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The Impact of ESG Performance on Stakeholder Decision-Making: An Empirical Study

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ABSTRACT

This research explores how Environmental, Social, and Governance (ESG) performance affects the decision-making process of stakeholders through a quantitative research methodology. The study uses a secondary dataset, obtained on Kaggle, namely the S&P 500 ESG Risk Ratings Dataset, to assess ESG scores and their constituent parts, including the environmental, social, and governance, of 426 publicly listed companies. The data analysis was performed with Python, and it employed descriptive statistical analysis, correlation analysis, and multiple regression to test the relationships between the variables. The results indicate that ESG performance is closely related to stakeholder decision-making, with greater impact observed in environmental and social aspects than governance variables. The findings indicate that companies with a more impressive ESG performance are more likely to increase the confidence of stakeholders and aid in the process of informed decision-making. There are, however, methodological limitations identified in the study that are due to the use of proxy measures in decision-making by stakeholders, which could influence the strength of the statistical results. This study adds to the increasing literature on ESG by offering empirical data on how sustainability performance influences the behavior of stakeholders. The paper emphasizes the need to incorporate the ESG metrics in the corporate reporting and decision-making processes. It is suggested that future studies should use longitudinal data and direct measures of the stakeholders' decision-making to enhance the validity and applicability of the findings.

KEYWORDS: ESG Performance; Stakeholder Decision-Making; Sustainability Reporting; Corporate Governance; Environmental and Social Responsibility; ESG Disclosure

1. Introduction

Environmental, Social, and Governance performance (ESG) has, over the past few years, become an important aspect of corporate reporting, as companies have started to move away from the financial reporting model to more inclusive and sustainability-focused disclosure models. Various organizations are being called upon to not only become more accountable in the financial aspects but also in their environmental management, social accountability, and governance behaviours. The increase in stakeholder awareness and desire to know more about transparency causes this change as investors, regulators, and the population want to discover what firms can do to develop long-term values beyond short-term profitability (Eccles et al., 2014; Friede et al., 2015; Luo et al., 2025). Consequently, the measurement of ESG has become part of the corporate reporting and decision-making processes.

The inclusion of the ESG in business strategies is also intertwined with the concept of the stakeholder theory, according to which organisations have to pay attention to the interests of a variety of stakeholders, not only to the interests of shareholders (Freeman & Mcvea, 2001). The performance of ESG gives stakeholders non-financial data that will improve the capacity of stakeholders in evaluating corporate behavior and making decisions. An example is that investors are becoming more dependent on the ESG rating to understand the level of risk exposure, ethical conduct, and the sustainability opportunities in the long term (Fatemi et al., 2018). Likewise, the ESG disclosures help regulators to observe corporate compliance and promote responsible business practices (Khan et al., 2016). This increased dependence reiterates the significance of ESG as a decision-relevant tool.

Empirical studies have revealed that sustainability practices are linked to better financial performance and firm value, and thus, sustainability practices can improve competitive advantage (Friede et al., 2015; Velte, 2017). Companies having high ESG scores are likely to be viewed as less risky and more resilient, which has a positive effect on investor confidence and capital deployment (Fatemi et al., 2018; Krüger, 2015). Moreover, the quality of the disclosure of ESG has been associated with lower information asymmetry, which makes the stakeholders make better and more efficient decisions (Dhaliwal et al., 2011). These results reveal the importance of ESG performance in influencing stakeholder perceptions and behaviors.

Even though there is an increasing literature on this topic, the processes by which ESG performance affects the decision-making of stakeholders are multifaceted and intricate. ESG comprises varying dimensions such as the environment, social participation, and governance system, with each having different impacts on the stakeholders. As an illustration, socially aware investors can be attracted to environmental initiatives, and institutional investors can be attracted to governance practices related to accountability and risk management (Khan et al., 2016; Velte, 2017). The relative significance of these elements is needed in order to assess the overall effects of ESG performance on the decision-making process.

The other factor is that there is growing access to ESG data and ratings, which can be used to conduct empirical research in the area. ESG ratings of publicly traded companies are examples of secondary data that offer researchers helpful information about the sustainability practices of companies and how it is reflected. These datasets provide the possibility to quantitatively analyze the relationships between ESG-performance by statistical methods, which increases the strength

and external validity of the results (Clark et al., 2015; Eccles et al., 2014). Nonetheless, differences in the standards of ESG measurement and reporting still remain a hindrance to comparative analysis (Kotsantonis et al., 2016).

Additionally, corporate leadership and governance features and their role in the development of ESG performance have become the focus of recent research. The leadership qualities (CEO traits) could affect the organizational priorities and strategic choices regarding sustainability (Velte, 2017). Board structure and oversight are other key elements of governance that are crucial in facilitating effective ESG implementation and reporting (Khan et al., 2016). These aspects bring out the contribution of both internal organizational processes and external expectations of stakeholders.

Although considerable literature is available on the topic of ESG performance and its financial impact, there is still a significant gap in the knowledge of its direct impact on stakeholder decision-making, specifically with ESG-based proxies constructed using secondary data. Most of the current literature concentrates on financial performance or firm value, and relatively less research explicitly looks at the role of ESG dimensions in aggregate and individual effects on stakeholder decision making. Also, there is a lack of integration of ESG elements in a single analytical framework that supports the simultaneous impact on the decision-making process. Such a gap is further enhanced by methodological issues, such as in some datasets, there are no direct variables of stakeholder decisions, which require proxy measures. As such, empirical research involving the use of available secondary data to analyze the correlation between ESG performance and stakeholder decision-making would be desirable in a systematic manner within a systematic quantitative paradigm.

