainability initiatives from the current greenwashing and publicity stage to the top of the agenda for their directors and executives to integrate into their corporate culture, infrastructure, and business models. The first theme posits that the business sustainability framework and its sustainability performance dimensions are driven by and built on stakeholder and stewardship theories, while other theories (shareholder, legitimacy, signaling, and institutional) are relevant in providing justification for engaging in sustainability performance and reporting sustainability information. The second theme indicates that the main goal and objective function for business organizations is to create shared value for all stakeholders by maximizing firm value. The goal of firm value maximization can be achieved under business sustainability by protecting the interests of all stakeholders including investors, creditors, suppliers, customers, employees, the environment, and society. The third theme is the time horizon of balancing short-term and long-term performance in all dimensions of sustainability performance. The final theme is the multidimensional nature of sustainability performance. The relative importance of the financial ESP and non-financial ESG dimensions of sustainability performance with respect to each other and their contribution to shared value creation is affected by whether these sustainability performance dimensions are viewed as competing with, conflicting with, or complementing each other. The multidimensional sustainability performance is interrelated and should be integrated into business models and management processes and reporting in creating shared value for all stakeholders.

The third contribution of this paper is that management can use the proposed framework in integrating both financial and non-financial sustainability performance dimensions into its business model, managerial processes, and reporting from purchasing and inbound logistics, production design, manufacturing processes to distribution, outbound logistics, customer services, and social and environmental initiatives. Corporate sustainability has advanced from a main focus on corporate social responsibility (CSR) and corporate governance to integration into corporate culture, mission, strategy, business model, and management processes and reporting. A recent research conducted by *MIT Sloan Management Review*, the Boston Consulting Group, and the United Nations Global Compact (UNGC) suggests that business sustainability is moving away from isolated and opportunistic efforts with a main focus on CSR and toward a more integrated, holistic, and strategic approach embracing all dimensions of sustainability performance and engaging diverse stakeholders (Kiron *et al.*, 2015). Thus, business organizations and their boards of directors and executives can use the proposed sustainability framework to advance corporate sustainability from its current status of branding and greenwashing to the strategic imperative of integrating sustainability into the business model and corporate culture in creating shared value for all stakeholders. Investors can benefit from the proposed sustainability framework as they consider various dimensions of financial ESP and non-financial ESG in their investment decisions.

Fourth, future research can use the framework and its propositions in studying the joint and integrated effects of financial and non-financial sustainability performance on management decisions (operating, investing, and financing), financial and market attributes (stock prices, return on investment, and cost of capital), corporate governance measures (board of directors characteristics, executive performance, and compensation), risk assessment and management, and the corporate reporting process. The proposed sustainability framework attempts to reconcile the

perceived conflict between achieving sustainable financial ESP in creating shareholder value and achieving non-financial ESG sustainability in protecting the interests of other stakeholders, which provides the much needed theoretical foundation for the development of research hypotheses in testing the possible link between financial and non-financial dimensions of sustainability performance. While the extant literature has contributed to our understanding of the drivers of CSR and its effect on financial and market performance and firm value, it is often conducted in an isolated fashion and thus does not reflect the integrated impacts of financial ESP and non-financial ESG sustainability performance measures. Therefore, there are numerous research opportunities in sustainability, including corporate governance, environmental sustainability, sustainable supply chain management, sustainability in education, sustainability in economic, social, ethical, governance, and cultural contexts, sustainability policy and practices, integrated reporting on sustainability performance, assurance on sustainability reporting, and the role of policymakers, who are standard-setters in the advancement of corporate sustainability.

Finally, the proposed sustainability framework can be used by academics in integrating corporate sustainability education into the curriculum of business and law schools. Despite the importance of corporate sustainability to corporations, investors, and the business community worldwide, there is limited research on the status of corporate sustainability education. Rezaee and Homayoun (2014) examine the coverage of sustainability education and find that as demand for and interest in sustainability education has increased in recent years, more business and law schools are planning to provide such education. The coverage of sustainability education topics in a separate course or their integration into existing business and law courses includes the discussion of both financial ESP and non-financial ESG dimensions of sustainability performance and related theories, standards, and risks discussed in this paper. The use of the module approach to sustainability education enables instructors to customize their syllabi by promoting critical thinking and the flexibility to cover all aspects of corporate sustainability in their course.

II. Institutional Background and Literature Review

A. Institutional Background

The term sustainability or sustainable development was first defined in the Brundtland Report in 1987 as "...development that meets the needs of the present without compromising the ability of future generations to meet their own needs." (World Commission on Environment and Development, 1987, p. 43).⁴ Business sustainability is a relatively new concept, which has been defined as "the pursuit of a business growth strategy by allocating financial or in-kind resources of the corporation to ESG practices." (Tonello and Singer, 2015b, p. 1), and which is basically a process of focusing on the achievement of all five EGSEE (economic, governance, social, ethical, and environmental) dimensions of sustainability performance (Brockett and Rezaee 2012; Rezaee 2015). In this context, sustainability focuses on activities that generate financial economic and non-financial ESG sustainability performance through maximizing corporate governance

⁴ This definition is criticized for not being adequately specific about whose or which needs should be addressed, and it focuses primarily on environmental sustainability (Starik and Kanashiro, 2013).

effectiveness and business opportunities and minimizing environmental and social harms, and, above all, securing long-term success in creating stakeholder value.⁵

Corporate sustainability is advancing from greenwashing and branding to a business imperative as high-profile global companies employ sustainability development in creating opportunities for business growth, innovating new products and services, and generating revenue. International businesses and global investors utilize sustainability performance information and look beyond a company's financials in making business and investment decisions (Rogers, 2015), and about three quarters of investment professionals use ESG performance information when making investment decisions (CFA Institute, 2015). A recent research conducted by *MIT Sloan Management Review*, the Boston Consulting Group, and the United Nations Global Compact (UNGC) suggests that business sustainability is moving away from isolated and opportunistic efforts with a main focus on CSR and toward a more integrated, holistic, and strategic approach embracing all dimensions of sustainability performance and engaging diverse stakeholders (Kiron *et al.*, 2015).

