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Research Article

Strategic ESG Orientation and Financial Resilience in Emerging Markets

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ABSTRACT

This study introduces a diagnostic ESG orientation typology (Strategic, Transitional, and Compliance) to demonstrate ESG orientation, which represents the extent to which ESG practices are internalized and institutionalized within the organization, beyond an ESG disclosure score. It then seeks to establish the link between ESG orientation and financial resilience within Zambia's agro-food sector. It thus enables context-specific conclusions beyond generalized ESG disclosure scores for emerging markets. Using an explanatory sequential mixed-methods design, based on a sample of 55 firm-year observations (2014–2024) of five listed agro-food sector firms, the firm-level analysis applies a fixed-effects panel regression of the quantitative sample. The qualitative classification of ESG orientations is guided by a structured coding framework that applies ISO IWA 42:2024 ESG principles when analysing the texts of the firms' annual reports. Strategic ESG firms (characterized by board sustainability responsibility, long-horizon environmental investments and stakeholder engagement) were financially more resilient (in terms of ROA) than Compliance or Transitional firms. The typology offers explanatory power by connecting depth of ESG integration to profitability trajectories and proves the narrowness of ESG ratings disconnected from strategic framing. This study, unlike extant studies focusing on ESG score levels, conceptualizes ESG as an organizational orientation and proposes an ISO-aligned qualitative classification system that is applicable to emerging markets. This research extends previous studies by providing a typological lens through which the financial materiality of ESG can be understood in weak regulatory environments and thus provide novel diagnostic and policy utility.

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Introduction

Global shocks in 2020 such as the COVID-19 pandemic have exposed weaknesses in supply chains and corporate accountability systems to bring Environmental, Social and Governance issues to the fore of risk and investment perceptions. These significant shocks – from public health concerns (COVID-19), food-insecurity and agro-climate or weather variability, geo-politics, demands for social-protection and Governance and regulatory failures exemplified how ESG is progressively materialising in impacting on entity capacity to adapt (resilience) and sustainability-end values (Li *et al.,* 2021). Consequently, economic agents (business and funders) evolved towards ESG and related sustainability ecosystems like the Sustainable Investing (SI) as sustainability analytics gained topical momentum in decisional-science – focused on how firms integrate critical environmental and societal issues alongside institutional intelligence on self-regulation towards better governance oversight and competitiveness (Matos, 2020; Mathis, 2023). While uptake is unsurprisingly higher in developed markets amid investor and regulatory pressure, emerging markets such as Zambia are characterised by capacity limitations in terms of ESG application whilst also typifying the respective challenges and strategic innovation opportunities.

On the environmental plane, ESG frameworks cover not just emissions and regulatory compliance but also broader ecological impacts, such as water use, waste management, and resource depletion (Dmuchowski *et al.,* 2023). This emphasis promotes sustainable stewardship and accountability. However, ESG adoption is not uniform globally. In the developed economies, uptake tends to be facilitated by adequate enabling regulations plus investor pressures (Friede *et al.,* 2015; Eccles *et al.,* 2014). This is in contrast with the emerging markets such as Zambia, where institutional weaknesses to support ESG, limited access to green finance and developmental trade-offs make it difficult for ESG to take hold rapidly and fully. While there's overwhelming global consensus on ESG as sustainability framework, its implementation at the firm level varies widely between compliance and organisational strategic responses. To some firms, ESG is a tick box affair to meet regulatory compliance or reputational capital requirements. For others, it's a core strategic implementation endeavour as part of optimal long term value creation. The difference is particularly marked in Zambia where ESG is not always regulatory enforced but increasingly becoming expected by stakeholders, development financiers (organisation) and international investors.

Notwithstanding a robust tradition of examining the financial outcomes of Environmental, Social and Governance (ESG) performance, a large proportion of scholarly work tends towards treating ESG practices as a single-dimensional construct, as it is traditionally assessed using composite metrics, indices or ESG ratings. But these cross-sectional measures of ESG practice intensity often conceal the difference in sustainability approaches by firms. In an earlier study (Chipimo *et al.*, 2025), we showed an overall relationship between ESG practice intensity and firm profitability in the agro-food sector in Zambia. The study proved the significance of ESG factors on firm financial performance. However, it did not examine the quality, intent or strategic maturity of ESG practice intensity, that is, the ability of firms to adopt ESG factors in an inherently strategic manner.

This study investigates whether organisations that perceive ESG more strategically, framing ESG according to opportunity rather than only obligation motivations (i.e., orientation types in **Table 1**), are better able to build financial resilience. The agro-food sector, recognised as contributing to Zambia's GDP, employment, and food security (Phiri *et al.,* 2020), faces complex challenges reflecting environmental stress and socio-economic inequality. This provides an interesting context to explore ESG not only as a performance enhancing strategy but also a business continuity objective. Despite increasing global focus on ESG integration internationally, surprisingly, there is little empirical insight from Africa's agribusiness sectors. Especially in Zambia, where ESG institutions and enforcement systems are under-developed, there is limited understanding of whether proactive ESG can be financially advantageous, particularly when considering strategic logics. Existing studies have a strong bias toward developed contexts, often ignoring key line conditions determining ESG adoption or ESG outcomes in other emerging contexts.

To fill this gap, this study investigates how and why ESG practices especially the strategic framing of such practices affect company profitability in Zambia's agro-food sector listed firms. The agro-food sector is an important aspect of Zambia's economy contributing around 9.2% of GDP and employment in agro-based livelihoods to approximately 60–70% of the population (Phiri *et al*, 2020; FAO, 2024). Notwithstanding these strengths, there is mounting sustainability pressures facing the sector. Climate change, fluctuating commodity prices, and weak infrastructure persistently inhibiting firms across agricultural value chain (Sitko & Jayne, 2014; Kumar *et al*., 2016). The high-risk business environment for firms in the agro-food sector requires a deeper understanding of how firms in the sector respond to sustainability demands, not merely based on the level of ESG disclosure per se but based on the strategic orientation underpinning their practices. To frame our analysis, we extend on well-known theories, namely Stakeholder Theory, and Triple Bottom Line to a context specific ESG orientation framework for Zambia's agro-food sector. The findings are intended to provide guidance to corporate managers, investors, and policymakers on how to develop ESG strategies which are financially sound and socially sustainable. The study is guided by the following research question "do firms with a strategic ESG orientation exhibit stronger financial resilience compared to those with a compliance-based approach?

This study responds to that gap by taking a more diagnostic and organizational view of ESG. Rather than focusing solely on ESG content or frequency, we propose a new ESG orientation typology—distinguishing between Strategic, Transitional, and Compliance-based postures. We build on this typology using a mixed-methods framework to examine how different ESG orientations relate to financial resilience. Unlike our earlier analysis, this approach moves beyond ESG as an "input" variable and instead treats it as a lens through which to evaluate the institutionalization of sustainability within corporate structures, leadership, and operational cultures. In doing so, we aim to advance a more nuanced, context-sensitive understanding of ESG in emerging market sectors like Zambia's agro-food sector—where formal ratings are sparse, but sustainability challenges are deeply entrenched.

Literature Review

ESG Performance and Financial Outcomes: Global Evidence

There is a growing body of evidence on the positive relationship between ESG and corporate performance. However, the ESG-performance nexus is context specific, and the nature (how) and the level (to what degree) of said ESG-performance profitability varies across sectors, contexts and frameworks (Friede *et al*., 2015; Fatemi *et al*., 2018). In developed markets, strategic consideration of ESG enables firms to create: operational efficiencies; investor engagement; and long-term value (Eccles *et al*., 2014; Khan *et al*., 2016). Aouadi & Marsat (2018) suggest that strong ESG performers are rewarded with reputational value, less constraints to capital, and risk-adjusted returns that match or exceed market benchmarks. In emerging markets, however, the ESG-performance nexus is more complex. It is subject to institutional voids, regulatory underdevelopment, weak enforcement mechanisms, and lack of socio-political urgency, which moderate the EGS-performance relationship (Amaeshi *et al.,* 2016). Bahadori *et al.* (2021) and Ma'in *et al.* (2022) find that the impact of ESG adoption is contingent on a firm's characteristics — firm size and capital intensity — and the volatilities of the sector. Duc *et al.* (2024) and Van Huong *et al.* (2023) show the singular importance of local institutional environments and find that the business case for ESG in developing markets is determined by internal control, geographic footprint and stakeholder pressure.

In the African context corporate ESG-performance relationship is moderated by institutional fragility, regulatory underdevelopment, and social and economic asymmetries. Masongweni & Simo-Kengne (2024) find that ESG investment do not lead to better firm performance in South Africa. Nevertheless, Social and Governance pillars have a positive impact on financial performance whereas environmental considerations are less relevant. This suggests that ESG and firm profitability in Africa depend on region-specific idiosyncrasies,

which implies that internal institutional improvements and synergies with key stakeholders can substantially improve financial performance than environmental issues. In like manner, Onwere (2024), using panel data from a set of Sub-Saharan African economies showed that ESG practices improve firm value, particularly when they are embedded in coherent governance systems and supported by long-term investment horizons. Again, this is an indication that context-dependent dynamics appear to be at work in determining ESG firm profitability, with more the stakeholder alignment and internal governance contributing more than environmental compliance in firm value. ESG practices across Africa are still in their infancy, with many countries struggling to develop a strong basis for disclosure and consistent regulatory oversight. As a result, there are a number of gaps in enabling the reliable measurement of ESG performance, or the meaningful embedding of ESG into long-term business strategy.

Across much of the region, economies are still dominated by extractive industries and agriculture-based commodity markets. These industries are the backbone of most national economies, yet, they also represent significant environmental vulnerabilities and governance impediments. In contexts where investor scrutiny is quite low, ESG tends to be treated like a tick-box exercise rather than a strategic imperative (Kogi *et al.*, 2024). But this is slowly changing. As climate-vulnerabilities become more widely discussed, and as global standards on sustainable development gain uptake, a more intentional approach to ESG is taking shape, one that sees long-term value creation. The burgeoning momentum around sustainable finance, accompanied by greater uptake of integrated reporting underpinned by the Sustainable Development Goals (SDGs), is helping to reshape ESG. Not as an additional burden, but as a business enabler and source of resilience. This is especially important for the food and agribusiness sectors, which already need to contend with the multiplicity of pressures brought about by climate change, resource availability and diminishing governance systems. While these studies recognize ESG's growing relevance, most focus on ESG level or score quantity rather than ESG quality or orientation. The crucial question of how ESG is perceived either as a strategic opportunity or a compliance burden, has received limited empirical attention in Africa's agribusiness sectors. In contrast to global trends, ESG in emerging markets presents context-specific challenges related to regulation, institutional capacity, and market maturity.

