

Understanding corporate sustainability drivers across corporate life cycle

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ABSTRACT

Environmental, social, and governance (ESG) drivers refer to the factors that can affect a company's performance and decision-making processes in relation to its impact on the environment, its treatment of stakeholders such as employees and customers, and its adherence to good governance practices. These drivers can change based on a company's life cycle stage, as the priorities and challenges facing a company can vary significantly at different stages of its development. This research presents an innovative approach to determining the relevant ESG drivers across corporate life cycle stages using Analytical Hierarchy Process (AHP). The results obtained from surveying 25 experts representing Baltic region indicate that AHP is a viable tool to measure the relative significance of ESG catalysts and illustrate that there exist different sets of drivers which have an impact on ESG enactment decisions at different times of a firm's evolution. This study offers an overview for decision makers who are trying to distinguish and prioritize ESG drivers with an aim to achieve a more extensive ESG implementation in the emerging economies.

Keywords: corporate life cycle, corporate sustainability, ESG

1. INTRODUCTION

Each new corporate development stage is associated with certain challenges and changes that corporations have to consider and undergo to ensure a successful transition to the next life cycle stage [1]. In case organizations fail to adapt to the changes, they are faced with higher risk of deferred development and failure. Structures and patterns that are suitable at one stage of development may be unproductive and even detrimental in succeeding life cycle stages [2].

In line with the changes in organizational structures and financial decisions in terms of investments, reporting, financial planning and dividends, a strand of academic literature has concluded that the respective lifecycle stages and transitions between them have an impact also on the corporate governance mechanisms and social responsibility actions [3]. The adoption of the financial decisions based on the life cycle stages also include effects on corporate sustainability disclosure practices [4].

The existing evidence relating Environmental, social, and governance (ESG) decisions to corporate life cycle stage include findings on a significant relationship between corporate sustainability and firm life cycle stages [5] mostly suggesting that companies in the maturity stage exert higher investment into corporate social responsibility (CSR) activities [3]. The documented relationship suggests that companies should aim to base their ESG decisions centered on their life cycle stage to ensure long-term value and growth. While partly driven by the extent of the financial resource availability at the peak of the corporate life cycle [6] other factors such as ownership concentration similarly contribute to the differences in ESG decisions [7].

On the other hand, there is a vast literature examining the variety of drivers that positively contribute to the ESG implementation decisions. Internal factors such as ownership concentration, management attributes and organizational metrics as well as external stimuli like regulation and market forces are discussed in the literature to constitute the key impacts leading to positive corporate sustainability decisions.

Comprehensive evidence relating ESG drivers to the corporate life cycle stages is currently missing. The aim of this study, therefore, is to establish an understanding of which drivers are relevant for ESG implementation decision at different stages of company life cycle. A sample of developing economies of Estonia, Latvia and Lithuania (the Baltic countries) is chosen to test the hypothesis that there exists a difference in the set of the drivers relevant at varying life cycle stages. Firstly, the study builds on previous academic findings allowing to understand a set of ESG drivers and factors that can foster wider corporate sustainability implementation. Secondly, the method of analytical hierarchy process (AHP) is used to prioritize and rank ESG drivers by the experts representing largest Baltic banks, risk capital funds, associations, consultants and corporate sustainability subject matter experts across the start-up, growth and maturity stage.

The results of the AHP confirm observations from the academic literature and hypothesis that there are different ESG drivers that motivate companies to implement corporate sustainability measures at various corporate life cycle stages. The results suggest that start-up companies can be highly motivated by their management team, especially their CEO, while an important prerequisite is having sufficient resources to adopt ESG related activities. In the growth stage companies are strongly driven by regulatory aspects – disclosure requirements, wish for obtaining sustainability related certifications and pressure from procurement processes that require ESG related disclosures. The strongest ownership related indicator is pressure from banks, while competitor's behavior can also act a significant peer pressure towards ESG adoption. Finally, the key drivers for maturity stage companies similarly are regulatory driven – largely dominated by the disclosure requirement. An important sustainability driver for mature companies can also be their supervisory boards.