A new report indicates that global business organizations are expected to “take responsibility for a broader range of sustainability issues, such as social and environmental aspects that will ultimately affect financial performance and an organization’s ability to create value over time” (International Federation of Accountants, 2015, p. 3). Global investors consider various dimensions of sustainability performance in their investment analysis, as socially responsible investing (SRI) has increased by more than 22 percent to \$3.74 trillion in managed assets during the 2010–2012 period (Social Investment Forum, 2012). Stock exchanges worldwide either require or recommend that their listed companies report sustainability information (e.g., Singapore Stock Exchange, 2011; Toronto Stock Exchange, 2014; Hong Kong Stock Exchange, 2015), and more than 6,000 European companies will be required to disclose their non-financial ESG sustainability performance and diversity information for their financial year 2017 (European Commission, 2014).

The 2013 United Nations study suggests that non-financial ESG dimensions of sustainability performance are as important as financial performance, and thus they are value-relevant to investors, presenting new risks and opportunities when assessing portfolio investment valuation (United Nations Global Compact, 2013). Business sustainability has recently drawn the attention of corporate directors and executives, as evidenced by the recent UNGC report where a high majority (87 percent of 3,795 surveyed managers) agree that boards should play a strong role in sustainability development, whereas only 42 percent report that their boards actually were engaged in business sustainability, and 90 percent agree that executives should address sustainability challenges (Kiron *et al.*, 2015). However, a recent survey reveals that the majority of investors are dissatisfied with currently disclosed sustainability information regarding the recognition of sustainability-related financial risks and opportunities (82 percent), comparability of sustainability reporting (79 percent), and the relevance and implications of sustainability risks (74 percent) (PricewaterhouseCoopers, 2015). Another survey conducted by KPMG in 2015 of the largest 100 companies in 45 countries indicates that about three in five companies worldwide included non-financial ESG sustainability performance information in their annual reports in 2014, compared with only one in five in 2011 (KPMG, 2015). The 2016 survey of global investors suggests that

⁵ The Global Reporting Initiative (GRI) in its G4 sustainability guidelines promotes an integrated reporting on these five economic, governance, social, ethical, and environmental (EGSEE) dimensions of sustainability performance with the ethical dimension being incorporated into other dimensions (Global Reporting Initiative, 2013).

more than 75 percent of investment firms take into consideration ESG sustainability performance in making investment decisions (Unruh *et al.*, 2016).

B. Literature Review

Much of the academic literature has focused on CSR and its drivers, performance, and impacts on financial operations and earnings. However, as stated by Rehbein (2014), the role that management plays in determining CSR investment and drivers as a subset of business sustainability deserves more academic inquiry. This paper views CSR as an integral component of business sustainability. This view is shared by other researchers (e.g., Ng and Rezaee, 2015; Rezaee, 2015; Khan *et al.*, 2016), and thus the remainder of this section focuses on reviewing several streams of research relevant to corporate sustainability theories, standards, performance, reporting, and assurance as summarized in Table 2.

The first two columns of Table 2 provide a synopsis of the related research relevant to sustainability theories and standards. Studies in this area examine the theoretical framework and related standards for corporate sustainability and their implications for policymakers, practitioners, and researchers. For example, Carter and Easton (2011) and Connelly *et al.* (2011) suggest the use of multiple theories of shareholder, stakeholder, institutional, signaling, legitimacy, and stewardship in analyzing the link between sustainability performance and managerial processes including supply chain management. These multiple theories and their applications to corporate sustainability performance, reporting and assurance are discussed in detail in Section III. Foerstl *et al.* (2015) identify five interdependent contextual drivers of sustainability which are grouped to stakeholder-related drivers, process-related drivers, and product-related drivers. Several other related studies discuss the role of the International Organization for Standardization (ISO) standards including the applications of several ISOs (9000, 14000, 20121, 26000, 27001, 31000) to corporate sustainability as presented in Section IV. For example, Rondinelli and Vastag (2000), Bansal and Hunter (2003), and Potoski and Prakash (2005) point out that the use of ISO certifications can promote compliance with best practices of CSR and environmental regulations. Furthermore, Ioannou and Serafeim (2012) develop an annual composite corporate social performance (CSP) index for companies using provisions of many of these ISOs.

Table 2: Synopsis of Sustainability/CSR Research

Theories	Standards	Managerial Strategic Performance	Risk/Cost of Capital	Firm Value	Reporting/ Assurance
<p>This stream of research consists of Connelly <i>et al.</i> (2011); Carter and Easton (2011); Tolbert and Zucker (1996); Agle <i>et al.</i> (2008); Campbell (2007); Garvare and Johansson (2010); Freeman <i>et al.</i> (2004); Meyer and Rowan (1977); Grinblatt and Hwang (1989); Patten (1992); and Lindblom (1994) focus on the theoretical framework for sustainability and its implications for management, financial reporting, and supply chain management.</p>	<p>Several studies address sustainability standards including Rondinelli and Vastag (2000); Bansal and Hunter (2003); Potoski and Prakash (2005); and Seuring and Müller (2008). These studies suggest that certifications to various ISO standards can promote compliance with environmental regulations and social standards.</p>	<p>Some of studies are: Barnett (2012); Spicer (1978); Dhaliwal <i>et al.</i> (2011); Rao and Holt (2005); Schreck (2011); Wu and Shen (2013); Bansal and McKnight (2009); Luchs <i>et al.</i> (2010); Carter and Easton (2011); and Fawcett and Waller (2011). Taken together these studies report a U-shaped relationship between financial and non-financial (CSR) dimensions of sustainability performance.</p>	<p>Studies on the link between various dimensions of sustainability performance and cost of capital are conducted in an isolated fashion and conclude that all five EGSEE dimensions of sustainability performance, on average experience a reduction in their risk of information asymmetry and thus a lower cost of capital. These studies are: Dhaliwal <i>et al.</i> (2011); El Ghouli <i>et al.</i> (2011); Cheng <i>et al.</i> (2013); Goss and Roberts (2011); Bouslah <i>et al.</i> (2013).</p>	<p>Prior research provides contradictory evidence of the impact of non-financial ESG sustainability performance beyond earnings on firm value. Studies include: Hughes (2000); Dhaliwal <i>et al.</i> (2011); El Ghouli <i>et al.</i> (2011); Bertoneche and Lugt (2013); Kiron <i>et al.</i> (2013); Goss and Roberts (2011); Hamann <i>et al.</i> (2013).</p>	<p>Scholarly research addresses the interaction between and integration of financial and non-financial dimensions of sustainability performance. Among these studies are Einhorn (2005); Ioannou and Serafeim, (2012); Fellow (2013); Healy and Palepu (2001); Botosan (1997); Healy <i>et al.</i> (1999).</p>