ESG in Sub-Saharan Africa: Institutional and Strategic Challenges

The link between Environmental, Social, and Governance (ESG) practices and corporate performance has been the subject of extensive research. However, findings are highly contextual. In developed economies, ESG incorporation into corporate strategy is frequently associated with enhanced financial performance, given the well-established regulatory environment and investor expectations (Friede *et al.,* 2015; Brooks & Oikonomou, 2018). Firms operating in these contexts often embed ESG throughout their operations, which enables them to align their sustainability objectives with long-term financial performance (Chen *et al.,* 2023; Teti & Spiga, 2023).

In the sub-Saharan African context, ESG adoption is mostly driven by external compliance needs, international development agendas and conditionality of access to capital support, as opposed to internal strategic motives (Kogi *et al.,* 2024; Ogunyemi *et al.,* 2024). For instance, in some organisations, ESG frameworks may be adopted as an 'add-on' to satisfy listing and/or donor requirements, resulting in scant integration with the overall business strategy (Agyemang *et al.*, 2024). Most of the organisations are also still deficient in ESG infrastructure, internal governance mechanisms and measurement metrics that are fit for purpose to embed sustainability in their operational models and connect ESG with financial performance (Mensah *et al.,* 2024; Ahmed *et al.,* 2024). A major gap in this literature is the lack of focus on ESG orientation—whether ESG is driven as a compliance agenda or fully embedded strategically into the business model. Existing research tends to view ESG performance as static and unidimensional (e.g., ESG scores) rather than investigating the qualitative posture of firms toward ESG. Beyond the extent of ESG disclosures, some scholars

have redirected attention to how ESG is conceptualized and integrated at the firm level, an idea we refer to as ESG orientation.

ESG Orientation as a Strategic Construct

Conceptual advances in recent years suggest differentiating between compliance-oriented and strategic-oriented ESG postures (Baumgartner, 2014; Aguinis & Glavas, 2019). Compliance-oriented firms generally view ESG spending as a regulatory cost and act minimally to satisfy ESG threshold requirements. Strategic-oriented firms tend to integrate ESG into corporate strategy, internal value creation processes, and long-term relationships with ESG-relevant stakeholders (Porter & Kramer, 2011). The choice of posture influences the breadth of engagement in ESG priorities and the depth of ESG, that is, whether a firm embeds ESG metrics in performance standards, ties them to management compensation, uses credible and standardized frameworks (e.g., GRI) to report ESG performance, among others. To our knowledge, no empirical studies in Africa have operationalized this conceptual advance, even though it may help principle-guided explanations of financial resilience in African markets characterized by high volatility and less predictable conditions.

CSR Maturity Models and Related Frameworks

CSR maturity models provide two advantages when allowing us to complement the typology of ESG orientations (CSR is a well-used synonym of ESG practices in these models). First, they facilitate the understanding of how firms progress along the ESG orientation continuum and incrementally transition from reactive to proactively integrated approaches. Second, these models provide systematic frameworks to complement the ESG orientation typology in terms of specific developmental stages. In general, CSR maturity is framed in terms of incremental levels that reflect progressive levels of commitment to rule of socially responsible practices that should be formulated or in other words, a developmental path along which organizations move as they advance in understanding and implementing social, environmental and economic responsibility concerns into core business models. For instance, the CSR maturity model developed by Głuszek (2018) and the derivative CSR Maturity Model framework identify four dimensions of CSR practices (strategic intent, stakeholder engagement, operational integration, and performance measurement), each with multiple levels of maturity. For instance, a "reactive" maturity level would describe a firm whose CSR engagement is limited to compliance activities, with stakeholders being more adversaries than partners, whereas a "proactive" maturity level would seek to maximize value through social innovation, governance sustainability and risk management, and corporate performance.

Belesioti & Glykas (2022) introduced a Holistic CSR Maturity Assessment Model that aligns CSR pillars (economic, environmental, social) with ISO 26000 guidelines. They argue that, maturity is achieved based on the following dynamics: activity does not create maturity; maturity relies on coherence ; maturity relies on the degree of responsiveness to stakeholder needs, and maturity relies on the degree of continuous improvement. This is relevant to the Zambian agro-food sector which is small in size and resource constrained, and therefore may not have formal ESG frameworks but are under increasing pressure to show evidence of their social responsibility. Further Piwowar-Sulej *et al.* (2022) suggest that the maturity measurement ought to be at organizational level and not at the individual function level. Their model proposes five levels of maturity across four dimensions, namely: (1) areas of CSR scope (2) categories of stakeholders involved (3) depth of CSR actions and (4) extent of employee involvement. They further point out that very few organisations reach the highest level of maturity which involves organisations taking continuous actions in all the 4 dimensions.

Complementary research conducted in South Africa and in Turkey confirm that IR framework such as those adopted by the International Integrated Reporting Council (IIRC) are instruments to accelerate and assess CSR maturity (Furtuna & Uykulu, 2025). Companies that combine integrative sustainability practices with IR processes have higher scores in strategic CSR dimensions. This confirms that CSR maturity and ESG

orientation are compatible and not competing with each other. There is also evidence from South Africa that IR, in combination with good governance, enhances environmental disclosure and is a signal of strategic ESG orientation rather than merely compliance (Corvino *et al.,* 2020). In total, this body of work begins to explain why two firms with comparable ESG disclosures show such different levels of financial resilience: CSR maturity, like ESG orientation, represents a theorized mechanism linking sustainability and performance by reflecting how deeply rooted corporate sustainability practices are. Unlike ESG orientation, maturity models provide an adjacent lens through which to categorize firms' sustainability posture and related operational capability, which bolsters this study's typology of Strategic, Transitional, and Compliance orientations.

ESG Orientation vs. CSR Maturity Models and Integrated Reporting

Whereas CSR maturity models and IR frameworks provide useful tools for evaluating institutional thickness and the developmental pace of corporate sustainability practices, an ESG orientation more closely captures a firm's strategic intention and internal construction of ESG as a value creation strategy or a liability agenda. CSR maturity models tend to highlight the way in which firms develop their integration of social, environmental and economic concerns over time along an ad hoc or reactive CSR to strategic CSR continuum (Głuszek 2018; Belesioti & Glykas, 2022). The Integrated Reporting (IR) Framework, as advocated by the IIRC, places the emphasis on disclosure integration and capital connectivity linking ESG efforts into a broader financial and non-financial value creation context (Corvino *et al.,* 2020; Furtuna & Uykulu, 2025).

Conversely, ESG orientation as developed in this study, has less to do with advancement through maturity levels or reporting integration and more with the firm's posture and motivation: whether ESG is internalized and proactively managed (strategic orientation), tentatively pursued (transitional), or externally imposed compliance norms (compliance orientation). In this sense, ESG orientation provides a behavioural and governance perspective, offering a snapshot of a firm's sustainability posture, whereas, CSR maturity and IR frameworks offer an evolutionary and structural perspective, respectively. These approaches are complementary—together leading to a more nuanced understanding of how ESG translates into financial resilience in emerging market contexts.

Theoretical Anchors for ESG Profitability Analysis

This study integrates three theoretical lenses—Triple Bottom Line, Stakeholder Theory, and the ESG Orientation Framework—to explain how firms in emerging markets institutionalize sustainability and how these approaches affect financial resilience. Together, these frameworks offer insight into both the external expectations and internal motivations that shape ESG implementation and outcomes.

Triple Bottom Line (TBL)

First developed by Elkington (1997), the TBL seeks to broaden the framework for development of corporate performance evaluation beyond economic profit to include the environment and social dimensions of the firm. The TBL framework is an accounting tool that aims to lead firms in the direction of sustainability by accounting for the environmental and social impacts of corporate activities within a unified framework of "People, Planet and Profit" (Elkington, 1997). Practically, TBL indices have been used in resource intensive firms to better understand how companies incorporate sustainability development in balancing profit returns with the other bottom lines (Goel, 2010; Sroufe, 2017; Pérez Estébanez & Sevillano Martín, 2025). Moreover, TBL framework is relevantly useful in Zambia's agro-food sector as firms operate at milieu influenced by environmental degradation and socio-economic deprivation. Several recent studies including Aryati & Susilawati (2025) and Ahmad *et al.* (2025) have applied various TBL indicators to examine ESG reporting levels in corporate firms in food production and manufacturing industries in emerging economies. However, absence

of common measurement tools to capture and manage all ESG elements to a standard that conforms to regulate-able norms and indicators can undermine the use of the TBL framework as a strategic.

Stakeholder Theory

Stakeholder Theory was first theorized by Freeman (1984), who argued that firms have a management fiduciary duty to a wide range of stakeholders, not just their shareholders. Stakeholders cover a range of entities who can affect and be affected by a firm's operations, including from the firm's employees to its suppliers and from local communities to governmental regulators. In ESG discourse, Stakeholder Theory provides a theoretical basis for aligning a firm's goals in sustainability with stakeholder expectations (Jensen, 2001; Porter & Kramer, 2011). In an emerging market context, Stakeholder Theory has recently risen as a widely used theory in explaining ESG legitimacy motivations (Yawika & Handayani, 2019; Vuong, 2022). For instance, Gong *et al.* (2021) note that managerial ability in providing stakeholder engagement significantly influences firm-level social responsibility in under-regulated industries. This further substantiates the need to assess not only the presence of ESG but also the depth of ESG's stakeholder engagement, particularly in fragile institutional contexts.
While TBL and Stakeholder Theory explain why firms should pursue ESG, the ESG Orientation Framework helps explain how they do so in practice whether as a strategic choice or a compliance obligation. To clarify the theoretical basis underpinning this study, **Table 1** summarizes how each framework; Triple Bottom Line, Stakeholder Theory, and ESG Orientation, contributes to the research design, interpretation of ESG practices, and the hypothesized relationship with financial resilience in Zambia's agro-food sector.