The findings of this study aid in understanding how a company's life cycle stage affects its engagement in ESG activities and provide insights on how to improve ESG implementation at different stages of a company's lifecycle by understanding the key driving forces.

2. LITERATURE REVIEW

Overview of ESG drivers

In the academic literature, the degree of ESG disclosure and performance are studied to be affected by multiple factors. The factors impacting the adoption can broadly be summarized in two cohorts – (1) the external factors include industrial setting, societal expectations and regulatory environment, and (2) the

internal factors cover intrinsic firm attributes driving the ESG adoption from within the organization.

With respect to the external factors, one of the theories widely associated with corporate sustainability adoption is the Legitimacy theory developed from the concept of organizational legitimacy explained by Dowling & Pfeffer (1975) as “condition or status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part” [8]. Based on the Legitimacy theory companies are seen as continually trying to ensure that they act within the bounds and norms of their respective societies. Legitimacy theory, as captured by variables related to public or social visibility, can be used to explain the adoption and disclosure of ESG related information, finding that higher visibility leads a company to adopt higher levels of ethical practices and ESG disclosure [9]. The social contract – an abstract concept showcasing the relationship between society and organization – additionally foresees that acting according to the interests and expectations of the society are crucial for ensuring a long-term survival of the companies. In the context of ESG it would mean that companies should be prone to highlight the stakeholder interests of sustainability performance rather than the pure financial outcomes [10]. Consequently, stakeholders and market participants expectations can be seen as one of the primary ESG disclosure drivers.

Next, it can be argued that in the modern environment largely defined by wide information flow via the instant social media channels, corporate reputation has become more important than ever. PwC (2021) has found that global executives on average attribute 63% of their company’s market value to the reputation [11]. Such view has been confirmed by a recent Bloomberg Law survey finding that a significant majority (83%) of the surveyed lawyers advising clients on ESG-related matters selected company reputation as a primary driver of client decisions to prepare ESG disclosures [12]. ESG incidents can reduce the trust and loyalty that stakeholders place in a company causing irreparable damage to company’s reputation [13]. Reputational factors can also be a strong determinant of company’s sustainability related disclosures [14]. Also Aguinis & Glavas, (2012) find that the aggregated factor of society impact via consumer groups that can be amplified via reputational factors and media to be an important ESG driver [15].

The second theory frequently cited as a cornerstone in understanding the differences in ESG disclosures is the Institutional theory. It explains that corporations are affected by a broad set of societal structures such as regulations, governmental and non-governmental organizations and bodies monitoring the behavior and activities of the companies [16]. Institutional factors and norms can therefore be used to explain the behavior of social responsibility of companies [17]. Consequently, legislation is one of the key drivers fostering wider ESG adoption across corporations. The effect of sustainability regulations and policies in the EU context is especially meaningful as it acts as a double driving force – on the one side motivating corporations to set measures and report on their sustainability performance, and, on the other side, pushing the financial investors and lenders to request ESG related information from their portfolio companies. Legislation as a key driver of sustainability implementation in the investment decisions has been confirmed also by market studies -i.e., 91% of the surveyed investors admitted regulatory demands being the strongest reason for ESG implementation [18]. Similarly, it holds true when judged from the corporation perspective [19].

Finally, the academic literature has found that industry-specific factors can provide additional explanatory power when

discussing the ESG performance [20]. As industries can be subject to varying regulatory constraints, authors have proposed that both – informal industry norms as well as formal requirements can play a role in the differences of ESG adoption across companies operating in different fields of activities [21]. Also, the competitive intensity within specific industry sectors can act as a driver of the ESG adoption [17].