Columns three, four and five of Table 2 provide synopses of several studies that examine the link between financial ESP and non-financial ESG dimensions of sustainability performance and their integrated effects on financial and market performance as well as risk assessment, cost of capital, and firm value. This category of research consists of several studies such as Dhaliwal *et al.* (2011) and El Ghoul *et al.* (2011) which provide empirical evidence that suggests that ESG programs improve a firm's future financial performance. Several studies examine the benefits of sustainability and whether sustainability investments in environmental and social issues pay off in terms of customers' perceptions toward products and services (Bansal and McKnight, 2009; Carter and Easton, 2011; Fawcett and Waller, 2011; Luchs *et al.*, 2010). Jain *et al.* (2016) report that ESP and ESG sustainability performance dimensions are linked and that short sellers avoid firms with high ESG scores and tend to target firms with low ESG scores. Huang and Watson (2015) review research on CSR/ESG published in the last decade in thirteen top accounting journals and conclude that it is difficult to measure financial impacts of CSR initiatives in terms of their associated costs and potential benefits. Taken together, these studies report a U-shaped relationship between financial and non-financial dimensions of sustainability performance where very small and very large firms are more likely to engage in CSR activities and performance.

The relationship between various financial ESP and non-financial ESG dimensions of sustainability performance and firms' risk (and thus their cost of capital including debt and equity capital) has been examined in numerous studies. Spicer (1978) argues that there is a moderate to strong relationship between a firm's common shares and its CSR performance with respect to environmental risk. Ng and Rezaee (2015) find that both financial economic and non-financial ESG sustainability performance are negatively associated with cost of equity capital, and the link between financial performance and cost of equity is stronger in the presence of ESG sustainability performance. Several other studies (e.g., Corbett and Klassen, 2006; Pagell *et al.*, 2006) document the relevance of green and social initiatives to supply chain management by investigating whether it pays to be green and socially responsible and how business organizations should deal with environmental and social issues.

The last column of Table 2 presents results of several studies pertaining to sustainability reporting and assurance and their role in communicating financial ESP and non-financial ESG sustainability information to stakeholders. The interaction between (and of) voluntary (nonfinancial) and mandatory (financial) dimensions of sustainability performance disclosures has been examined in scholarly research (Beyer *et al.*, 2010; Einhorn, 2005; and Verrecchia, 1983 and 2001) by performing an analysis. It finds that mandatory disclosures significantly affect voluntary disclosure strategies and specifically states that "the value of mandatory disclosure requirements cannot be properly assessed without an understanding of what, if any, voluntary disclosures might be made in addition to the mandatory disclosures." Several studies suggest that firms with good ESG information make the most exhaustive disclosures and thus voluntarily disclose such information to reduce information asymmetry and avoid adverse selection (e.g., Al-Tuwaijri *et al.*, 2004; Clarkson *et al.*, 2011; and Verrecchia, 2001). Other studies (e.g., Bebbington and Larrinaga, 2014; Contrafatto, 2014; Gray, 2010; and Hopwood, 2009) underscore the importance of proper accounting, reporting, and assurance of sustainability information. Selmier *et al.* (2015) propose a business model of language resource acquisition policy to communicate CSR performance to stakeholders.

Taken together, findings of prior research as summarized in Table 2 provide mixed evidence of the link between financial ESP and non-financial ESG sustainability performance dimensions and their integrated effects on financial and market performance and cost of capital and firm value.

While these streams of research have contributed to our understanding of factors affecting business sustainability, they are often conducted in an isolated fashion with the main focus on social, governance, and environmental sustainability and thus do not reflect the integrated impacts of drivers of financial and non-financial sustainability performance and their integration into corporate culture and management strategies, processes, and reporting. As corporate sustainability is gaining deserved attention from international businesses, policymakers, regulators, and investors, more research needs to be done in examining various aspects of corporate sustainability including theories, standards, performance, risks, and sustainability reporting and assurance as discussed in the next several sections.

This paper seeks to shed light on the tensions between financial and non-financial sustainability performance measures in creating stakeholder value by presenting an integrated theoretical framework that addresses both positive and negative sustainability externalities. Corporate sustainability demands integrated efforts by management and changes in corporate culture and managerial mindset from focusing on the short-termism of the tangible quick wins to the achievement of long-term and sustainable financial and non-financial performance. Given the ever-growing attention to corporate sustainability and mixed empirical results of the possible link between financial and non-financial components of sustainability performance, this paper develops a framework that presents an integrated and holistic framework for business sustainability performance and reporting. The proposed framework consists of sustainability theories, continuous performance, shared value, and sustainability reporting and assurance as presented in the following sections of III-VI.

III. Sustainability Theories

Rezaee (2016) discusses several theories including agency/shareholder, stakeholder, signaling/disclosure, institutional, legitimacy, and stewardship relevant to corporate sustainability. These theories are summarized in this section and can collectively explain the interrelated dimensions of sustainability performance and their integrated link to corporate culture, business model, and managerial strategies, processes, and practices and their implications for international businesses. These theories provide a theoretical foundation to analyze the various financial ESP and non-financial ESG dimensions of sustainability performance and their integrated effects in creating shared value for all stakeholders.