Table 1. Theoretical Anchors Underpinning ESG Orientation and Financial Resilience

Theory	Focus	Relevance to ESG	Role in Study
TBL (Elkington, 1997)	People, Planet, Profit	Aligns sustainability with business performance	Supports ESG–profitability link
Stakeholder Theory (Freeman, 1984)	Multi-stakeholder accountability	Motivates ESG disclosure and engagement	Explains firm response to legitimacy pressures
ESG Orientation	Strategic vs. compliance ESG behaviour	Explains internal ESG posture and implementation	Forms the core typology tested

Integrative Conceptual Model: Mediation and Moderation Pathways between ESG Orientation and Financial Resilience

Building on the Triple Bottom Line (Elkington, 1997), Stakeholder Theory (Freeman, 1984), and the ESG Orientation Framework (Baumgartner, 2014; Aguinis & Glavas, 2019), this study advances an integrative causal model linking ESG orientation to financial resilience in emerging markets. The TBL provides the normative justification for balancing economic, social, and environmental outcomes; Stakeholder Theory explains how stakeholder engagement channels legitimacy and resource access; and the ESG Orientation Framework specifies internal behavioural postures—Strategic, Transitional, or Compliance—that operationalize these logics within firms. By combining these mediation and moderation pathways, the framework captures both the structural and behavioural drivers of resilience, providing a coherent foundation for the study's mixed-methods design and hypothesis testing.

The causal logic is as follows: (1) stakeholder engagement mediates ESG orientation and financial resilience by enabling trust, legitimacy, and information flow; (2) governance quality moderates the environmental–profitability link by influencing how sustainability investments are monitored and prioritised; and (3) strategic ESG orientation supports long-term financial resilience by embedding sustainability objectives into firm decision-making and governing risk management systems.

Accordingly, the study posits two guiding propositions:

H1: Strategic ESG orientation has a positive effect on financial resilience (ROA) through enhanced stakeholder engagement.

H2: Governance quality moderates the relationship between environmental investments and financial resilience, such that firms with stronger governance realize higher returns on ESG integration.

Figure 1 reflects these relationships, illustrating mediation through stakeholder engagement and moderation through governance mechanisms.

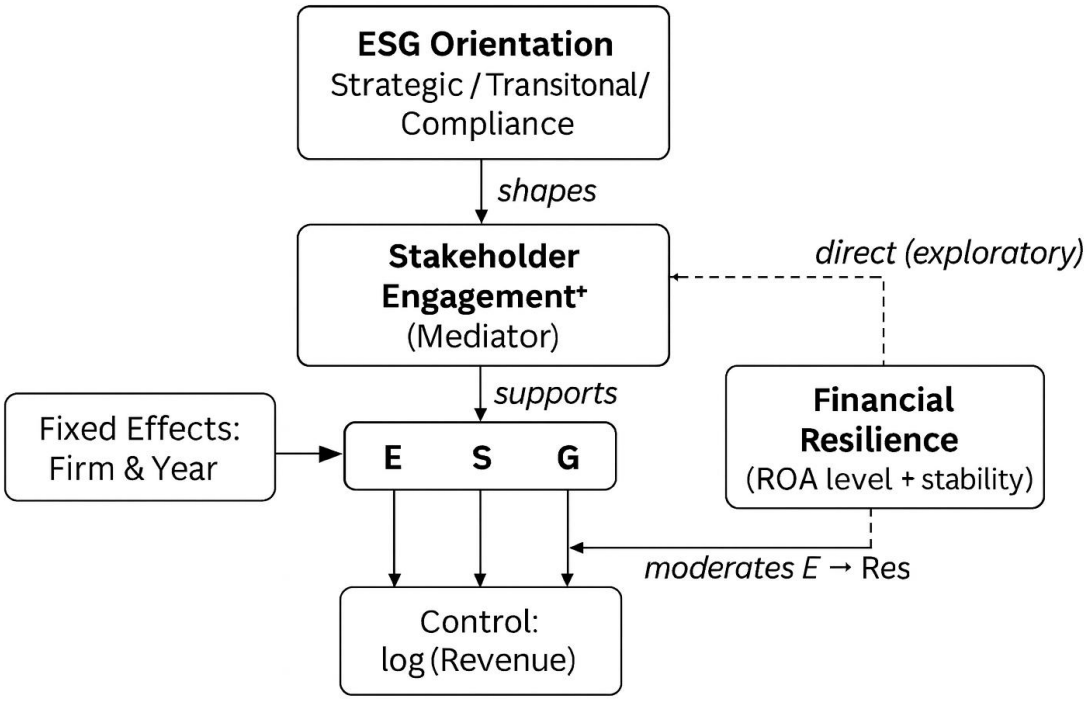

Figure 1. Integrative Conceptual Model: Mediation and Moderation Pathways between ESG Orientation and Financial Resilience.

From Orientation to Outcomes: Gaps and Contributions

While previous studies have examined the ESG–profitability link using regression models (e.g., ROA, ROE, Tobin's Q), they often omit how internal firm posture moderates this relationship. Furthermore, qualitative dimensions of ESG such as stakeholder engagement, narrative framing, and disclosure logic are often excluded or under-theorized (Kogi *et al.,* 2024). This study fills that gap by applying a mixed-methods framework to assess ESG orientation across selected agro-food sector firms in Zambia. It not only analyses quantitative indicators (e.g., ROA) but also conducts thematic content analysis of sustainability reports to classify firms along an ESG orientation typology. This enabled a deeper, empirically-informed understanding of how and why ESG orientation matters for financial resilience in a resource-scarce and institutionally fluid context. Though in our previous work (Chipimo *et al.,* 2025), we analysed the relationship between ESG practices and firm profitability of food industry firms in Zambia, the analysis was confined to overall ESG scores among listed firms. The current study thus represents a conceptual progression in several ways; firstly, an ESG orientation typology—Strategic, Transitional and Compliance—was constructed to better capture the firm's underlying motivation for, and depth of, ESG integration. This typology was derived from ISO IWA 42:2024-aligned coding of formal corporate documents and subsequently connected to panel firm-level financial data. In fundamentally advancing from superficial ESG scores to an ESG typology that is both contextually nuanced

and theoretically loaded, the study offered a unique contribution to the emerging market ESG literature on the performance implications of differentiated ESG orientations.

Building on Eccles *et al.* (2014), this framework distinguishes between firms that treat ESG as a proactive, integrated strategy versus those that adopt it to fulfil external expectations. Strategic ESG orientation is typically associated with internal innovation, stakeholder co-creation, and long-term value creation. Compliance ESG, by contrast, is risk-averse and externally motivated, focusing on disclosure checklists and reputational signaling (Su *et al.,* 2020; Westerholz & Höhler, 2022). Few studies empirically operationalize this distinction. In this context, this paper contributes to the literature by developing an operational typology of ESG orientation that is validated through longitudinal document data from corporate reports (2014–2024). The typology incorporates criteria of Strategic, Compliance, and Transitional orientations, following a structured data extraction grid using ISO IWA 48:2024 and SDG alignment indicators. By linking this typology of ESG orientation to firm-level profitability through a fixed/random effects panel regression, this study shows that the success and effectiveness in ESG implementation is less about what is implemented, but rather how it is framed and governed. In spite of the global uptake of ESG scholarship, much of those published studies have remained clustered in developed world economies. While there are few representative studies about ESG in emerging economies (e.g. Duc *et al.,* 2024; Van Huong *et al.,* 2023), few studies address the question of whether and how ESG orientation in strategy and compliance can shape financial resilience in sectors with high social/environmental risk, and weak regulation such as Zambia's agro-food sector. This study, therefore, seeks answer the following research question: How does ESG orientation in strategy vs. compliance affect financial resilience in Zambia's agro-food sector?

Despite an expanding body of research linking ESG performance to financial outcomes, much of the literature remains anchored in a quantitative score-centric paradigm. This approach tends to emphasize ESG levels or disclosure volume, while overlooking the internal governance logic, strategic framing, or orientation behind ESG adoption particularly in emerging markets. Furthermore, while frameworks such as CSR maturity models and Integrated Reporting (IR) have been used to assess progression and structure, they do not fully explain the motivational and behavioural differences in how firms enact ESG practices. Most African and Sub-Saharan studies also neglect intra-sectoral differences or fail to consider how firms in resource-constrained environments strategically navigate ESG pressures beyond regulatory mandates. This study addresses these gaps by introducing a multidimensional ESG orientation typology grounded in organizational behaviour and governance posture, rather than disclosure quantity alone. By integrating this typology into a mixed-methods framework, the study shifts attention from 'what' ESG is disclosed to 'how' and 'why' it is operationalized highlighting orientation as a determinant of financial resilience in low-capacity institutional environments.

Methodology

To ensure explanatory iteration between the quantitative and qualitative strands, the ESG orientation typology was first used to guide classification of firms based on disclosures. Following the panel regression, the statistical patterns particularly the strong positive association between Governance Scores and ROA were re-examined against the coded themes. Firms with high ROA and high G-scores were reviewed for board-level ESG oversight and stakeholder engagement, validating their classification as 'Strategic'. This cross-referencing allowed qualitative insights to explain why certain ESG components had more predictive power. Although formal inter-coder reliability testing was not conducted due to resource limitations, the coding process included temporal consistency checks and re-application of ISO IWA 48:2024 indicators (International Organization for Standardization, 2024) across different years to strengthen analytic dependability. This dual-phase integration allowed qualitative evidence to interpret and enrich the quantitative findings, ensuring the study design remained consistent with the principles of explanatory sequential mixed-methods (Creswell & Clark, 2017).