From the internal ESG driver universe, extending on the Legitimacy theory as captured by the implied higher public visibility, numerous studies have highlighted that social responsibility disclosure is linked to the company size. The research on organizational legitimacy implies that larger and more visible organizations experience more pressure to conform to societal expectations [22]. Larger companies are also the most visible to the public [23] and are likely to be under the most scrutiny. According to Moore (2001) there is a positive relationship between social performance and both - the age and size of the company [24]. In addition, larger and more profitable companies are more likely to have the financial resources necessary to optimize the sustainability facets of the operations therefore are also more likely to achieve higher ESG disclosure level [25].

Corporate sustainability and CSR related activities have been found to correspond also to a set of strategic activities that can create additional market opportunities and contribute to the competitive advantage achieved by companies [26]. Especially these companies that can integrate ESG compliant strategies in their business models are expected to achieve the largest impact on the shareholder value [27]. In addition, new organizational categories of companies i.e., impact start-up’s are emerging in the market adopting innovative strategies to create positive impact within a for-profit framework [28], thus business model related factors can be recognized as potential ESG drivers also in the future. Similarly, most recently also employee attraction and retention factor has been named as one of the core focus areas of large corporates; a study has also confirmed that companies leading in ESG measures have an advantage in these measures compared to the lower scoring peers [29], therefore employees can also be seen as one of the key stakeholders demanding ESG implementation [30].

Next firm-level determinant, which has been studied to affect the ESG, is the company’s leadership [31]. The first strand of literature notions the importance of the chief executive officer (CEO). It bases on the Upper echelon theory developed by Hambrick & Mason (1984) stating that organizational decisions and ultimate outcomes largely depend on the managerial background attributes, therefore their characteristics directly influence the performance and strategic decisions taken by the companies [32]. More focused - as CEOs are usually the ones with the highest ability to impact sustainability agenda and therefore also ESG outcomes of an organization, various characteristics and personal traits such as confidence, ideology and values have been associated with ESG performance development particularly from the side of CEO [33]. The second lens how the company’s management is examined in relation to ESG performance is via the analysis of the board structure. As the company’s board of directors is one of the main stakeholders accountable for the company’s strategic ESG choices, it also holds a significant power in influencing the extent and quality of company’s non-financial disclosures and performance. Next to individual characteristics of the board members, in particular, the diversity of the board has been proven to influence the scope of the ESG disclosure and quality [34].

Finally, as different owners might have differing objectives and decision-making horizons concerning the priorities and focus

areas of companies and therefore also the ESG relevant agendas, the academic research has confirmed the ownership type to have an impact on ESG agenda [35]. Ownership structure of the company can materially impact the ESG score, in particular, private businesses focus significantly more on material ESG aspects and therefore are able to reduce negative incidents [36]. Significant, positive connection between sustainability ratings and ownership by institutions and foreign investors have been documented by Soliman et al. (2013), while the ownership by managers is negatively associated with companies' social performance ratings [37].

The entire landscape of the ESG drivers including a proposed definition can, therefore, be summarized in the Table 1.

Table 1 ESG drivers and factors including their definitions. Based on the academic literature, created by the authors.

Driver	Factor	Definition
Ownership type	Private owners	Owner's request to adhere to certain ESG standards for privately held companies
	Public owners	Owner's request to adhere to certain ESG standards (i.e., state-owned companies, listed companies, etc.)
	Bank financing	Pressure from lenders to implement ESG
	Risk capital	Pressure from risk capital funds to implement ESG
Organizational factors	Business model	Intrinsic wish to adopt ESG due to business model (i.e., circular, impact, etc.)
	Values / purpose	Intrinsic wish to adopt ESG due to purpose and values
	Employee demand	Request by employees to engage in ESG activities
	Competitive advantage	Intrinsic wish to adopt ESG to achieve competitive advantage vis-à-vis its competitors
Management	CEO	Strong CEO request to implement ESG
	Diversity	A high degree of diversity across company's executives as a driving force for sustainability
	Supervisory board	Request from supervisory board to implement ESG
	Corporate governance	Existent corporate governance mechanisms that favoring ESG
Resource base	Size	Higher company's visibility in public due to size
	Financial resources	Sufficient financial capabilities to implement ESG practices
Society	Local media	Pressure from local media
	Global media	Pressure from global media
	Associations	Encouragement from local and international associations
	Customers	Requests from customers to see ESG behavior / transparency
	Reputation	Company's wish to improve reputation by engaging in ESG