A. Agency/ Shareholder Theory

Agency/shareholder theory focuses on risk sharing and agency problems between shareholders and management by suggesting that the interests of principals (owners) and their agents (executives) are often not aligned (Fama and Jensen, 1983). In the context of agency theory, moral hazards occur in the presence of information asymmetry where the agent (management) acting on behalf of the principal (shareholders) knows more about its actions and/or intentions than the principal does due to a lack of proper monitoring of the agent. The implications of shareholder theory for sustainability performance are that management incentives and activities often focus on short-term earnings targets which are normally linked to executive compensation and detract from achieving sustainable and long-term performance for shareholders. Under this theory, non-financial ESG sustainability activities (particularly CSR expenditures) are typically viewed as the allocation of firm resources in pursuit of activities that are not in the best interest of shareholders,

even though they may create value for other stakeholders. Thus, firms should focus on creating shareholder value and leave the decisions about social responsibility to their shareholders. There is information asymmetry, as only senior management typically knows the true representation of financial reports. Thus, to mitigate the perceived information asymmetry, management may choose to voluntarily disclose non-financial ESG performance information.

B. Stakeholder Theory

Stakeholders have a reciprocal relationship and interaction with a firm in the sense that they contribute to the firm's value creation, and the firm's performance affects their well-being. Freeman's (1984) stakeholder theory and Jensen's (2001) "enlightened value maximization" theory recognize maximization of sustainable performance and the long-term value of the firm as the criteria for balancing interests of all stakeholders. In the context of shareholder wealth maximization and stakeholder welfare maximization, non-financial ESG sustainability activities create both synergies and conflicts. Stakeholder theory suggests that sustainability activities and performance enhance the long-term value of the firm by fulfilling the firm's social responsibilities (Campbell, 2007), meeting their environmental obligations (Clarkson *et al.*, 2011), and improving their reputation (Weber, 2008). However, these sustainability activities may require considerable resource allocation that could conflict with shareholder wealth maximization objectives and force management to solely invest in sustainability initiatives that would result in long-term financial sustainability.

Stakeholder theory applies to all managerial processes in the sense that the synergy and integration among all elements of the business model and its processes are essential in achieving overall sustainable performance objectives (Donaldson and Preston, 1995; Freeman, 2010). From the stakeholder's perspective, an organization is viewed as part of the social system consisting of groups that work together to achieve the system goals. However, management may take actions to improve sustainability performance that benefit particular stakeholders (shareholders) who have the power to influence its compensation. Cormier *et al.* (2005) argues that management's consideration of stakeholders' interests is a key determinant of focus on social and environmental sustainability performance and disclosures. The application of stakeholder theory to management processes suggests that a company should be viewed as a nexus of all components of a firm's managerial processes, including inbound and outbound logistics, processes and operations, finished products and customer interface, distribution channels, and services, which are integrated to achieve sustainability performance in all five EGSEE dimensions.

C. Legitimacy Theory

Legitimacy theory, which was built on a socio-political view, posits that firms should preserve their legitimacy by fulfilling their social and political contracts. Firms should communicate valuable and relevant financial ESP sustainability performance information and engage in non-financial ESG sustainability activities to obtain legitimacy and fulfill the 'social contract' (Guthrie and Parker, 1989; Tilling, 2004). Legitimacy theory suggests that non-financial ESG sustainability performance is desirable for all stakeholders, including customers, society, and the environment. The theory also proposes that non-compliance with social norms and environmental requirements threatens organizational legitimacy and financial sustainability, and

thus organizations use environmental and social disclosures to satisfy society's demands (Guthrie and Parker, 1989; Tilling, 2004).

Legitimacy theory is important in solidifying companies' reputations, and thus their products and services must be desirable, proper, and of a quality within social norms and values, and must benefit rather than harm the environment and society (Suchman, 1995). For example, tobacco companies may increase their shareholder wealth (promoted by shareholder theory) by selling their products at the risk of harming the health of customers. Sustainability is an integral component of management strategies, particularly when there is conflict between the corporate goals of maximizing both financial and social goals. The existence and persistence of such conflicts require corporations to establish managerial policies, programs, and practices to ensure their boards of directors and senior executives set an "appropriate tone at the top," take sustainability and the social interest seriously, and require their suppliers to adhere to product quality and social and environmental requirements.

D. Signaling Theory

Signaling theory helps explain management incentives for achieving both financial ESP and non-financial ESG dimensions of sustainability performance and investors' reaction to the disclosure of sustainability performance information (Grinblatt and Hwang, 1989). Signaling theory suggests that firms disclose "good news" through the use of various mandatory financial reports on their ESP and voluntary reporting of non-financial ESG sustainability performance to differentiate themselves from less sustainable firms. The signaling theory suggests that firms should promote their good sustainability stories and communicate effectively with all stakeholders to build branding and develop a good reputation for themselves. However, the expected link between a firm's voluntary non-financial sustainability performance reporting and the use of these signals is ambiguous. Healy and Palepu (2001) suggest that firms' voluntary reporting may act as a complement to signal information about expected future financial performance. Alternatively, these signaling mechanisms could be substitutes, suggesting a negative relationship between the probability of voluntary disclosures and the use of these signals (Grinblatt and Hwang, 1989). Signaling theory encourages business organizations to communicate with all stakeholders (including supply chain partners) regarding the synergy, integration, and resource dependency of different components of supply chain management and send a uniform signal to achieve both financial ESP and non-financial ESG dimensions of sustainability performance (Connelly *et al.*, 2011; Dainelli *et al.*, 2013).

E. Institutional Theory

The seminal article published by Meyer and Rowan (1977) set the foundation for the application of institutional theory to personal politics (Edelman, 1992; Tolbert and Zucker, 1983), to domestic and international governmental policies (Strang, 1990), and to the development of organizational missions and forms (DiMaggio, 1991; Fligstein, 1985). Institutional theory focuses on the role of normative influences in decision-making processes that affect organizational structure and offers a structural framework that can be useful in addressing many issues, conditions, and challenges that lead the structure to institutionalization. It focuses on the social aspects of decision-making (such as the decision to invest in CSR expenditures), the conditions

under which the investment decisions on CSR or environmental initiatives are made, and their possible impacts on the environment and society.