Data Sources and Sample Justification

The choice of these five firms was driven by their listing on the Lusaka Securities Exchange (LuSE) and their significance in Zambia's agro-food sector. The nation's agro-food sector has historically constituted a dominant share of GDP, rural employment and national food security systems. The selected firms feature both crop and livestock value chains which collectively account for 42 % of the agricultural GDP and 50 % of rural employment (Odubote, 2022).The climate risks, infrastructure deficits and sustainability challenges embedded in the sector (Phiri *et al.,* 2020; Kumar *et al.* 2016; Sitko & Jayne, 2014; Mulenga *et al.,* 2017) makes both sectors analytically relevant as cases to illustrate ESG orientation and financial performance in a context burdened with climate risks and resource-constrained context. While the sample is small, the strategic significance of these firms and longitudinal ESG data availability make them useful for the present analysis. The use of a population sample rather than a subset strengthens the validity and internal generalizability of the findings within the listed agro-food sector. The analysis in the quantitative phase was based on panel data collected from five publicly listed firms in Zambia's agro-food sector, over a period of 11 years, that is, from 2014 to 2024.This translates into to 55 firm-year observations. The small sample size was inevitable due to the small population size of food-oriented firms listed on the Lusaka Securities Exchange (LuSE). The sample was also limited by the use of strict sample inclusion criteria which required all sample firms to have complete and verifiable ESG and financial disclosures over the entire duration of the study. This practice of working with constitute small population samples is consistent with previous empirical studies that produced analytically useful insights on ESG dynamics in resource-constrained contexts, within the limits of structural data constraints of small-N panel studies of ESG outcomes in emerging markets (e.g. Bahadori *et al.*, 2021).

Dependent and Independent Variables

Return on Assets (ROA) was used because of its robustness as a measure of profitability without consideration of capital structure, which is of great importance for agribusiness firms in resource constrained contexts. The independent variables were the disaggregated ESG scores: the Environmental (E) score; the Social (S) score, and the Governance (G) score for each firm and in each year, which were mean centered to reduce multicollinearity of the independent variables in the regression models. The firm size was included as a control variable in the suggested model, due to the fact that larger firms generally benefit through economies of scale, marketing and better access to resources, which results in higher profitability. Firm size was proxied by the natural logarithm of the revenue and was included as a control variable to account for scale effects on profitability. Firm size is controlled for using the natural logarithm of revenue (log Revenue) to account for scale effects on profitability.

Financial resilience was operationalized using Return on Assets (ROA) as the primary proxy, reflecting each firm's capacity to generate earnings from its total asset base. In line with the ESG–resilience literature (Lins *et al.,* 2017; Kotsantonis *et al.,* 2019; Deng *et al.,* 2013), resilience was conceptualized not only as a performance level but also as performance stability over time. To enrich interpretation, ROA volatility (standard deviation over 2014–2024) and post-pandemic recovery speed (2020–2021) were descriptively examined alongside regression estimates. Firms showing lower volatility and faster recovery were interpreted as more resilient, embodying the ability to absorb and rebound from financial shocks. Although only ROA entered the econometric model due to sample limitations, these supplementary indicators were used narratively in the discussion to strengthen construct validity and link financial performance to the broader resilience dimension of ESG integration.

ESG Orientation Classification

Besides the quantitative scoring of the Environmental, Social, and Governance components, this research employed a qualitative classification framework to address the strategic orientation of ESG practices

on the sample companies. Drawing inspiration from ISO IWA 48:2024, the orientation of ESG practices was classified as Strategic, Transitional, and Compliance. Six aspects were considered in the assessment: (1) Integration with strategy, (2) Performance indicators, (3) Stakeholder engagement, (4) External alignment, (5) ESG Investment evidences, and (6) Governance linkage. **Table 2** below shows the classification rubric that this study used.

Table 2: ESG Orientation Typology Summary

ESG Orientation	Integration with Strategy	Performance Indicators	Stakeholder Engagement	External Alignment	ESG Investment Evidence	Governance Linkage
Strategic	Fully integrated into long-term business strategy with defined ESG goals	ESG KPIs or measurable targets disclosed regularly	Structured engagement (dialogue, feedback loops, co-creation)	Aligned with SDGs, GRI, CDP, AWS, or other global standards	Internal resource allocation to ESG-linked initiatives (e.g., renewables, inclusive sourcing)	Board-level oversight of ESG, embedded in risk and strategy
Transitional	Partially integrated; signs of evolving alignment but inconsistent application	Occasional metrics or vague reporting language without consistency	Selective or ad hoc engagement efforts	Limited mention of external frameworks or only partial adherence	Some ESG-related programs or pilots, but limited investment	Growing governance role in ESG but lacking institutionalizati on
Compliance	No strategic linkage; ESG present mainly for compliance purposes	Absence of ESG KPIs; general, unquantified statements	Minimal or passive stakeholder references	No reference to global frameworks; local compliance focus only	Little to no internal investment tied to ESG	No clear governance linkage; ESG treated as peripheral

ESG Score Construction and Validation

ESG scores were hand-constructed using a structured content analysis rubric based on ISO IWA 48:2024 - Framework for Implementing Environmental, Social and Governance (ESG) Principles: an international framework for ESG performance evaluation which centres on quality of disclosure, alignment with international standards and integration with business strategy (International Organization for Standardization, 2024). Individual ESG dimensions were rated on a 0–5 ordinal scale on an annual basis, based on published sustainability reports, corporate governance statements and integrated annual reports. To improve the reliability of the scoring process and reduce coder bias, the categorization was checked for inter rater consistency over a random firm sub-sample and differences were resolved through joint discussion. The adoption of ISO IWA 48:2024 provides methodological transparency and enhances replicability, particularly in contexts where ESG ratings from a 3rd party provider are not available. To reduce concern about subjectivity and replicability, the ESG scoring rubric included pre-set criteria, such as existence of particular performance indicators, SDG mapping and board-level accountability of ESG actions; scoring was undertaken by the lead researcher, and cross validated through longitudinal consistency checking and triangulation across multiple documents and points in time. Additionally, the scoring system was checked for intra-document reliability, where the same scoring rules were repeatedly applied longitudinally over multiple years within a given firm to assess coding consistency; although formal inter-rater reliability was not feasible due to resource constraints, the application of ISO-aligned standardized scoring benchmarks served as a suitable substitute for external validation.

Reliability and Validation of ESG Orientation Typology

To confirm reliability, a two-stage validation was performed. A code–recode test (20 % of data) yielded Cohen's $\varkappa = 0.82$, indicating substantial agreement. An inter-coder audit by a research assistant achieved 88 % agreement using the ISO IWA 48:2024 framework. An audit trail for one representative firm showed stable classification (Strategic → Strategic) from 2017 to 2024. To enhance the credibility and dependability, the ESG orientation typology (see Appendix A for the full rubric) was validated through a two-stage process. First, a code–recode reliability check was conducted: one week after the initial coding, 20 percent of the documents were manually recoded independently by the same researcher. The resulting Cohen's $\varkappa = 0.82$ indicated substantial agreement (Landis & Koch, 1977). Second, an inter-coder audit was carried out in which a senior research assistant independently classified three firm-year document sets using the established codebook aligned with ISO IWA 48:2024 and SDG indicators. Agreement reached 88 percent, confirming replicability of the orientation coding. To illustrate longitudinal consistency, Appendix B shows an audit trail excerpt for one representative firm. The orientation remained stable (Strategic → Strategic) across 2017–2024, demonstrating typological coherence over time.

Panel Regression Specification and Diagnostics

Both Fixed Effects (FE) and Random Effects (RE) panel models were estimated to assess the impact of ESG components on firm profitability. An F-test for Poolability rejected the null hypothesis that firm-level effects could be ignored (**$F = 7.7031, p < 0.001$** as presented in **Table 4**), justifying the use of a Fixed Effects specification. Although a formal Hausman test could not be computed due to technical issues, the decision to use FE is further supported by theory and model diagnostics. The FE model better accounts for unobserved heterogeneity and aligns with prior ESG-financial performance studies in small panels. The panel regression model employed fixed effects (within) estimator which addresses time-invariant unobserved heterogeneity across firms. In the interest of econometric robustness, the model was advanced to include an additional binary for year fixed effects. With year fixed effects in place, time-specific macroeconomic shocks to the state of the firm such as currency volatility or regulation changes can be purged from confounding the effect of ESG orientation on firm performance.

Given the small-N panel (5 firms × 11 years) and firm fixed effects, additional time-varying controls (e.g., leverage, age) risk overfitting and unstable estimates. Firm FE soak up time-invariant heterogeneity, while year FE absorb common macro shocks; we therefore retain log Revenue as the primary scale control to preserve degrees of freedom and interpretability. We include firm size as a control variable, proxied by the natural logarithm of revenue (log Revenue), alongside firm and year fixed effects. Given the small-N design (5 firms × 11 years), adding multiple time-varying controls could reduce model stability and degrees of freedom. Firm fixed effects absorb time-invariant heterogeneity, while year effects capture common macro shocks; hence, we retained log Revenue as the principal scale control variable.

The model is specified as follows:

$$\mathbf{ROA\_it = \alpha\_i + \gamma\_t + \beta_1 E\_it + \beta_2 S\_it + \beta_3 G\_it + \beta_4 \log (Revenue\_it) + \varepsilon\_it}$$

Where:

a_i:	captures firm-specific fixed effects,
γ_t:	captures year fixed effects,
E_it, S_it, G_it;	are centered ESG scores for firm i in year t,
ε_it:	the idiosyncratic error term.

We include firm size as a control variable, proxied by the natural logarithm of revenue (log Revenue), alongside firm and year fixed effects.

To address heteroskedasticity and autocorrelation, robust standard errors (HC1) were applied (**Table 4**); the Breusch-Pagan test confirmed the presence of heteroskedasticity ($\chi^2 = 11.56$, $p = 0.021$), while the Durbin-Watson statistic (**DW = 1.9366**) indicated no severe autocorrelation. Variance inflation factor (VIF) diagnostics for all predictors were below the threshold of 3, indicating no concerning multicollinearity; interaction terms between ESG components were mean-centered to reduce correlation with their main effects, following Iacobucci *et al.* (2016).