Regulation	Certification	Company's wish to obtain any external certifications that require ESG compliance
	Disclosure requirements	Regulatory pressure for mandatory ESG disclosures (currently applicable only to large companies, from 2026 also to SMEs)
Industry	Green procurement	Pressure from procurement processes that require ESG related disclosures
	Industry sector	Sector representation that is prone to ESG controversies
	Competitor behavior	Pressure from competitors to match their ESG activities

Corporate life cycle theory and corporate sustainability

The corporate life cycle stages can be seen as an elaborated version of the product life cycle concept that is commonly used in such economic and managerial areas as marketing and microeconomics predicting a path how a newly introduced product or phenomenon is reaching a maximum impact and then declining [38]. While there is a wide variety of definitions describing the corporate life cycle model, a commonly used version splits it in two parts by saying that “the path of evolution is determined by internal factors (e.g., strategy choice, financial resources, and managerial ability) and external factors (e.g., competitive environment, macroeconomic factors)” (Dickinson, 2011) [39].

There is no consensus with respect to a clear characterization of the life cycle by a specific number of stages – it has been extensively discussed in the academic literature given that the approach of classifications and proxies used for estimation differ significantly. Firm's life cycle is split into periods that are illustrious by firm-related characteristics such as the degree of risk or uncertainty, asset size, and investment opportunities [40]. While all basing on a similar theoretical background, there is a wide variety of the assumptions with respect to the specific life stage phases ranging from 3 defined by Anthony & Ramesh, (1992) [41] up to 10 as elaborated by Adizes (2004) [42].

Life cycle theory, when applied practically, provides organization with relevant action recommendations and assessment of focus areas. Hence, understanding the essence of the life cycle can aid corporations in employing the valuable resources optimally to gain competitive advantage [1]. In terms of corporate sustainability, stakeholders have different expectations for firms in various life cycle stages. The demands are driven not only by the regulatory implications considerably targeting larger and more mature companies, but also by customers, partners, employees, and other crucial stakeholders that, in contrast to mainstream of current regulations, might exert certain pressure also in the earlier stages of the lifecycle.

The literature so far has rather focused on single ESG drivers that could be applicable to corporations at specific stages of the lifecycle. One of the key determinants of the potential investment in the ESG measured CSR activities stem from the resource availability. Resource-based theory suggests that differences across corporations can be explained by the set of resources (such as human capital, financial resources, reputation, physical and intangible assets, etc.) that companies have acquired and possess at various stages of their lifecycle. Based on the bundle of resources company has, it can establish capabilities, build skills and engage these resources in various activities [43]. At the start-up stage, company's primary focus may be on developing its

products or services and establishing a customer base. In this stage, ESG drivers such as the company's environmental impact and labor practices may not be a significant focus, as the company may be more focused on growth and profitability. Firms in the earlier stages of the lifecycle are faced with limited resources that can be invested in CSR activities. Studies like Habib & Hasan (2019) and Russo & Perrini (2010) show that CSR investments are costly, therefore company's resource base and capabilities acquired with time increase the ability to afford CSR investments [3], [44]. Companies that face less financial constraints have more resources to spend on ESG related activities [45]. When moving along the life cycle, CSR activities become more affordable, thus mature firms tend to participate in this type of activities more eagerly [46].

Despite the potential challenges in resource availability, the data shows that sustainability agenda is actual also for start-up stage companies. According to World Economic Forum data, a vast majority of surveyed start-ups (68%) integrate ESG in their business strategy from day [30].