Institutional theory views a firm as an institutional form of diverse individuals and groups with unified interests, transaction governance, values, rules, and practices that can become institutionalized. Jennings and Zandbergen (1995, p. 1015) state that “institutional theory helps to understand how consensus is built around the meaning of sustainability and how concepts or practices associated with sustainability are developed and diffused among organizations.” Institutional theory primarily focuses on the rationalization, legitimacy, practicality, and aspects of social structure and related processes in establishing guidelines and best practices in compliance with applicable laws, rules, standards, and norms. A more pragmatic institutional theory promotes business sustainability by viewing a firm as an institution to serve human needs and protect all relevant interests (Roberts, 2004). A firm as an institution is sustainable as long as it creates value for all stakeholders including shareholders. Thus, the implication of institutional theory for promoting business sustainability is that social and environmental initiatives, corporate governance measures, and ethical practices will ultimately reach such a level of legitimization and best practices that failure to adopt them will be considered irresponsible and irrational, and thus these practices will become legal mandates.

F. Stewardship Theory

Stewardship theory stems from sociology and psychology and views management as stewards of all corporate assets and capitals in protecting the interests of all stakeholders. Hernandez (2008, p. 122) states that stewardship theory promotes “the long-term best interests of a group ahead of personal goals that serve an individual’s self-interests.” Stewardship theory as defined by Hernandez (2012) is applicable to emerging corporate sustainability where management is responsible and should be held accountable for safeguarding both tangible and intangible corporate assets, as well as effectively and efficiently using all corporate financial, human, intellectual, societal, and environmental capitals in creating shared value for all stakeholders. Stewardship theory helps to explain ways in which business organizations should be held responsible as stewards for creating shared value by contributing to wealth creation for shareholders as well as contributing to the wellbeing of customers, employees, society, and the environment. Stewardship theory is applicable to corporate sustainability because it considers management strategic decisions and actions as stewardship behaviors that “serve a shared valued end, which provides social benefits to collective interests over the long term” (Hernandez 2012, p. 186).

In summary, stakeholder theory appears to be the prevailing theory of corporate sustainability as suggested by Freeman (1984). Mitchell *et al.* (1997) discuss a normative theory of stakeholder identification explaining why management may consider certain groups (e.g., owners, non-owners) as the firm’s stakeholders and a descriptive theory of stakeholder salience describing the conditions under which management may recognize certain groups as stakeholders. One of the most prevailing and broad definitions of a stakeholder is provided by Freeman (1984, p. 46) as “any group or individual who can affect or is affected by the achievement of the organization’s objectives.” In the context of corporate sustainability, stakeholders can be classified as internal stakeholders who have a direct interest (stake) and bear risks associated with business activities and other external stakeholders as illustrated in Table 1. Stakeholders are those who have vested interests in a firm through their investments in the form of financial capital (shareholders),

human capital (employees), reputational capital (customers and suppliers), social capital (the society), environmental capital (environment), and regulatory capital (government). Stakeholders have reciprocal relationships and interactions with a firm in the sense that they contribute to the firm value creation (stake), and their well-being is also affected by the firm's activities (risk). Legitimacy and institutional theories are closely related to stakeholder theory in the sense that only those with legitimate claims and institutional identification can be considered stakeholders. Attributes of stewardship theory are aligned with themes of corporate sustainability. Specifically, several aspects of stewardship including long-term orientation and the protection of the interests of all stakeholders are the main drivers of corporate sustainability.

All the theories discussed above are relevant to corporate sustainability, and businesses should utilize one or several (as an integrated theory) that can be tailored to their mission, strategies, business model, and reporting processes.⁶ This conclusion leads to the development of the following propositions pertaining to sustainability theory integration.

Proposition 1a: A combination of the above theories is most relevant and applicable in providing a theoretical foundation for better understanding of the emerging corporate sustainability.

Proposition 1b: Stakeholder and stewardship theories share many core values with corporate sustainability by focusing on management stewardship strategies and practices that promote continuous performance improvement and create shared value for all stakeholders.

Proposition 1c: Management with a sustainability-oriented focus is more likely to integrate a combination of these theories with sustainability strategies that align with the company's core business of improving continuous performance and creating shared value.

IV. Shared Value Creation

Public companies are being criticized for primarily focusing on profit maximization, and thus shareholder value creation, with minimal attention to the impacts of their operations on society and the environment (Porter and Kramer, 2011). Management theories and practices are often driven by management's short-termism behavior and are typically intended to resolve or manage uncertainty and reduce information asymmetry in the pursuit of creating firm value (Rezaee, 2015). The two measures of firm value, namely the economic value and market value, may diverge (Committee for Economic Development, CED, 2007). This divergence can be caused by many factors, including the quality and quantity of earnings and other financial and non-financial information disseminated to the market. Investors may trade shares based on expectations about the company's future earnings growth and performance and to a great extent based on short-term considerations of quarterly earnings targets that may cause changes in stock prices independent of changes in the company's true condition and long-term performance. Management, assets managers, equity analysts, and even shareholders are motivated and thus their behaviors are biased toward short-term performance (CED, 2007; KPMG, 2013). This short-termism behavior is in contrast with the long-term view of business sustainability.

As corporate sustainability is gaining more attention and being integrated into the business culture and model, there has been a shift from the creation of shareholder value to the development of "sustainable shared value creation" to protect interests of all stakeholders (Porter and Kramer,

⁶ The theories discussed in this section are not all-inclusive, and there are other theories (e.g., natural resource based) that may be relevant to some dimensions of sustainability performance.