Robustness and Sensitivity Checks

Given the limited sample, several diagnostics ensured reliability. Models were re-estimated with heteroskedasticity-robust and Driscoll–Kraay standard errors to correct for cross-sectional dependence. Adjusted R^2 and standardized coefficients were reported for comparability. A leave-one-firm-out test confirmed that results were not driven by any single firm. These analyses reaffirm the stability of the governance–profitability relationship. Findings are interpreted as *exploratory*, with quantitative patterns subsequently validated through qualitative evidence.

Mixed Methods Integration Strategy

The present study is guided by an explanatory sequential mixed-methods design consisting hence of two phases: first, quantitative panel data analysis to determine the statistical effect between ESG dimensions and financial performance; and second, qualitative analysis of corporate ESG disclosures to explicate and contextualize regression results. The two phases are integrated at different occasions: at the design stage, at the interpretation stage and at the meta-inference stage, and are thus organized as an explanatory iteration rather than a monodirectional post hoc illustration. The qualitative aspect of the research was a document-based thematic content analysis consisting of sustainability reports, integrated annual reports and corporate governance statements for each company from 2014–2024, using a deductive-inductive coding approach. Deductive codes were based on Stakeholder Theory, the Triple Bottom Line (TBL) and the ISO IWA 48:2024 framework; inductive codes emerged from repeated readings of narratives. Emerging codes centre around the tone of narratives, the priority of ESG, as well as discursive framing of ESG (for example, "cost centre" versus "value driver").

To ensure systematic rigor, each firm's documents were coded across six dimensions: ESG Strategic Integration; ESG Key Performance Indicators (KPIs) – Measurement and Monitoring; Stakeholder Engagement; ESG-linked Investment and/or Divestment; ESG Oversight and Governance; and ESG Alignment to Global Commitments (e.g., UN SDGs, Paris Agreement, UN, Net Zero Tracker). Based on these characteristics a typology of ESG orientations (i.e., ESG Strategic-orientation, ESG Transition-orientation, ESG Compliance-orientation) was devised (see **Appendix A**). Findings were integrated iteratively: first, firms were classified into orientation groups from findings in the qualitative phase. Their classification was then plotted against the ROA performance trend obtained from the quantitative panel regression. This enabled a comparative interpretation: firms oriented towards strategic ESG consistently showed higher stability or higher trajectories in comparison to compliance-oriented firms, which showed instability or lower profitability. In this way, findings from the qualitative phase were not only complementary but also explanatory to findings in the quantitative phase. While coding itself was not carried out using formal software (e.g., NVivo) due to resource constraints, manual coding was cross-verified via inter-year consistency checks and triangulated using different disclosure novelties (e.g., standalone ESG reports versus integrated reports). While inter-coder reliability was not tested statistically, code-recode stability and the use of ISO-aligned rubrics both contributed to analytic transparency and mitigated bias.

To enhance methodological transparency, a distinct integration stage was incorporated following the separate quantitative and qualitative analyses. The panel regression identified governance as the most influential

predictor of profitability, while the qualitative analysis of disclosure narratives, board statements, and stakeholder engagement evidence helped explain the mechanisms underlying this statistical association. Integration occurred at three levels: design integration, where the ESG-orientation typology derived from qualitative coding informed the quantitative model; results integration, where panel outcomes were compared across orientation groups to test convergence or divergence; and interpretive integration, where meta-inferences were drawn by juxtaposing ROA trajectories with the depth of ESG institutionalization observed in corporate texts.

This multi-level integration "married together" the quantitative and qualitative strands, ensuring that the mixed-methods design functions as a single coherent study rather than two parallel analyses. Given the modest sample size (5 firms × 11 years = 55 observations), the quantitative results are interpreted as exploratory. To reinforce their credibility, robustness and sensitivity checks—including Driscoll–Kraay estimations, bootstrap standard errors, leave-one-firm-out tests, adjusted R^2, and effect size reporting—were conducted. These diagnostics confirm the stability of the governance–profitability relationship and strengthen confidence in the mixed-methods inferences drawn from the study.

Results and Discussion

This section presents the results of the fixed effects panel regression model, incorporating both firm-level and year fixed effects to account for unobserved heterogeneity across firms and macroeconomic fluctuations over time. Prior to estimation, all ESG predictors were mean-centered to reduce multicollinearity, and the log transformation of revenue was applied to address skewness and stabilize variance.

Descriptive Correlation Analysis

Table 3 presents the Pearson correlation matrix among key variables. Governance Score (G) showed a modest positive correlation with Return on Assets (ROA), while Environmental (E) and Social (S) Scores were negatively correlated with profitability. These patterns underscore the potential cost burdens of E and S dimensions in the short term.

Table 3. Correlation Matrix of ESG Scores, Revenue, and ROA

Variable	year	E Score	S Score	G Score	Revenue	ROA
Year	1.00	0.60	0.51	0.53	0.10	-0.28
E Score	0.60	1.00	0.68	0.70	0.21	-0.20
S Score	0.51	0.68	1.00	0.45	0.54	-0.14
G Score	0.53	0.70	0.45	1.00	0.06	0.10
Revenue	0.10	0.21	0.54	0.06	1.00	0.22
ROA	-0.28	-0.20	-0.14	0.10	0.22	1.00

Trends in ESG Performance and Financial Returns (2014–2024)

Figure 2 parallels the incremental trend in the Environmental (E), Social (S), and Governance (G) scores of the sampled firms across the duration of the study. While the linear increase in the disclosure pattern from 2018 to 2022 depicts an increased prioritisation of sustainable practices by food firms in the Zambian agro-food sector, an overlapping opposite declining pattern with Return on Assets (ROA) underscores the financial burden Zambian food firms face in pursuing ESG investments in the midst of short-term profitability. The observed patterns of decoupling underscores the need for strategic integration of ESG activities to drive sustainable growth.

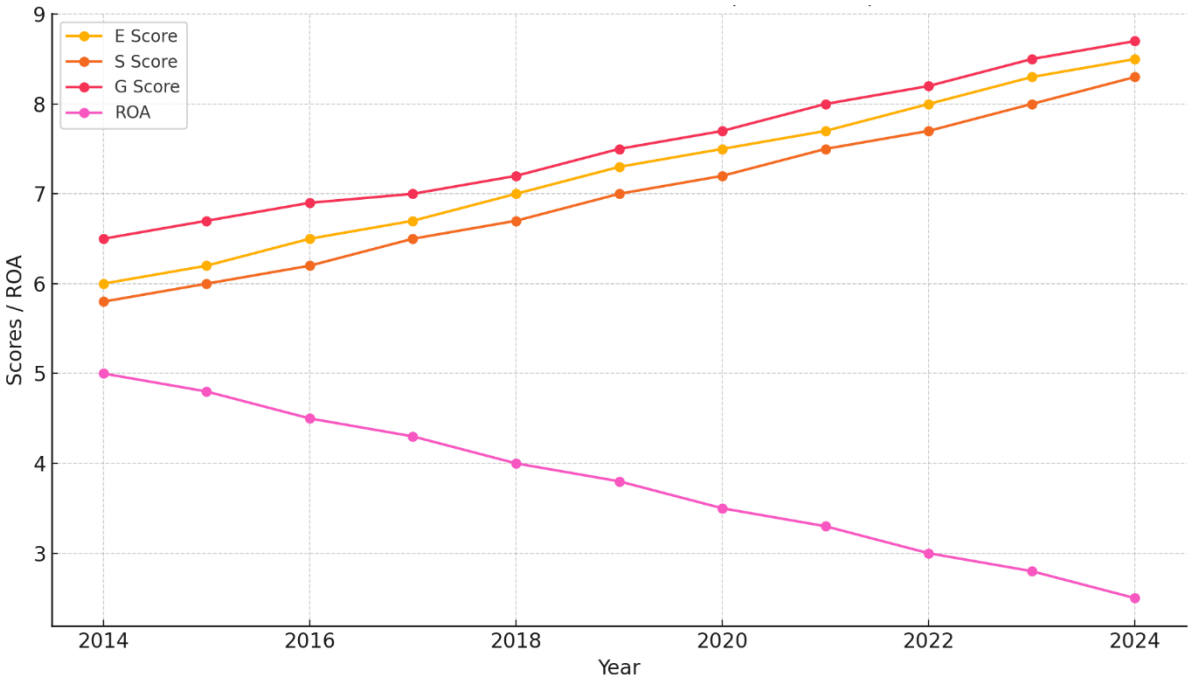

Figure 2. Trends in ESG Scores and ROA (2014 – 2024)

Panel Model Diagnostics

Table 4 summarizes diagnostic tests applied to validate the fixed effects specification and ensure robustness. Heteroskedasticity was confirmed via Breusch-Pagan test and addressed through robust standard errors (HC1). Durbin-Watson results ruled out autocorrelation, while all VIFs were under 3, confirming acceptable multicollinearity levels.

Table 4. Panel Regression Diagnostics Summary

Diagnostic Test	Result	Interpretation
F-test for Poolability	$F = 7.7031$, $p < 0.001$	Reject null; FE preferred
Breusch-Pagan Test (Heteroskedasticity)	$\chi^2 = 11.56$, $p = 0.021$	Significant → Heteroskedasticity is present. Robust SEs were appropriately used.
Durbin-Watson (Autocorrelation)	DW = 1.9366	Near 2 → No serious autocorrelation detected
Jarque-Bera (Residual Normality)	JB = 207.10, $p < 0.0001$	Residuals are not normally distributed — possibly due to outliers/skewness
Variance Inflation Factors (VIF)	All < 3	No multicollinearity among predictors
Log Transformation of Revenue	Applied	Reduced skewness and improved residual normality

The model statistics in Table 5 show that the Driscoll–Kraay fixed effects model is statistically robust. The F-statistic (5.98, $p < 0.01$) confirms that the ESG variables and firm size jointly influence profitability. The model explains about 32% of the total variation in ROA, with 21% explained by within-firm changes over time. Including firm and year effects accounts for unobserved factors such as management practices or market

conditions that vary across time and companies. Overall, the results indicate a well-specified model, confirming that governance performance is the most consistent and reliable predictor of profitability in Zambia's agro-food sector.

