Future-Oriented Enterprises: Research on the Coordinated Development of ESG Performance, Financial Performance and Operational Efficiency

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Abstract: Through an in-depth analysis of the correlation between ESG (environmental, social and governance) factors and enterprise financial performance, this paper discusses the impact of ESG integrated management on enterprise innovation and competitiveness. First, the relationship between ESG factors and financial performance is comprehensively reviewed, including the impact of environmental, social and governance factors on corporate profitability, market value and long-term shareholder value. Secondly, it focuses on the incentive effect of ESG integrated management on enterprise innovation, including promoting product and service innovation through environmental protection and social responsibility practices, as well as improving employee innovation potential and teamwork efficiency. Thirdly, this paper discusses the effect of ESG integrated management on improving the competitiveness of enterprises, including enhancing consumer trust and loyalty by establishing a good image and reputation, and increasing market share and sales revenue. Finally, it summarizes the importance and role of ESG integrated management on enterprise innovation and competitiveness, and emphasizes the necessity of integrating ESG into enterprise strategic planning and daily operation to achieve long-term development and value maximization of the enterprise. With the continuous popularization and development of ESG investment concept, the correlation between it and enterprise financial performance will become an important factor for enterprise strategic decision and investor choice.

1. Introduction

With the increasingly serious global environmental problems and the increasing awareness of social responsibility, the status and role of ESG (environmental, social and governance) factors in enterprise management has gradually received attention. As a comprehensive enterprise management concept, ESG integrated management emphasizes that enterprises should consider both environmental, social and governance factors in their business activities, so as to realize sustainable development and long-term value creation. In this context, it is of great significance to study the correlation between ESG and enterprise financial performance and the impact of ESG...
integrated management on enterprise innovation and competitiveness to deeply understand the path and mechanism of sustainable development of enterprises and promote enterprises to a more sustainable development path. This paper aims to explore the impact of ESG integration management on enterprise innovation and competitiveness through the analysis of the correlation between ESG and financial performance. First, through the literature review, the relationship between ESG factors and corporate financial performance is reviewed, and the influence mechanism of environmental, social and governance factors on corporate profitability, market value and long-term shareholder value is analyzed. Secondly, combined with empirical research and case analysis, the paper focuses on the incentive effect of ESG integrated management on enterprise innovation and the promotion effect of enterprise competitiveness. Finally, the importance and role of ESG integrated management on the sustainable development of the enterprise are summarized, and the suggestions are proposed to integrate ESG into the enterprise strategic planning and daily operation to promote the long-term development and value maximization of the enterprise. Through the research of this paper, it can provide reference for enterprise decision makers, deepen the understanding of ESG integrated management, improve the understanding of the sustainable development of enterprises, and promote the enterprise towards a more sustainable development path. At the same time, it can also provide reference for the academic community, expand the research field between ESG and enterprise management, and promote the further development of ESG theory and practice.

2. The importance and role of ESG in enterprises

The SG factor plays a vital role in today’s enterprise operation, and its importance and role have become a key component of enterprise strategy and long-term development. First, the ESG factor is closely related to the long-term value creation of the enterprise. By actively managing environmental, social and governance issues, companies can reduce potential environmental and social risks and improve their social responsibility and sustainability, thus delivering stable returns to long-term investors. Research shows that companies with good ESG performance tend to attract more investment, have higher market capitalization and more stable stock price performance, thus achieving a sustained competitive advantage. Secondly, ESG has a significant impact on the risk management and business stability of enterprises. By focusing on environmental protection, employee welfare, and good corporate governance, businesses are able to reduce risks such as environmental accidents, labor disputes, and corruption scandals, thereby improving the sustainability and continuity of their business. The comprehensive consideration of ESG factors helps enterprises to establish a more sound risk management system, reduce the uncertainty in business operation, and ensure that enterprises can maintain a stable position in the market competition. In addition, ESG also plays an important role in promoting innovation and enhancing corporate reputation. By adopting the practice of environmental protection, social responsibility and good governance, enterprises can not only meet the expectations of the society, but also encourage employees to innovate and promote the upgrading of business models and products. In addition, good ESG performance also helps enterprises to establish a good brand image and reputation, enhance the trust of consumers and investors in the enterprise, and then open up a broader market and investment opportunities for enterprises. To sum up, the importance and role of ESG in enterprises cannot be ignored. By actively managing environmental, social and governance issues, companies are able to achieve long-term value creation, reduce risk, drive innovation and enhance reputation, thus laying a solid foundation for their own sustainable development. Therefore, integrating ESG into corporate strategic planning and daily operation is not only a moral responsibility, but also a wise business decision, which can obtain lasting competitive advantage for
enterprises in the highly competitive market environment[2].