2011). The concept of shared value is defined as “policies and practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates” (Porter and Kramer, 2011, p. 65). Under the shared value creation concept, management focuses on the continuous performance improvement of business operations in generating long-term value while maximizing the positive impacts of operations on society and the environment by measuring sustainable performance in terms of both ESP and ESG sustainability performance. Thus, corporate objectives have advanced from profit maximization to increasing shareholder wealth and now to creating shared value for all stakeholders. This leads to the following proposition:

Proposition 2a: Shared value creation recognizes the importance of the main business objective of creating shareholder value through ESP while protecting the interests of other stakeholders through both ESP and ESG sustainability performance in maximizing (minimizing) positive (negative) impacts on society and the environment (the enforcement of human rights and climate change).

The theoretical intuition for the potential link between the short-term financial performance of shareholder value creation and the long-term sustainable performance of creating shared value for all stakeholders follows that of Jensen’s theory of “enlightened value maximization” (Jensen, 2001). The enlightened value maximization suggests that while the main objective of any business organizations is to maximize firm value, there should be proper balance between economic sustainability performance (ESP) and other ESG sustainability performance dimensions. The enlightened value maximization concept of sustainability performance is supported by recent anecdotal evidence, which suggests that firms that “see sustainability as both a necessity and opportunity, and change their business models in response, are finding success” (Kiron *et al.* 2013).

The emergence of corporate sustainability creates both opportunities for corporate involvement in value creation beyond economic imperatives to improve the ESG profile of companies (Aguilera *et al.*, 2007; McGrath *et al.*, 2004) and challenges in allocating scarce resources subject to a variety of strategic, operational, financial, compliance, and reputational risks (Rezaee, 2015). Management may attempt to achieve short-term targets to create shareholder value (CED 2007; KPMG, 2013) whereas corporate sustainability encourages management to focus on achieving long-term financial and non-financial performance ESG sustainability (Brockett and Rezaee, 2012; Rezaee 2015; Ng and Rezaee, 2015). The keen focus on optimizing short-term financial performance can cause management to overlook the importance of long-term and enduring ESP and ESG sustainability performance in creating shared value. It is possible that management may be more inclined to focus on ESP or ESG or act in a similar direction or opposite direction regarding ESP and ESG. These possibilities introduce tension in the following propositions.

Proposition 2b: Firms that pay attention to ESG sustainability performance have more incentives to focus on sustainable and long-term economic sustainability performance (ESP).

Proposition 2c: Management, with the focus on short-term considerations, is more likely to overlook the adverse impact on long-term and sustainable shared value creation and even cause reduction in the expected value of future returns and thus the current share prices.

Proposition 2d: Management fixation on short-term considerations can contribute to opportunistic earnings management rather than sustainable performance management.

Proposition 2e: Whether management focuses on ESP to create shareholder value or ESG to protect interests of other stakeholders or both is an open question, and the empirical evidence is mixed.

V. Sustainability Continuous Performance Improvements

The overall objective for business organizations is to create shared value for all stakeholders by generating financial ESP subject to the achievement of non-financial ESG sustainability performance as a set of constraints imposed on the objective. Sustainability performance measures should be derived from internal factors of strategy, risk profile, strengths and weaknesses, and corporate culture as well as external factors of reputation, technology, competition, CSR, globalization, and utilization of natural resources. Integration of the ESP and ESG dimensions of sustainability performance into the corporate infrastructure, business model, and management processes enables companies to conserve scarce resources, optimize production processes, identify product innovations, achieve cost efficiency and effectiveness, increase productivity, and promote corporate reputation. Agrawal *et al.* (2006) classify business activities as value-adding or non-value-adding, and essential or non-essential. Achievement of financial ESP and non-financial ESG dimensions of sustainability performance and the aspects of continuous improvements enables organizations to move toward addressing the overriding objective of sustainability in creating shared value. This section then fleshes out the various corporate activities and sustainability performance dimensions, followed by a set of propositions on implications for organizational structure, accountability, innovation, decision-making, risk, and performance.⁷

A. Economic Sustainability Performance (ESP)

Economic sustainability performance reflects the long-term profitability and financial sustainability of the company as measured in terms of long-term operational effectiveness, efficiency, productivity, earnings, return on investment, and market value. Economic sustainability performance is presented in a set of financial statements that enable investors to better assess the risk and return associated with their investments. Economic sustainability performance is viewed as both a value-adding and essential activity, which measures the long-term profitability and financial sustainability of the company as demanded by shareholders under the agency/shareholder theory. Economic sustainability can be achieved by continuously improving capital productivity by optimizing supply chains, cost reengineering focused on reducing operating, production, and compliance costs, improving employee productivity and efficiency, and focusing on activities that create long-term, enduring, and sustainable financial performance. A focus on economic sustainability can also create opportunities for business innovation and growth by promoting sustainable products and services, new customer relationships, and new markets through environmentally friendly and socially acceptable products and services.

Economic sustainability performance is measured in terms of long-term accounting-based measures (return on equity, sales), market-based measures (stock returns, market-book value) and

⁷ The five economic, governance, social, ethical and environmental (EGSEE) dimensions of sustainability performance are classified into the broad category of financial economic sustainability performance (ESP) and non-financial environmental, social, and governance (ESG) sustainability performance; ethical performance is integrated into both ESP and ESG in compliance with G4 of the GRI (Global Reporting Initiative, 2013).

long-term investments (R&D and advertising) and disclosed through a set of financial statements disseminated to shareholders and used in assessing the risk and return associated with their investments. A survey of 1,400 directors and executives reveals that boards and executives are “spending more time talking about leading indicators that reflect the long-term health of the company...and sharpening their focus on the company’s drivers of long-term value creation” (KPMG, 2013). Academic research suggests that ESP is essential in creating shareholder value by examining the value-relevance of financial information and its link to stock prices and cost of capital. For example, Barth *et al.* (2008); Brown *et al.* (2006); Jain *et al.* (2016); and Ng and Rezaee (2015) find that firms with better ESP exhibit better financial and market performance and lower cost of equity. The following propositions are relevant to ESP as supported by prior research:

Proposition 3a: The greater the focus on economic sustainability performance, the more likely management takes long-term strategic initiatives that create shared value.