Table 5. The Driscoll–Kraay Regression Model Estimates

Statistic	Value
F-statistic (robust)	5.9777
p-value (robust)	0.0009
R^2 (within)	0.2110
R^2 (overall)	0.3240
Observations	55
Firms (Entities)	5
Years (Time periods)	11
Effects included	Firm (entity) and year (time) fixed effects

Main Regression Results

In **Table 6** shows the results of the fixed effects panel regression with year dummies. Governance Score (G) was the only ESG dimension with a statistically significant positive relationship to ROA (**β = 23.08**, **p = 0.002**). In contrast, Environmental Score (E) had a significant negative association (**β = –27.02, p = 0.014**), which could reflect upfront costs of environmental compliance for already resource-constrained firms. Social Score (S) also did not have a significant impact on ROA, similar to previous literature which finds that the benefits of social initiatives are usually indirect or long term in nature. The FE model includes firm and year effects, robust (HC1) SEs, and log Revenue as a control.

Table 6. Fixed Effects Panel Regression with Year Controls (DV = ROA)

Variable	Coefficient (β)	Robust Std. Error	T-Statistic	P-Value	Significance
Environmental Score (E)	−27.02	10.56	−2.56	0.014	**p < 0.05** (Significant)
Social Score (S)	−0.54	9.87	−0.05	0.958	Not significant
Governance Score (G)	23.08	7.08	3.26	0.002	**p < 0.01** (Significant)
Log Revenue (Control)	−0.80	0.95	−0.84	0.405	Not significant
Constant	1.302	0.411	3.17	0.003	**p < 0.01**

FE with firm and year effects; robust (HC1) SEs; control = log Revenue.

Given the small-N design, the findings should be viewed as exploratory patterns rather than definitive causal estimates. Nevertheless, robustness diagnostics using Driscoll–Kraay errors and leave-one-firm-out checks confirm that governance maintains a consistent and statistically meaningful association with financial resilience across specifications. **Table 7** presents the Driscoll–Kraay robustness results for fixed effects model examining the relationship between ESG dimensions and firm profitability (2014–2024). The model includes firm and year fixed effects, with robust standard errors adjusted for heteroskedasticity, serial correlation, and cross-sectional dependence.

Table 7. Driscoll–Kraay Robustness Results (Fixed Effects Model, 2014–2024)

Variable	Coefficient (β)	Std. Error	t-statistic	p-value	95% Confidence Interval
Environmental (c_E)	–22.151	14.791	–1.497	0.143	[–52.150, 7.846]
Social (c_S)	2.732	9.857	0.277	0.783	[–17.260, 22.725]
Governance (c_G)	**24.038**	**9.697**	**2.478**	**0.018**	[4.370, 43.705]
Firm Size (log revenue)	17.360	17.885	0.976	0.338	[–18.913, 53.633]
(Constant)	—	—	—	—	—

The model was estimated using the Driscoll–Kraay covariance estimator with heteroskedasticity-, autocorrelation-, and cross-sectional–robust standard errors. The dependent variable is Return on Assets (ROA). Firm size (log of revenue) was included as a control variable. The results confirm that governance performance has a positive and statistically significant relationship with profitability ($p = .018$), whereas the environmental and social dimensions are not significant.

Panel regression results suggested that Governance Scores were the most consistent determinant of profitability in the sample. When these results are examined alongside the ESG orientation classification, a clear pattern emerges: firms categorized as having a 'Strategic' ESG orientation demonstrated higher and more stable ROA over the 11-year period. These were firms with full ESG integration into corporate strategy such as those firms with board oversight of ESG, and structured stakeholder engagement. The 'Compliance' firms, in contrast, reported weaker or less consistent financial returns, indicating that ESG practices for regulatory purposes only may not bring in performance benefits. This corroborates the main argument of this study, namely that ESG's strategic orientation rather than presence leads to financial resilience. Model fit in **Table 8** is indicated by **within $R^2 = 0.351$**, which suggests that the ESG variables explain approximately 35% of the firm-level variation in profitability. While this is moderate, it is consistent with other ESG-performance models in similar emerging market contexts (e.g., Duque-Grisales & Aguilera-Caracuel, 2021; Shaikh, 2022).

Table 8. Model Summary - Fixed Effects Panel Regression Estimating ROA from ESG Variables

Statistic	Value
Model Type	Fixed Effects (Entity Effects)
Dependent Variable	ROA (Return on Assets)
No. of Firms (Entities)	5
No. of Time Periods	11
Total Observations	55
R-squared (Within)	0.3510
R-squared (Overall)	0.0662
R-squared (Between)	–0.4564
F-statistic (Model)	6.2203
F-statistic (Robust)	2.7074
p-value (Robust F-statistic)	0.0416
F-test for Poolability	2.8262
p-value (Poolability Test)	0.0353
Log-Likelihood	–248.06
Covariance Estimator	Robust
Included Effects	Entity (Firm-level)

Integrating Quantitative and Qualitative Findings

Quantitative analysis indicates that, with respect to Return on Assets (ROA), the Governance (G) dimension has the largest positive coefficient in the selected time period. Both Environmental (E) and Social (S) dimensions have negative coefficients in the short-term profits, which may indicate that environmental regulatory compliance and social investment expenditures result in temporary suppression of earnings. This result also indicates that ESG activities in the early stages may create financial pressures in the short-term, but good governance enables corporates to convert those ESG compliance cost to long-term benefits through better board oversight, coordination, and information transparency.

Qualitative evidence also supports this interpretation. For instance, firms with a Strategic ESG Orientation—as indicated by board-level engagement, stakeholder co-creation, and the integration of ESG into executive performance systems—were also most likely to have stable or improving ROA trends over 2014–2024. These companies' disclosures highlight substantive governance mechanisms like sustainability

committees, integrated reporting, and alignment of corporate goals to stakeholders' priorities. By contrast, Compliance-oriented firms made mostly formulaic or reactive ESG statements, and were more likely to have unstable profitability trends. These companies were more likely to treat ESG as a reporting exercise rather than a strategic tool, which correspondingly showed in their fluctuating profitability.

By putting the two strands of evidence together, we demonstrate that governance quality has an enabling and moderating function in strengthening the positive effect of ESG orientation on financial resilience. Likewise, stakeholder engagement forms a mediating channel: firms that engage proactively in dialogue, transparency, and responsiveness with their stakeholders tend to financially recover more smoothly from abrupt shocks such as the 2020 pandemic. This corroborates with international evidence (Deng *et al.*, 2013; Lins *et al.,* 2017; Kotsantonis *et al.,* 2019) that ESG practices generate "insurance-like" benefits that help shield firms from reputational and operational risks.

The qualitative classification fed into the quantitative strand. Procedural linkages include an explanatory sequential design. In other words, the procurement of insights into different corporate disclosure patterns informed the testing of ESG orientation as a categorical variable. The thematic analysis of sustainability and governance reports has yielded three categories of orientation, namely Strategic, Transitional, and Compliance ESG posture. The categories were derived from the criteria stipulated by the ISO IWA 48:2024, in tandem with the Stakeholder Theory and the Triple Bottom Line framework. These categorise empirically enabled relating ESG posture to firm level financial performance.

When taken together, the integrated evidence of the mixed-methods synthesis validates our conceptual model that the profitability of ESG practices in Zambia's listed food firms is demonstrably dependent upon governance maturity and stakeholder connectivity, rather than the extent of ESG disclosure. Firms with matured governance structures and embedded stakeholder engagement mechanisms have a higher capability to withstand shocks, remain operational, and deliver sustainable profitability under pandemic disruptions. The mixed-methods synthesis supports our conceptual model by providing integrated evidence of ESG's profitable-performance through strategic governance.

Strategic ESG Orientation

Firms under this category embedded ESG within their corporate governance and operational strategy as a value creator and an integral risk mitigant, as opposed to a reporting tool. Such firms disclosed specific ESG KPIs, had board-level participation and aligned their action plans with international standards such as Sustainable Development Goals (SDGs), Global Reporting Initiative (GRI) etc. For instance, one firm's statement quoted, " *We have invested in solar-powered drying facilities to reduce carbon emissions and energy dependency in line with our climate-smart agriculture roadmap*." demonstrating its commitment towards environmental innovation. Another firm's statement added " *Our sustainability model integrates environmental targets across our retail and processing operations, with quarterly reviews by the Board's ESG Committee*." showcasing how sustainability goals are embedded in corporate performance and governance systems.

Transitional ESG Orientation:

Transitional ESG-oriented firms had an emerging engagement with sustainability practices; partial alignment with global frameworks such as the GRI or SASB; periodic ESG reporting and some stakeholder initiatives; but ESG was not institutionalized at the level of the board, nor embedded into the firm's main business KPIs and performance systems. As one firm noted: "*While ESG is not yet part of our corporate scorecard, we are working towards adopting an integrated reporting approach in the near term*", indicating intention without core structural embedding. Another firm noted that "*We recognize the importance of ESG and are in the process of aligning our reporting with GRI and SASB guidelines*," indicating incremental alignment but not yet operationalization. Transformational ESG-oriented firms acknowledged the potential strategic value in ESG but also exhibited

inconsistency and lack of follow-through in messaging and initiatives, which differed across ESG reporting years and across initiatives.

Compliance-Based ESG Orientation

For compliance-oriented firms, ESG was viewed as a primarily regulatory exercise: the perspectives of these firms were narrow and focused on meeting legal requirements, complying with existing statutory obligations. Their ESG disclosures were mere bullet points on compliance with local laws, with little attempt to reframe or repackage these disclosures in a way that was more strategic or, in some cases, even palatable. Correspondingly, there was little evidence of genuine investment in these activities internally, little engagement with non-executive stakeholders, little interest in innovation to distinguish them from competitors, and no tailoring to align with international disclosure practices.For example: "*We ensure all waste is disposed of in accordance with ZEMA guidelines*" and "*The company abides by statutory safety standards and submits reports to local authorities as required.*" This minimalist approach characterises the attitude of these firms towards ESG as a whole and is indicative of the lack of ambition even in the language used, which amounts to little more than a check-box. Overall, by applying these ESG orientations to these firms' financial performance history, compliance-oriented firms were not only, on average, lower performing, but often were more volatile performers than other firms, aligning with the broader study finding made previously that ESG orientation, not merely presence, is crucial in determining resilience through financial performance.