3. Impact of ESG performance on investor decisions ESG

The impact of performance on investor decisions ESG (environment, social and governance) plays an increasingly important role in today's investor decision-making. Investors are increasingly aware that the performance of companies in these areas will not only affect their long-term value and sustainability, but will also have a substantial impact on portfolio risks and returns. First, investors tend to include ESG factors in their investment decisions. Companies that are environmentally friendly, have strong social responsibility and good governance practices are often seen as more reliable and sound investors. Investors are increasingly inclined to choose companies that do well in ESG because they tend to have higher long-term value and lower risk. Second, the ESG factor has become one of the important criteria for many investors to measure enterprise performance and value. Instead of focusing solely on the financial performance of companies, investors more comprehensively assess the overall performance of the business, including its environmental impact, care for employees and communities, and the health of the corporate governance structure. This comprehensive consideration helps investors to better understand the long-term risks and opportunities of the enterprise, and can more accurately assess the potential value of the enterprise. Moreover, a growing number of studies show that companies with strong ESG performance are often able to receive more capital and lower costs of capital. Investors are increasingly willing to pay higher valuations for companies that do well in ESG because they believe they can achieve more stable returns and higher returns in the future. In addition, ESG factors can also reduce the operating costs and risks of enterprises, so as to improve the profitability and market competitiveness of enterprises, and further attract the favor of investors. In conclusion, the impact of ESG performance on investor decisions is becoming increasingly significant. Investors are increasingly aware that ESG factors can not only provide them with more comprehensive enterprise evaluation metrics, but also create more stable and sustainable returns on investment. As a result, more and more investors are incorporating ESG in their investment strategies and regard it as one of the important criteria for evaluating enterprise value and performance. In the future, with the further popularization and development of ESG investment, its impact on investor decision will be more significant and it will become an important force in shaping the global financial market pattern[3-5].

4. The impact of ESG performance on enterprise operational efficiency

ESG (environmental, social and governance) performance has a profound impact on the operational efficiency of enterprises, both in reducing costs, improving resource utilization efficiency, improving supply chain management, and promoting business sustainability. First, companies that actively focus on ESG factors are often able to achieve effective management and reduction of costs. By implementing environmental measures such as energy conservation and resource recycling, companies can reduce energy consumption and production costs. At the same time, the emphasis on social responsibility, such as improving employee welfare and safeguarding labor rights and interests, can reduce the cost of human resource management, reduce employee turnover rate and improve production efficiency. Good governance practices can also help to reduce the financial risks and management costs of enterprises, and enhance the internal control and operational efficiency of enterprises. Secondly, the attention of ESG factors helps to improve the efficiency of resource utilization of enterprises. By advocating the concept of environmental protection and the sustainable development model, enterprises can more effectively use resources and reduce waste and loss. For example, the adoption of advanced clean production technology and
green supply chain management can optimize the production process, reduce the consumption of energy and raw materials, and improve production efficiency and product quality. In addition, through employee training and skill improvement, enterprises can give full play to the potential of employees, improve work efficiency and innovation ability, and further improve the efficiency of enterprise resource utilization. In addition, ESG factors also have a positive impact on the supply chain management of enterprises. By requiring suppliers to comply with environmental and social responsibility standards, companies can reduce supply chain risks and ensure the stability and continuity of their supply chains. At the same time, the establishment of partnership and shared values can help to improve the flexibility and response speed of the supply chain, strengthen the cooperation with suppliers, and further improve the efficiency of supply chain management and business sustainability of enterprises. To sum up, the impact of ESG performance on enterprise operational efficiency is comprehensive. By focusing on environmental, social and governance issues, companies can reduce costs, improve resource utilization efficiency, and improve supply chain management, thus enhancing their competitiveness and sustainability. Therefore, integrating ESG into the enterprise strategic planning and daily operation can not only maximize the economic benefits, but also lay a solid foundation for the long-term development of the enterprise. In the future, with the popularization and development of ESG investment concept, its impact on the operation efficiency of enterprises will be more significant and become an important factor in shaping the competitive advantage of enterprises (Table 1).