Proposition 3b: Management with a sustainability-oriented focus would pay more attention to long-term economic sustainability performance than short-term financial performance.

Proposition 3c: Management with a sustainability-oriented focus is more likely to integrate sustainability strategies that align with the company’s core business of improving and maximizing economic sustainability performance.

Proposition 3d: Management with an economic sustainability-oriented focus is more likely to generate sustainable revenue, create business growth opportunities, and stimulate innovation in products and services.

B. Environmental, Social, and Governance (ESG) Sustainability Performance

The non-financial dimensions of sustainability performance include environmental, social, and governance (ESG) with ethics typically integrated into other three ESG components. Overall, ESG sustainability performance may be considered as essential activities that may or may not create shareholder value. Each of these ESG components, their business orientation, and related theories are explained in the following paragraphs. Eccles *et al.* (2014) find that firms that focus on their ESP sustainability performance and the disclosure of such performance significantly and consistently outperform those firms with no commitment to ESG. Ng and Rezaee (2015) report that ESG sustainability moderates the negative association between financial ESP sustainability and cost of equity capital and thus improves firm value.

Environmental performance reflects how effectively a company addresses its environmental challenges in leaving a better environment for future generations. Environmental disasters such as the Union Carbide, Exxon, and BP Deepwater Horizon incidents have created a bad reputation for businesses in some industries (the chemical and oil sectors) and required them to pay more attention to their environmental initiatives. Environmental performance can affect economic performance by reducing the likelihood of environmental law violations that may have detrimental financial consequences. Environmental performance is measured in terms of reduction in carbon footprint, creation of a better work environment, and improvement in the air and water quality of the property and the surrounding community.

Governance performance reflects the effectiveness of corporate governance measures in managing the company to achieve its objectives of creating shareholder value and protecting the interests of other stakeholders. Corporate governance mechanisms are normally established by policymakers, regulators, and corporations to promote economic stability, public trust, and

investor confidence in public financial information and capital markets. Regulatory reforms such as the Sarbanes-Oxley Act of 2002 (SOX, 2002) and the Dodd-Frank Act of 2010 (DOF 2010) are intended to strengthen corporate governance measures by defining roles and responsibilities of corporate gatekeepers, including the board of directors, management, and auditors.

Social performance reflects how and to what extent a company fulfills its social responsibility by making its social mission a reality and aligning it with the interests of society. Social performance ranges from focusing on delivering high quality products and services that are not detrimental to society to improving employee health and well-being and becoming a positive contributor to the sustainability of the planet. Social performance measures corporate activities that contribute to society beyond compliance with applicable laws, regulations, standards, and common practices. Social performance can increase reputation and improve corporate image and may result in sustainable financial performance in the long term.

The following propositions are made regarding ESG sustainability performance dimensions and their integration with ESP sustainability performance:

Proposition 4a: Management with a sustainability-oriented focus is more likely to strike a proper balance between ESP and ESG sustainability performance.

Proposition 4b: Investors' demands and regulatory requirements for disclosing ESG sustainability information encourage management to focus on ESG sustainability performance.

Proposition 4c: The main drivers of long-term and non-financial ESG sustainability performance are innovation, attraction of talent, customer satisfaction, corporate reputation, loyalty, and responsibility to society and the environment.

The literature, as reviewed in Section II, presents two views of the link between financial ESP and non-financial ESG sustainability performance. One view is that financial and non-financial sustainability performance dimensions are complementary because a firm that is governed effectively adheres to ethical principles and commits to CSR and environmental obligations is also sustainable in generating long-term financial performance. Another view is that corporations must do well financially in the long term to be able to do “good” in terms of CSR and environmental activities. Thus, financial and nonfinancial sustainability performance are interrelated and should be integrated to achieve cost-effectiveness (cleaner and cheaper energy; organic, safe, and high-quality products; recycling, waste reduction), to generate revenue (customer sales and premiums for socially and environmentally friendly products and services), and to manage sustainability risk. ESP and ESG sustainability performance dimensions supplement each other and are not mutually exclusive. Companies that are governed effectively are socially and environmentally responsible, and conduct themselves ethically; they are expected to produce sustainable performance, create shareholder value, and gain investor confidence and public trust. Thus, financial ESP and non-financial ESG sustainability performance dimensions are complementary and completing, rather than conflicting and competing. Thus, the following propositions can be advanced regarding the continuous improvements in ESP and ESG sustainability performance:

Proposition 4d: Management with a sustainability-oriented focus is more likely to consider ESP and ESG as being completing/complementing rather than conflicting/competing with each other.

Proposition 4e: Corporate culture along with management attitude toward sustainability can significantly influence the adoption and integration of sustainability into the business model.

VI. Sustainability Performance Reporting and Assurance

Public companies have traditionally disclosed financial information regarding their ESG sustainability performance to regulators and shareholders and may choose to voluntarily disclose non-financial information pertaining to their ESG sustainability performance to other stakeholders. Mandatory financial reporting includes financial statements and audit reports on both financial statements and the related internal control over financial reporting (ICFR) in compliance with either generally accepted accounting principles (GAAP) in the United States or the International Financial Reporting Standards (IFRS). These mandatory financial statements should be audited in compliance with the International Auditing and Assurance Standards (IAAS) or auditing standards in the United States in order to lend more credibility to these financial statements and make them relevant, useful, reliable, and transparent to investors.