The regression analysis findings corroborate the typology developed in the qualitative phase; strategically oriented firms reported greater and more resilient profitability. This demonstrates the insight that the qualitative findings, based on document analysis and stakeholder engagement signals, brought to understanding the panel data results. The findings from this study show important evidence regarding how Environmental, Social, and Governance (ESG) practices relate to profitability in Zambia's listed agro-food sector. The study goes beyond just considering the standalone impact ESG dimensions on profitability and highlights that the financial implications of ESG depend on the way it is adopted; strategically or for compliance. Firms that make ESG a part of the strategic decision-making process are able to prosper financially; they are able to withstand economic should that occur in the face of the varying economic environment and associated institutional failures that are eminent in emerging markets (Eccles et al., 2014; Bahadori et al., 2021; Teti & Spiga, 2023). This is visualised in Figure 3, where, firms that included ESG in their core strategy gained sustained resilience this last decade evidenced from a stable and positive ROA, while compliance-oriented firms experienced a sharp decline in financial performance. This kennels the insight revealed in the study to understand that ESG orientation and not just its phenomenon, are associated with resiliency.

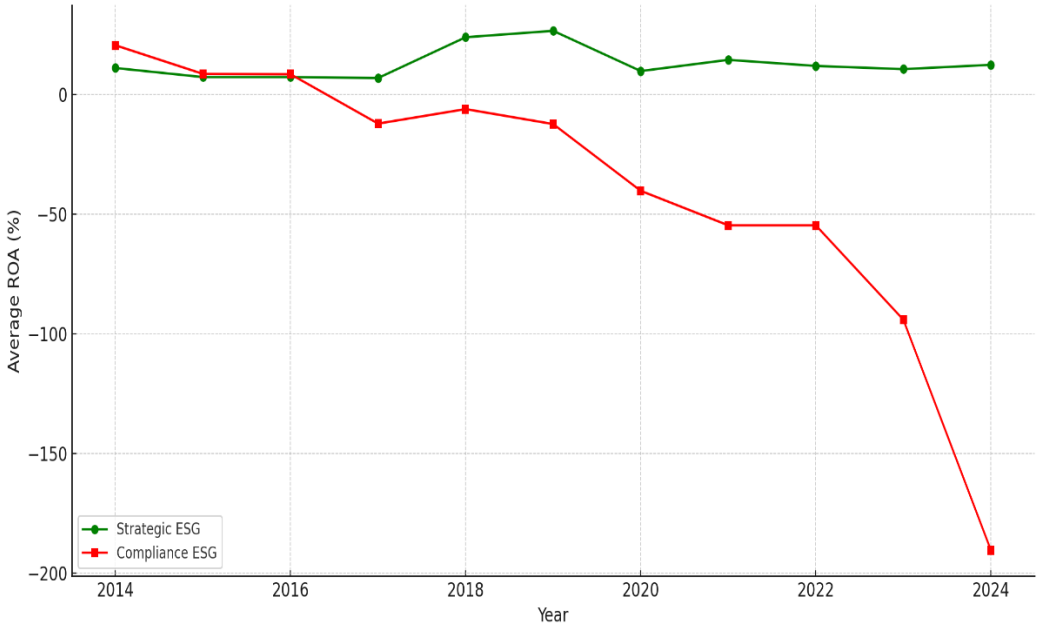

Figure 3. Return on Assets (ROA) Comparison: Strategic vs Compliance ESG Orientation

The regression results also revealed a statistically significant negative relationship between Environmental Score and ROA, suggesting that environmental investments may impose short-term financial costs, particularly in under-capitalized settings. This supports the arguments of Manrique & Martí-Ballester (2017), Zhao *et al.* (2018) and Velte (2021), who found that environmental upgrades can strain profitability in the absence of government incentives or green financing instruments. Nevertheless, this should not be interpreted as a rejection of environmental value. Several firms with declining ROA but improved environmental scores also demonstrated enhanced operational efficiency and reputational stability over time, as seen in the qualitative disclosures. This suggests that environmental initiatives may yield long-term resilience, albeit with short-term financial trade-offs.

Social Score was not significantly related to ROA. While this could mean that social responsibility activities did not create any significant financial value, it is more likely a reflection of the firms' lack of strategic alignment. Symbolic or unrelated social investments, usually in the form of unrelated charity activities or training, repeatedly appeared in compliance-driven firms, with little evidence of any strategic alignment or integration into their core processes. Such poorly aligned or sporadic implementation of social investments could hardly yield much, if any, business value. This is in line with Westerholz & Höhler (2022). However, social investments such as workforce development or health initiatives—if properly aligned with the firm's main business activities—could yield some intangible yet powerful effects such as greater loyalty, a stronger brand, and goodwill from the local community (Vuong, 2022; Gong *et al.,* 2021; Pérez Estébanez & Sevillano Martín, 2025).

Of the three pillars of ESG, only governance was a statistically significant positive predictor of profitability. This corroborates findings from other studies in developed (Giannopoulos *et al.,* 2022) and emerging markets (Bahadori *et al.*, 2021), in which capabilities such as board oversight, transparency, and ethical leadership were found to be entry-points or pre-requisites to other aspects of ESG. In Zambia's agro-food sector, where regulatory enforcement is weak and capital constraints are high, governance is not only a compliance anchor but a strategic enabler that enables focal firms to bridge sustainability with financial priorities. The qualitative evidence adds further weight to this interpretation. Firms with a strategic orientation

towards ESG, that is, those showing higher goal alignment, stakeholder dialogue, and board-level ESG integration outperformed their peers with higher and more stable ROA throughout the study period. In contrast, compliance-driven firms tended to take up ESG in a more reactive way, framing it less as a growth imperative than a reputational or regulatory box to tick. These contrasts are consistent with the study's typology and lend further prima facie support for the claim that that it is how ESG is framed, and not its mere existence, that guides the pathways toward financial resilience. The results affirm that robust governance frameworks enable better integration of the ESG pillars and allow frontier food firms to overcome the siloed nature of many sustainability initiatives (Çek & Eyupoglu, 2020; Abdi *et al.*, 2022).

Strategic ESG Orientation: Implications for Resilience

The central theoretical contribution of this study lies in demonstrating that ESG orientation, not just ESG adoption explains variations in financial resilience. Firms that viewed ESG as a strategic asset were more likely to deploy it in ways that protected profitability during sectoral volatility, whether by way of supply chain diversification, stakeholder employee collaboration or risk-informed sustainability investments. This reflects, but also extends the logic of Creating Shared Value (CSV) as developed by Porter & Kramer (2011) who argued that firms can both generate economic and social value. Whereas CSV presumes a baseline of institutional maturity, we show that even in extremely low-capacity contexts such as Zambia it is governance-driven ESG strategy that can form the basis of performance. Here, governance functions not only as direct predictor of profitability but as meta-enabler of environmental and social coherence.

While prior studies have highlighted the strategic importance of ESG integration in firm performance (Eccles *et al.,* 2014; Su *et al.,* 2020), this study offers unique insights on ESG orientation in Sub-Saharan Africa's agribusiness sector, where ESG practices are developing within fragmented institutional fields. Different from prior studies which classify ESG into binary categories (e.g., adopters and non-adopters), this paper develops and empirically applies a differentiated, contextually informed ESG orientation typology (compliance-based, transitional and strategic), which is grounded in firm-level disclosure patterns. In doing so, the paper offers a more granular picture of the ways in which firms mobilise ESG as a symbolic tool or strategic driver of financial resilience within low-regulation settings.

The study also surfaced structural challenges: low environmental and social scores, coupled with limited access to capital and weak regulatory enforcement, reveal a sector still grappling with the foundations of sustainability. Yet, opportunities abound. By leveraging public-private partnerships, tapping into donor-funded ESG platforms, and engaging local communities, Zambian firms can embed ESG into their strategic priorities rather than treating them as external mandates (Ahmad *et al.,* 2025; Attarit *et al.,* 2025). Compared to firms in developed markets, Zambian food firms operate under significant financial and institutional constraints, which affect how ESG is interpreted and enacted. While environmental initiatives in developed contexts may be offset by tax incentives or ESG-linked credit (Teti & Spiga, 2023), Zambian firms face upfront costs without comparable support. The strategic value of environmental initiatives is evident when implemented over time and under effective governance (Chen *et al.,* 2023; Bahadori *et al.,* 2021). However, the positive financial link with governance echoes global trends, reaffirming that even under weak regulatory regimes, effective internal governance is a powerful driver of both accountability and resilience (Su *et al.,* 2020; Wang *et al.,* 2023).

Alignment with Global ESG–Resilience Evidence

Beyond the African context, these findings are consistent with many strands of the literature capturing ESG as an avenue for financial stability and crisis resilience. For example, Lins *et al.* (2017) demonstrated that firms with high social capital outperformed the rest during the financial crisis of 2008–09; Kotsantonis *et al.* (2019) ascertain ESG as a means through which systemic-risk can be mitigated; and Deng *et al. (*2013) express the insurance value of ESG as it hedges against downside volatility. Through a sample of firms from North

America, Lisin *et al.* (2022) document that firms with higher ESG scores are inclined to have a lower financial distress risk proxied by the Ohlson O-score, thus validating the stabilizing effect of sustainability integration into corporate strategy on corporate solvency. Likewise, Lupu *et al.* (2022) documented that across Europe, firms with higher ESG scores were positively associated with banking and financial stability, further cementing the conception of ESG as a macroprudential buffer into the financial system.

Complementary evidence from Asian markets further reiterates these patterns. Broadstock *et al.* (2021) found that high-ESG companies in China had been more resilient to the COVID-19 crisis, with a less negative loss to the market and a faster recovery when compared to their lower-ESG rated counterparts. They concluded that the "crisis-time value protection" role played by ESG indicates that ESG is a valuable intangible asset in mitigating risk, which ties in well with this study's finding that governance mechanisms of Singapore companies contribute to stabilizing profitability. Similarly, Huang *et al.* (2020) cited evidence from Chinese companies which found that corporate social responsibility (CSR) practices enhanced organizational resilience during the COVID-19 pandemic by increasing people's commitment to the organizations, improving stakeholders' willingness to cooperate with companies to find solutions, and making firms more outward-looking and more adaptable to change.