Table 1: Results of the mediation effect test

<table>
<thead>
<tr>
<th></th>
<th>(1) ROA</th>
<th>(2) TAT</th>
<th>(3) ROA</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG</td>
<td>-0.010***(-3.922)</td>
<td>-0.022*(-1.949)</td>
<td>-0.008***(-3.335)</td>
</tr>
<tr>
<td>TAT</td>
<td></td>
<td></td>
<td>0.087***(8.414)</td>
</tr>
<tr>
<td>SIZE</td>
<td>-0.001(-0.965)</td>
<td>-0.006*(-2.295)</td>
<td>-0.000(-0.196)</td>
</tr>
<tr>
<td>LEV</td>
<td>0.007(1.452)</td>
<td>0.029(1.396)</td>
<td>0.005(1.014)</td>
</tr>
<tr>
<td>GROWTH</td>
<td>0.012***(5.038)</td>
<td>0.052***(5.959)</td>
<td>0.008***(3.580)</td>
</tr>
<tr>
<td>IC</td>
<td>0.073***(6.912)</td>
<td>0.215***(5.984)</td>
<td>0.054***(5.675)</td>
</tr>
<tr>
<td>DUAL</td>
<td>-0.004(-0.903)</td>
<td>-0.026(-1.502)</td>
<td>-0.002(-0.396)</td>
</tr>
<tr>
<td>FCF</td>
<td>0.045***(3.487)</td>
<td>0.083*(1.916)</td>
<td>0.038***(3.056)</td>
</tr>
<tr>
<td>CONS</td>
<td>-0.371***(-5.290)</td>
<td>-0.523**(-2.182)</td>
<td>-0.326***(-5.238)</td>
</tr>
<tr>
<td>N</td>
<td>2676</td>
<td>2676</td>
<td>2676</td>
</tr>
<tr>
<td>R2</td>
<td>0.112</td>
<td>0.068</td>
<td>0.231</td>
</tr>
<tr>
<td>Adj-R2</td>
<td>0.110</td>
<td>0.065</td>
<td>0.229</td>
</tr>
</tbody>
</table>

5. The impact of ESG integrated management on enterprise innovation and competitiveness

The impact of ESG integrated management on enterprise innovation and competitiveness is multi-dimensional. It can not only promote the development of innovation activities, but also enhance the reputation and market position of enterprises, and enhance the long-term competitiveness of enterprises. First, ESG integrated management encourages enterprises to innovate. By incorporating environmental, social and governance factors into their strategic planning and daily operations, companies can better grasp market changes and consumer needs to drive innovation in products and services. For example, environmental and sustainable companies tend to develop more environmentally friendly and efficient products and technologies to meet consumers' demand for green products, and social responsibility may offer more social significance and value to expand market share and increase revenue streams. In addition, ESG integrated management also helps to stimulate the innovation potential of employees, improve the efficiency
of teamwork and cross-department collaboration, and further promote the improvement of enterprise innovation ability. Secondly, ESG integrated management has had a positive impact on the competitiveness of enterprises. Through the implementation of good environment, social and governance practices, enterprises can establish a good corporate image and reputation, enhance the trust and recognition of consumers and investors to the enterprise, and then enhance the market competitiveness. Especially in today's market environment that emphasizes sustainable development, enterprises with good ESG performance are more likely to obtain the favor of consumers and investors, and obtain more market share and investment funds. In addition, by establishing a sound corporate governance structure and corporate culture, ESG integrated management can also enhance the internal collaboration and decision-making efficiency, and improve the flexibility and adaptability of enterprises, so as to better cope with the challenges of market competition and industry change. To sum up, the impact of ESG integrated management on enterprise innovation and competitiveness is significant and multifaceted. By promoting innovation activities and enhancing their reputation and market position, ESG integrated management can enhance their long-term competitiveness and help them maintain a leading position in the changing market environment. Therefore, integrating ESG into the enterprise strategic planning and daily operation will not only help the enterprise to maximize the economic benefits, but also can lay a solid foundation for the long-term development of the enterprise. In the future, with the continuous popularization and development of ESG investment concept, its impact on enterprise innovation and competitiveness will be more significant, and it will become an important factor in shaping the new trend of enterprise development[6-8].