As company grows and becomes more formally organized, the focus may shift to optimizing operations and expanding market share. In this stage, ESG drivers such as company's supply chain and treatment of employees may become more important, as the company looks to improve its efficiency and maintain a positive reputation. Additionally, businesses in the growth phase see a wider impact from their stakeholders, thus ensuring healthy ESG performance can help companies in their stakeholder relationships [3].

More mature firms dedicate higher investment volumes to CSR, however the focus areas are not uniformly distributed [47]. By examining seven CSR areas including community, corporate governance, diversity, employees, environment, human rights, and product, their study reveals that older companies become much more responsible in terms of diversity and environmental awareness, while the effect is less pronounced on human rights and product safety.

Reputational factors are also found to be an important ESG driver. Larger firms usually revealing a more pronounced exposure to media and public visibility are associated with higher levels of CSR involvement [9]. Nevertheless, also younger companies can benefit from positive reputation boost in terms of ESG compliant activities as reputational factor can be especially important for younger companies willing to attract additional customers and boost visibility [30].

In the maturity stage company's focus may shift to maximizing profitability and maintaining market position. In this stage, ESG drivers such as the environmental impact and governance practices may become increasingly important, as the company looks to reduce costs and manage risks [3].

Overall, based on the academic research, it can be hypothesized that the relevant ESG drivers can change according to company's life cycle stage. As corporations progress through different stages development, their priorities and challenges evolve, and the importance of different ESG drivers may change accordingly, thus the aim of the study is to understand and measure the importance and relevance of the ESG driving factors at three specific life cycle stages as defined by Smith et al. (1985) - start-up's, growth stage companies and the mature corporations [48]

3. DATA AND METHODOLOGY

To examine the key drivers of the ESG implementation at various life cycle stages of company, analytical hierarchy process (AHP) method was applied. AHP is an effective method applied in

complex problem-solving settings and was developed by Saaty, (1980) [49]. It is based on the assumption that any complex problem can be disintegrated into numerous sub-problems in terms of hierarchical levels. By understanding the more complex problem and splitting it up into the relevant drivers or attributes, the choice and prioritization follows from the side of experts [50]. The AHP method practically relies on pairwise comparisons following the judgements of experts to derive priority scales. Comparisons are made using a scale that embodies the strength of the difference expressing how much more, one comparable option dominates another with respect to a given attribute. Based on these scales the intangible prioritization and its weights are derived via mathematical computations [51]. AHP, therefore, is a useful technique for measuring intangible factors that per se cannot be expressed numerically [52]. A scale of intensity is used to capture the relative importance, or the weight of all factors included in the analysis. The total sum of all the attributed weights to the parent factors sum up to 100%, similarly as all the leaf criteria below one parent factor. The differences in the weights show the relative importance.

The AHP questionnaire for the survey of this research was split into two parts - the first part asked for a prioritization of the seven key factors (ownership, organizational attributes, management, resource base, society, regulation, industry) that summarize the two broader groups of internal and external ESG drivers, while the second part explored the key indicators within each of the seven key factors.

Following pre-discussions with the potential expert panel members, it was decided that a three-stage model (start-up, growth, maturity) of the organizational life cycle proposed by Smith, Mitchell, and Summer (1985) will be used for the elaboration of the relevant drivers due to the fact that it might be challenging to recognize and point out companies in the decline stage that can be used as reference examples.

Three different expert panels and corresponding questionnaires were created matching the evaluated corporate life cycle stages – start-up, growth, and maturity. The panels were comprised of experts in financing and investment, as well as industry associations with considerable exposure and expertise in ESG in the Baltic region. Since venture capital funds often invest in businesses across the three Baltic countries as well as the key commercial banks are also operating across the region equally, there was no need for a precise geographical split of the experts. The expert panel was split in line with the respondent's expertise and professional experience in one of the particular life cycle stages:

- (1) Start-up stage experts comprised a sample of start-up fund partners and investment directors, business angels, representatives of start-up associations as well as ESG experts focusing on sustainability consulting for the start-up companies;
 - (2) Growth stage experts included experts from the largest and most impactful private equity funds operating in the Baltic region, risk and venture capital association leaders as well as business consulting representatives consulting growth stage companies;
 - (3) Maturity stage respondents encompassed highly ranked commercial bank representatives and ESG officers, asset managers, and ESG experts from business consulting companies.
- In total, 25 experts completed the pairwise comparison, with 24% representing the affinity to the start-up companies, 36% to the growth companies and 40% submitting their answers with respect to the maturity stage companies. The expert sample for the start-up stage was the smallest as the ESG relevance for the start-up companies currently in the examined Baltic region is believed to be the lowest. This has also been confirmed by the

previous study of regional investors [53]. On the other hand, given the EU wide regulations as well as requirements by the financiers and pressure from associations, companies in the maturity stage are certainly faced with the widest exposure to corporate sustainability, thus also the relevant expert circle was the largest.

The data collection was done during a period of 3 weeks, ending on 5 December 2022. An online survey was set up for experts to be able to evaluate each pair of factors in a systematic way. The online survey started with a short introduction of the background of the study and the goal of weighting different drivers and factors impacting ESG implementation decisions across Baltic corporations. It also provided an explanation of the respective corporate life cycle stage. The survey required participants to indicate their name, institution, years of experience, and ESG affinity. To ensure a common understanding of the drivers and factors, a list of definitions as per Table 1 was included before the pairwise comparison, along with two examples.

Pairwise comparisons of factors within the same hierarchical level with respect to the parent elements in the higher level of hierarchy were established. These pairwise comparisons were conducted to transform verbal assessments into numerical values on a scale from 1 to 9, signifying the intensity of the relative importance.

The question for every pair of drivers and factors applied was always the same: Which of these drivers is more important for ESG implementation in Baltic [start-up / growth / maturity stage] companies and by how much? The applied AHP questionnaire used a scale from 1 to 9 ranging from 1 “equal importance”, 3 “moderate importance”, 5 “strong importance”, 7 “very strong importance” to 9 “extreme importance”. The responses were gathered in an online survey tool and transferred to the AHP software. While the majority of the questionnaires were within the ranges of the consistency index to be treated as reliable, in 3 cases the respondents were asked to slightly revise the numerical scaling of the judgment until a value of CR smaller was 0.1 is obtained. One obtained answer was excluded from the final sample due to in-consistencies.

Once the experts’ opinions were gathered, the mathematic computations suggested by Saaty (1980) were used to arrive at the assessed weights of the factors. Practically, the calculation process can be done via a dedicated online software – AHP-OS developed by Goepel (2018) allowing to execute the mathematical computations in an automated way [54].

4. RESULTS AND DISCUSSION

Based on the Goepel’s (2018) methodology for the AHP process, the overall consensus level was calculated in each of the sample groups. While the highest level of consensus and homogeneity was reached in start-up sample, overall, the level of homogeneity was found to be moderate indicating that the group of experts had relatively similar opinion on the preferences as indicated in Table 2.

Table 2 Level of homogeneity of the AHP analysis. Created by authors.

Tests	Start-up sample	Growth sample	Maturity sample
Average AHP group consensus	73.1%	60.0%	63.1%
Rel. Homogeneity	79.3%	70.4%	73.6%

When comparing the key drivers across all three life stages, there are certain differences that can be noted ultimately confirming the hypothesis that there are different sets of drivers that are

relevant for ESG adoption motivation by the companies in various stages of their corporate development. The results are summarized in Table 3.

Table 3 Results of the AHP process. Created by authors.