Voluntary non-financial ESG sustainability performance reports are currently considered as disclosure of any financial and non-financial information outside of financial statements that are required by regulators and standard-setters. Recently, several countries, including Australia, Austria, Canada, Denmark, France, Germany, Malaysia, the Netherlands, Sweden, Hong Kong, and the United Kingdom, have adopted mandatory reporting on ESG sustainability information. It is expected that regulators in other countries will follow suit, moving toward mandatory sustainability reporting on both financial ESP and non-financial ESG sustainability performance information. Several global organizations including the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), and the Sustainability Accounting Standard Board (SASB) have developed and will continue to develop guidelines for integrated sustainability reporting and assurance. The Global Reporting Initiative (GRI) (in its G4 sustainability guidelines) promotes integrated reporting on both financial ESP and non-financial ESG dimensions of sustainability performance (GRI, 2013). Two commonly used assurance standards released by the IAASB (International Standard on Assurance Engagements), namely “Other Than Audits or Reviews of Historical Financial Information” (ISAE 3000), and “Assurance Engagements on Greenhouse Gas Statements” (ISAE ED-3410), provide guidelines for auditors in providing assurance on non-financial ESG information.

More than 8,000 global public companies issued stand-alone sustainability reports in 2015, compared with fewer than 500 companies in 2005 (Rezaee, 2015). As investors and regulators continue to demand sustainability information and sustainability reporting becomes more standardized, management should integrate sustainability reporting into corporate reporting. Furthermore, as more companies worldwide issue sustainability reports on their financial ESP and non-financial ESG sustainability performance, these reports should be audited and/or reviewed by assurance service providers. Reliability, objectivity, and credibility of the issued sustainability reports can be substantially improved by providing assurance on these reports. This leads to the following propositions:

Proposition 5a: Management with a more sustainability-related focus is more likely to disclose sustainability performance information to signal its superior sustainability performance and differentiate its company from less sustainable companies.

Proposition 5b: Companies with a greater desire to build their corporate reputation and need to improve stakeholder confidence in their sustainability initiatives and performance are more likely to disclose their financial ESP and non-financial ESG sustainability performance.

Proposition 5c: Management who discloses sustainability performance information is more likely to provide sustainability assurance to lend more credibility to disclosed sustainability information.

Proposition 5d: Companies that issue stand-alone sustainability reports are more likely to have their sustainability reports assured.

Proposition 5e: Companies that issue stand-alone sustainability reports are more likely to choose sustainability assurance from the auditing profession.

VII. Relevance of the Proposed Sustainability Framework for Business Organizations and Future Research

The sustainability framework presented in this paper focuses on the four sustainability theories, shared value concept, continuous sustainability performance dimensions, and reporting and assurance components and their integrated effects and implications for business organizations and academic research. The primary goal of business sustainability has advanced from profit maximization to enhancing shareholder wealth and now to sustainability in creating shared value for all stakeholders. Disclosure of financial ESP and non-financial ESG dimensions of sustainability performance signals corporations' commitments to all stakeholders. In creating shared value, corporations should consider the cost-benefit analysis of their move toward sustainability. Business organizations that choose to be global leaders in sustainability should set a tone at the top, with their boards of directors and executives integrating sustainability into their corporate culture, business models, and managerial strategies, decisions, and actions. Companies that are inspired to be sustainable should also communicate their sustainability commitments and the related stories to all stakeholders through an integrated and holistic sustainability reporting and assurance system.

Business schools worldwide play an important and perennial role in preparing the next generation of business leaders, who must understand the importance of business sustainability in our society and the new accountability and integrated sustainability reporting and assurance expectations. Despite the importance of business sustainability to corporations and investors, there is limited research on the status of business sustainability education. Rezaee and Homayoun (2014) examine the coverage of sustainability education and find that as demand for and interest in sustainability education has increased in recent years, more business schools are planning to provide such education. The coverage of sustainability education topics in a separate course or their integration into existing business courses requires the classification of related topics into teaching modules covering both the financial ESP and non-financial ESG dimensions of sustainability performance and related theories, standards, and risks discussed in this paper. The use of the module approach to sustainability education enables instructors to customize their syllabi by promoting critical thinking and the flexibility to cover all or selected modules in their course.

A significant number of prior studies have contributed to our understanding of the drivers of the non-financial ESG dimension of sustainability performance and its effect on financial and market performance and firm value. However, these studies are often conducted in an isolated fashion and thus do not reflect the integrated impacts of financial and non-financial sustainability performance measures. The link between financial ESP and non-financial ESG dimensions of sustainability performance, the possible tensions among these sustainability dimensions, and their integrated effect on market performance, cost of equity, and firm value is yet to be sufficiently

addressed in scholarly research. Thus, there are numerous research opportunities in corporate sustainability, including board diversity, executive compensation, sustainability executive position, corporate governance effectiveness, environmental initiatives, sustainable supply chain management, CSR commitments, sustainability tone at the top including policies and practices, integrated and tagged reporting on sustainability performance, continuous assurance on sustainability reporting, and emerging guidelines and standards on sustainability reporting and assurance.

VIII. Conclusion

Corporate sustainability has advanced from greenwashing and branding to a business imperative as regulators require, investors demand, and corporations continue to disclose sustainability information. More than 8,000 global public companies are now disclosing their financial ESP and non-financial ESG sustainability performance information in an integrated sustainability report or combined with other corporate reports. This paper presents a framework for corporate sustainability that enables business organizations to focus on their sustainable and long-term performance and its continuous improvements, and communicate sustainability performance information to all stakeholders. In this context, sustainability focuses on business activities that create shared value by generating long-term financial ESP as well as voluntary activities that result in the achievement of ESG sustainability performance that concerns all stakeholders.

The proposed integrated sustainability framework consists of four strategies of sustainability theory integration: shared value creation, continuous performance improvements, and sustainability reporting and assurance. This framework presents the continuous improvement of sustainability performance in developing a business model based on the stakeholder/stewardship theory, which generates sustainable shared value creation, brand building, employee engagement, customer satisfaction, and environmental and social activities. This integrated sustainability framework acknowledges that sustainability decision-making is also complex and fraught with uncertainty, just like decision-making for shareholder value, because sustainability entails making investments in light of an uncertain future. The framework developed in this paper integrates ESP and ESG sustainability performance dimensions into managerial decision-making under conditions of uncertainty related to the potential complementary/completing and or competing/conflicting tensions among sustainability performance dimensions. It discusses sustainability performance dimensions in terms of their contributions to shared value creation that benefits all stakeholders.

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