6. Correlation analysis between ESG and financial performance

The correlation between ESG and financial performance has been the focus of both academia and industry. In the past few years, an increasing number of studies have shown a positive correlation between good ESG performance and the financial performance of enterprises. First, the impact of environmental factors on financial performance is becoming increasingly significant. On the one hand, active environmental management practices can reduce the operating costs and risks of enterprises, thus improving the profitability of enterprises. For example, by reducing energy consumption and waste emissions, enterprises can reduce production costs, improve production efficiency, and increase profits[9-10]. On the other hand, environmentally friendly companies are often able to gain more consumer recognition and government support, thus expanding their market share and increasing their sales revenue. Research shows that innovation and investment in the environmental field can not only improve the market value of enterprises, but also increase the long-term shareholder value of enterprises. Secondly, social factors also have a positive impact on the financial performance of enterprises[11-13]. By focusing on employee welfare, community development, and consumer rights, companies can improve employee job satisfaction and productivity, reduce employee turnover rates, reduce recruitment and training costs, and thus reduce human resource management costs. In addition, active participation in social responsibility projects and community development activities can establish a good image and reputation of the enterprise, enhance the loyalty and trust of consumers, and thus increase sales revenue and market share. Research shows that companies with good social performance are often able to attract more investment and financing, obtain higher market valuation and stock price performance, so as to improve their financial performance. Finally, governance factors also have an important impact on the financial performance of enterprises. Good corporate governance structure and transparency can reduce the operational risks and financial risks of enterprises, improve the trust and satisfaction of investors, thus reducing the cost of capital and financing, and increase the source of financing of
enterprises. In addition, a standardized corporate governance structure can also improve the management efficiency and decision-making effect of enterprises, reduce the management costs, and further enhance the profitability and market competitiveness of enterprises. Research shows that companies with good governance practices are often able to achieve higher long-term shareholder value and market value, thus achieving sustained growth in financial performance. In conclusion, there is a close correlation between ESG and financial performance. Good ESG performance can not only improve the market value and stock price performance of enterprises, but also reduce the operating costs and risks of enterprises, and enhance the long-term competitiveness and sustainability of enterprises. Therefore, including ESG in the enterprise strategic planning and daily operation will not only help to improve the financial performance of the enterprise, but also can lay a solid foundation for the long-term development of the enterprise. In the future, with the continuous popularization and development of ESG investment concept, the correlation between it and financial performance will be more profound, and become an important factor affecting enterprise value and investor decision-making.[14-15]

7. Conclusion

The impact of ESG integrated management on enterprise innovation and competitiveness has been deeply studied and discussed. Through the discussion of this paper, we can clearly see that the ESG factor is not only an important driving force for the sustainable development of enterprises, but also one of the key factors to improve the financial performance and market competitiveness of enterprises. Actively paying attention to environmental, social and governance issues and implementing ESG integrated management will help enterprises reduce costs, improve efficiency and promote innovation, so as to occupy a more favorable position in the market competition. However, we should also realize that the process of realizing ESG integrated management is not achieved overnight, and requires continuous efforts and investment from enterprises. In the process of promoting ESG practice, enterprises need to formulate corresponding strategic plans according to their own conditions, pay attention to the communication and cooperation with stakeholders, and establish an effective monitoring and evaluation mechanism, to ensure that ESG practices can be effectively implemented and continuously improved. With the increasing popularity and strengthening of ESG investment concept, we believe that ESG integrated management will become an important trend and direction of future enterprise development. Only by actively paying attention to environmental, social and governance issues can we achieve long-term sustainable development of enterprises and create a better society and future. Let us work together to promote the deep practice of ESG concepts and contribute our strength to building a more prosperous, harmonious and sustainable world.

References