Driver	Weight			Factor	Weight		
	Start-up	Growth	Maturity		Start-up	Growth	Maturity
Ownership type	0.089	0.141	0.081	Public owners	0.011	0.030	0.012
				Private owners	0.018	0.009	0.005
				Banks	0.012	0.056	0.036
				Risk capital	0.048	0.046	0.028
Organizational factors	0.135	0.094	0.058	Bus. model	0.037	0.024	0.011
				Values / purpose	0.034	0.020	0.014
				Empl. demand	0.023	0.013	0.007
				Comp. adv.	0.041	0.037	0.026
Management	0.276	0.148	0.176	CEO	0.173	0.046	0.039
				Diver. Sup. board	0.023	0.012	0.015
				CG	0.043	0.048	0.073
					0.036	0.042	0.051
Resource base	0.232	0.084	0.08	Size	0.075	0.033	0.025
				Fin. res.	0.157	0.051	0.055
Society	0.068	0.074	0.073	Local media	0.004	0.009	0.008
				Global media	0.007	0.007	0.003
				Associations	0.014	0.013	0.012
				Customers	0.019	0.017	0.025
				Reputation	0.024	0.028	0.025
Regulation	0.113	0.337	0.433	Certifications	0.047	0.092	0.084
				Green procur.	0.050	0.122	0.086
				Disclosure req.	0.016	0.123	0.262
Industry	0.088	0.123	0.098	Industry sector	0.024	0.044	0.037
				Compet. behav.	0.064	0.079	0.061
Total	1.00	1.00	1.00	-	1.00	1.00	1.00

From the internal driving factors, the most relevant one at all the stages is company’s management. The highest impact of the management is observed in the start-up stage (0.276), where the CEO plays a crucial role (0.173) in driving the sustainability agenda. In the subsequent stages of development, management remains the most impactful internal driver of ESG implementation exceeding the power of owners or external financiers such as banks and venture capital funds. In the

maturity stage, particularly the supervisory board's role (0.073) and established corporate governance practices (0.051) are ranked high. Contrary to other stages, CEOs power to drive corporate sustainability is ranked relatively lower in this stage (0.039), meaning that more formal management structures and corporate governance mechanisms exceed the relevance for established, mature companies. In the maturity stage, also the company's board's diversity is becoming slightly more noted (0.015), albeit still low, in comparison to other stages where it was found not be a meaningful ESG driver contrasting the evidence in the academic literature [34].

The relevance of ownership factors (0.141) is especially prominent in the growth stage, as this is the typical stage of corporate development where external financing is required to ensure the growth. Interestingly, bank financing has been ranked by the experts as being an even more important driver (0.056) than private equity participation (0.046) due to banks' ability to enforce stronger ESG requirements via sustainability linked financing criteria. Additionally, companies at the growth stage are gaining access to growth capital, which can further support their sustainability efforts by boosting their financial resource availability. The strength of the ownership factor is lower in the start-up (0.089) and maturity stage (0.081).

While the resource availability is recognized as the second strongest potential factor driving ESG in the start-up stage (0.232), it loses its relevance in the subsequent stages of corporate development (around 0.08) signaling that ESG adoption is expected from more mature corporations despite the extent of the available resources. Thus, as companies mature and have the capacity to invest more in the corporate sustainability activities as also elaborated by the academic literature (Hong et al., 2012) the resource availability as a driver of ESG becomes less important.

Similarly, it is the case with organizational attributes – while values and business model specifics are seen as one of the strongest drivers in the start-up stage (0.135), they gradually lose the relevance in the growth (0.094) and maturity stage (0.058), where the company's business model is established, and the everyday operational complexity exceeds the internal value relevance. In addition, start-up companies can be seen as having more opportunities to integrate ESG considerations into its business model as they are still in the early stages of development, while a more mature company might find it more difficult to make changes to its established operations, thus internal organizational attributes are more pronounced at earlier corporate development stages. An indicator from the organizational factor – competitive advantage – is the strongest indicator of this category across all stages suggesting that for companies that gaining competitive advantage can still be a relatively important incentive.