In sum, these studies reiterate a fundamental global reality. ESG is not an ethical or reputation construct but a strategic resource that bolsters adaptive capacity and financial resilience. The present study extends the logic to an emerging-market, demonstrating that not the presence of ESG initiatives but the orientation of ESG initiatives— strategic (versus compliance)—determines financial resilience. Strategic oriented ESG (board accountability, board-level co-creation of ESG with stakeholders sustainability impact and co-created and measurable sustainability goals) contributes to long-term financial performance and constitute a firm economic buffer to external shock. Compliance-oriented ESG offer only short-term legitimacy with no sustained financial benefits. Taken together, from the current study and previous studies across North America, Europe and Asia, ESG shows that ESG maturity evidenced by governance, genuine stakeholder involvement and participation, determines the sustainability of sustainability commitments and financial resilience (e.g. long-term and resilience during external shocks).

Managerial and Policy Implications

The findings emphasise that ESG practices must be reinterpreted by corporate leaders, not as compliance-based responsibilities, but as steering mechanisms for risk management, innovation and value-creation. ESG-friendly governance structures (such as board ESG activism and sustainability oversight) are more likely to attain corporate profitability. Board characteristics, existence of ESG committees, and integration of sustainability goals into operational KPIs significantly and positively drive profitability. These ESG-governance attributes communicate that integrated sustainability practices are not peripheral and administrative, but a core differentiator for firm's competitiveness, especially in weak institutional contexts like Zambia.

From a regulatory and policy perspective, the results suggest that disclosure regimes in isolation are insufficient for achieving transformative organisational change. To the extent that policymakers are intent on achieving more than surface compliance, transparency mandates should be accompanied by enabling measures that reward substantive ESG adoption. Targeted incentives—such as tax reliefs for sustainability-linked investments, grants for environmentally sustainable innovations, and capacity-building support for small and mid-size enterprises—may help diminish the compliance–strategy divide. Regulatory frameworks that engender transparency whilst incentivising experimentation may be better suited to accelerate organisations' transformation towards sustainable business models. In turn, public–private coalitions that incentivise inclusive agricultural commodity value chains and low-carbon farming practices may play an important role in mainstreaming sustainability in resource-intensive industries such as food production where environmental and social externalities are pervasive to day-to-day operations. Investor communities have a job to do too. Our

findings indicate that high ESG scores do not guarantee strategic integration. Investors must look past headline ratings to assess whether a firm's ESG disclosures reveal a true sustainability orientation or simply signpost for reputation. Firms with comparatively low ESG scores but strong strategic orientation may even deliver more consistent long-term returns, due to their superior internal orientation and governance maturity. Building ESG orientation assessments into portfolio selection and impact investment strategies could therefore strengthen both risk-adjusted performance and sustainability impact.

Overall, our findings highlight three related implications for managers, regulators and policymakers. First, companies need to go beyond (disclosure-oriented) compliance with ESG reporting towards a (strategy-oriented) ESG orientation approach, where environmental and social objectives are embedded into their governance systems, integrated in risk management processes and instantiated in incentive systems, and where such an approach enables them to be more resilient in times of crises. Second, regulatory and investor initiatives should consider developing ESG-maturity indices that capture the realistic time needed to integrate ESG goals into a company's governance framework, and focus on stakeholders rather than shareholders, which may, for example, help in developing rating systems that do not focus on the volume of ESG reports but on their effectiveness and at the transparency of corporate decision-making processes, which, could in turn promote engagement-driven collective action towards sustainable business models at the industry-level. One example is alignment with international standards in the spirit of ISO IWA 48:2024 or the IIRC Framework through increased transparency and accountability about whose views were taken into consideration in corporate decision processes, aligning industry with stakeholder needs and helping investors to allocate capital sustainably. Third, and most importantly, promoting ESG integration as a corporate resilience-building strategy in developing countries is imperative. Ministries of Finance and Commerce in these contexts can integrate ESG-oriented criteria into their existing industrial policy toolkits, developing frameworks and offering fiscal and procurement incentives to companies that demonstrate capabilities in showing ESG maturity over time. Overall, our results offer empirical evidence that integrating governance and stakeholder dialogue is not just ethically meaningful, but economically wise. Adopting a mature approach to strategic ESG orientation is an inexpensive path towards resilience, competitiveness and sustainability-driven growth in volatile, resource-scarce emerging market.

Conclusion

This research examined how ESG orientation; whether strategic, transitional, or compliance-based, affects firm profitability in Zambia's listed agro-food sector using a mixed-methods design. The findings show that firms with strategic ESG orientations, characterized by proactive internal governance and stakeholder integration, demonstrated more consistent and higher return on assets (ROA). In contrast, compliance-oriented firms disclosed ESG mainly for regulatory reasons and showed weaker financial resilience over time. Through document analysis and panel regression for the period 2014–2024, the study demonstrates that ESG effectiveness hinges not only on the quantity of disclosure, but also ESG governance quality and strategic framing. These findings help to clarify the meaning of ESG in emerging markets that are particularly exposed to various environmental, social and institutional shocks.

The results carry important implications for firm managers, regulators and investors. From a managerial point of view, those firms need to reimagine ESG from a cost and/or reporting problem to a strategic lever for risk mitigation, building stakeholder trust and long-term profitability. Starting by linking ESG to operational KPIs and board-level governance, this is another area where integrated ESG can boost financial resilience: In a volatile market where commodity, energy and transportation prices will continue to swing, linking ESG objectives to supply-chain efficiencies can prove particularly beneficial in commodity- and labour-intensive sectors like Policymakers and regulators in emerging markets should explore the potential for policy-driven ESG capacity-building programmes and simplified integrated reporting platforms. These instruments can serve

as motivation and support for firms to move from compliance to strategic ESG engagement, alongside incentives oriented towards sectoral priorities that comprise, but may not be limited to, food security, climate adaptation or rural employment. Investors and lenders should consider not only what firms disclose, but also how they engage with ESG. ESG scoring systems designed for African contexts would better identify meaningful ESG strategies from box-ticking.

Limitation and Future Direction

This study has several limitations. First, public listed firms of one national sector were focused, thus limiting its generalizability. Second, the ESG orientation typology was developed using document analysis. The results therefore have limited power given that document analysis, albeit contextually robust as a data collection technique, cannot capture non-reported practices or capture the multitude of internal-facing ESG discussions. Regression analysis also had limited power due to the small sample size of this study (N=5 firms, 55 firm-years). Future research could seek to expand the typology to include unlisted firms, incorporate survey or interview data from ESG officers, and apply the proposed framework in other sectors such as energy or manufacturing. Comparative studies across Sub-Saharan African countries will also enhance theoretical and practical perspectives on ESG orientation under institutional multiplicity. Although this study employs an explanatory sequential mixed-methods research design, there are several issues to acknowledge regarding quantitative-qualitative integration. The ESG orientation was systematically coded using ISO IWA 48:2024 aligned criteria; however, there is always a degree of subjectivity due to the nature of interpreting corporate disclosures. Future research can use multiple raters and/or triangulate with interview data, in order to improve inter-rater reliability. Despite these limitations, this explanatory sequential mixed-methods design adds greater depth of understanding into the quality of ESG implementation in conjunction with financial performance than a mono-method research design.

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WEB APPENDIX

Appendix A. Codebook for ESG Orientation Typology

Dimension	Code	Description	Indicators / Sample Phrases
Strategic Integration	STRAT_FULL	ESG is embedded into long-term strategy	"Our ESG roadmap aligns with our 2030 business vision"
	STRAT_PARTIAL	ESG is mentioned in strategy but not operationalized	"We are exploring ESG-aligned growth"
	STRAT_NONE	No integration with core strategy	"We comply with national ESG reporting requirements"
KPIs & Metrics	KPI_CLEAR	Clear, measurable ESG goals or targets	"Targeting 20% energy reduction by 2025"
	KPI_AMBIGUOUS	Vague statements without metrics	"We strive to reduce our environmental impact"
	KPI_NONE	No mention of ESG-related KPIs	--
Stakeholder Engagement	ENGAGE_STRUCTURED	Formal processes like surveys, dialogue, or feedback loops	"Stakeholder forums shaped our 2022 sustainability focus"
	ENGAGE_OCCASIONAL	One-off engagements or reactive statements	"We respond to community concerns as they arise"
	ENGAGE_PASSIVE	No real stakeholder interaction	"We consider our stakeholders' expectations"
Framework Alignment	ALIGN_GLOBAL	Mentions SDGs, GRI, CDP, AWS or similar	"Aligned with GRI 2021 and SDG 12"
	ALIGN_LOCAL	Local compliance only	"We follow ZEMA guidelines"
	ALIGN_NONE	No reference to any framework	--
Investment Evidence	INVEST_TANGIBLE	ESG-linked capital/resource allocation	"USD 2 million invested in renewable energy upgrades"
	INVEST_PILOT	ESG efforts exist but without clear investment support	"Testing compostable packaging in selected outlets"
	INVEST_NONE	No clear ESG-related investment	--
Governance Linkage	GOV_BOARD	ESG oversight formally linked to board or exec-level governance	"ESG is a standing item in quarterly board meetings"
	GOV_FUNCTIONAL	ESG oversight managed at operational or compliance level	"Handled by the Safety and Compliance unit"
	GOV_NONE	No governance connection	--

Appendix B: Sample Coding Extract for ESG Orientation Classification (Firm F3, 2017–2024)

Firm Code	Year	Key Disclosure Themes	Orientation
F3	2017	Board oversight of ESG	Strategic
F3	2020	Integrated Report with KPIs linked to SDGs	Strategic
F3	2022	Stakeholder co-creation projects and ISO certifications	Strategic
F3	2024	Sustainability KPIs in executive contracts	Strategic

The table illustrates how key ESG disclosure themes were analyzed over time to determine orientation. Firm F3 consistently exhibited a Strategic posture, characterized by integrated reporting, stakeholder co-creation, ISO certification, and alignment of executive KPIs with sustainability goals.