In respect to external drivers, regulatory aspects are extremely relevant in the growth (0.337) and maturity stages (0.433) as companies reach a certain size for which disclosure obligations become mandatory. Its weight among other external drivers is significantly larger. For the growth companies, a greatly important component is also the pressure exerted by business partners and procurement processes (0.122) that require ESG related disclosures. Regulatory drivers are less pronounced during the start-up stage (0.113) cycle compared to other stages (around 0.4), as there are fewer regulatory compliance requirements for smaller and typically younger companies. On the other hand, experts acknowledge that through certifications and green procurement procedures, regulatory pressure can be a significant ESG driver also for start-up companies, even if they are not subject to any disclosure regulations themselves. It means

that increasing relevance of certain industry standards (i.e., Oeko-tex or GOTS certificate for textile producers, BIO or fair-trade certificate for organic food producers, etc.) also can be an important driver for implementing sustainable business practices from early days of corporate activities.

As expressed by the experts, society is currently a relatively non-relevant driver for ESG adoption – even though it can be argued that particularly customers and reputational factors might play a role in corporate sustainability tendencies, the experts do not rank it as too powerful.

Finally, industry related factors are gaining relevance when advancing the stages of corporate life cycle. Competitors behavior is marked as one of the highest impact factors – ranking directly after regulatory components for growth companies (0.079) and are important also at the maturity stage (0.061). As growth companies are trying to find the best approach to establish a significant and stable presence in the market, they also are heavily influenced by what competitors in the same industry do. Similarly, it impacts the ESG components – if competitors are strongly communicating their sustainability efforts, lagging behind can cause negative effect on the performance and customer perception, therefore peer pressure serves as a valid ESG driving factor.

In the light of the achieved results, it has to be noted that this study has several limitations. First, as the present study is not exhaustive and discusses only the key ESG drivers summarized in the academic literature, it should be noted that there might be other factors that can impact the ESG implementation; however, they are not captured by this study. Secondly, the pairwise comparisons were filled by a sample of subject matter experts. Differently from statistical samples, there is no strict requirements with respect to the minimum sample size of the experts for the AHP analysis. Contrary, sometimes smaller expert panel size is even preferred. According to Sagir Ozdemir & Saaty (2015) – if an expert evaluating the pairwise dominance is experienced and highly professional in the area, it can be preferred to limit the sample size rather than dilute the individual accuracy with the participation of others having less professional judgement [55]. Thus, it cannot be excluded that certain exclusion of opinion in the AHP analysis would not yield a different result

5. CONCLUSIONS

The analysis of the academic literature suggests that the level of ESG implementation is determined by the interaction between the internal and external factors and that there are potential changes over time as companies progress through their lifecycle. Overall, seven drivers (ownership, organizational, resource, management, society, regulation and industry) consisting of 24 factors have been summarized as creating the key influence for the development of ESG adoption. It is hypothesized that different drivers are the most impactful ones in different stages of corporate life cycle, thus this study sets forth to examine it.

The analytical hierarchy process was used to prioritize and rank ESG drivers by the experts representing largest Baltic banks, risk capital funds, associations, consultants and corporate sustainability subject matter experts.

The results of the AHP confirm observations from the academic literature and hypothesis that there are different ESG drivers that motivate companies to implement corporate sustainability measures at various corporate life cycle stages. Start-up companies can be highly motivated by their management team, especially their CEO. An important pre-requisite is having

sufficient resources to adopt ESG related activities. Growth stage companies are driven by regulatory aspects – disclosure requirements, wish for obtaining sustainability related certifications and pressure from procurement processes that require ESG related disclosures. The strongest ownership related indicator is pressure from banks, while competitor’s behavior can also act a significant peer pressure towards ESG adoption. The key drivers for maturity stage similarly are regulatory driven – largely dominated by the disclosure requirement. An important sustainability driver for mature companies can also be their supervisory boards and corporate governance practices. Overall, the results of the study can be used by financiers and public authorities as a reference point to recognize applicable motivators and aspects that speak to businesses in distinct developmental phases when encouraging ESG initiatives. Given that the results of this study have been validated by the geographic specific experts of the Baltic region, a suggestion for further research could be to repeat a similar study in other geographies to document the differences.

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