In light of the identified gap, the primary objective of this study is to examine the impact of ESG performance on stakeholder decision-making using a quantitative approach based on secondary data. Specifically, the study aims to analyze how the overall ESG score and its individual components, Environmental, Social, and Governance, affect stakeholder-oriented decision proxies. By employing statistical techniques on ESG data from publicly listed firms, this research seeks to provide empirical evidence on the role of sustainability performance in shaping decision-making processes, thereby contributing to the growing discourse on ESG integration in corporate evaluation and stakeholder engagement.

2. Methodology

2.1 Research Design

The current study uses a quantitative research design in order to identify how the Environmental, Social, and Governance (ESG) performance affects the decision-making of the stakeholders. The study is founded on the analysis of the secondary data, which enables an objective evaluation of the relationships between the ESG dimensions with the help of statistical methods. It is a cross-sectional design, where the data are the ESG scores of firms at a particular point in time, not over an extended period. It is a suitable method of determining the connections between ESG indicators and decision-relevant outcomes in a specific corporate sample.

2.2 Data Source and Dataset Description

The study utilizes a secondary dataset obtained from Kaggle, specifically the S&P 500 ESG Risk Ratings Dataset (Ricky S., 2023). The dataset contains ESG-related information for publicly listed firms, primarily drawn from the S&P 500 index. After data cleaning and filtering, the final sample consists of 426 firms with complete observations.

The dataset includes key variables such as ESG Score, Environmental Score, Social Score, and Governance Score, which collectively capture different dimensions of corporate sustainability performance. In addition, the dataset provides contextual information, including CEO Full Name, CEO Gender, CEO Status, ESG Score Date, ESG Status, and Year. The presence of these variables enables the study to incorporate both ESG indicators and firm-level governance-related characteristics.

The ESG Score represents a composite measure reflecting overall sustainability performance, while the Environmental, Social, and Governance scores provide disaggregated insights into specific sustainability dimensions. The dataset structure supports empirical analysis of how these components relate to stakeholder-oriented decision proxies.

2.3 Sample Selection and Data Preparation

The first data set was filtered to guarantee completeness and consistency of ESG-related variables. Data integrity was ensured by excluding observations with missing data or different ESG scores. Following the filtering, 426 firm-level observations were used to conduct the analysis.

The preprocessing of the data was performed in Python, during which variables were checked for outliers, inconsistencies, and formatting. The categorical variables, including CEO Gender and CEO Status, were appropriately encoded to be included in regression models where required. The "Year" variable was left in because it is important to reflect the time context, but the analysis is mainly cross-sectional.

2.4 Variable Measurement

ESG performance is considered the main explanatory variable in the present study, and the stakeholder decision-making is operationalized based on the proxy framework since there are no decision-based variables in the data.

The independent variables will consist of the overall ESG Score and the individual components of the same, i.e., Environmental Score, Social Score, and Governance Score. These factors are all embodied in the sustainability performance of companies and are commonly known in empirical studies as measures of corporate accountability and transparency.

ESG-related performance measures, especially the overall ESG Score and governance-related measures, are used as proxies of the dependent variable, which is the stakeholder decision-making. The rationale behind this proxy is that ESG performance indicates the quality and reliability of non-financial disclosures which are becoming increasingly important in decision-making processes by stakeholders like investors, regulators, and analysts. In specific, Governance Score is deemed a suitable proxy since it reflects the elements of corporate management, responsibility, and the quality of reporting, which directly affect the confidence of stakeholders.

They also include control variables, namely, CEO Gender and CEO Status to capture the possible difference in the leadership traits that can affect the ESG outcomes and stakeholder perceptions.

2.5 Data Analysis Techniques

To analyze the data effectively, Python was used to guarantee accuracy, reproducibility and efficiency in dealing with the data. The analysis consisted of multiple steps which included cleaning of data, descriptive analysis, correlation measures, and regression modeling.

The Python packages that will be used in this project are Pandas to manipulate and preprocess data, NumPy to perform mathematical operations, Matplotlib and Seaborn to visualize data, and Statsmodels to model the data statistically. These instruments facilitated in-depth analysis of the relationships among variables and guaranteed the methodological rigor.

To describe the distribution of ESG variables, descriptive statistics have been calculated, and the mean, standard deviation, minimum and maximum values are used to describe the distribution. The strength and direction of relations between ESG components and the proxy variable of the dependent variable were evaluated through correlation analysis.

In order to analyse the hypotheses, multiple linear regression analysis was used. The approach enables estimating the impact of ESG performance and its dimensions on stakeholder decision-making and adjusting other variables. The regression outcomes were compared in terms of coefficient estimates, statistical significance (p-values) and model fit measures like R-squared.

2.6 Model Specification

The empirical relationship between ESG performance and stakeholder decision-making is examined using a multiple regression framework. The model is specified as follows:

$$SDM = \beta_0 + \beta_1 ESG + \beta_2 ENV + \beta_3 SOC + \beta_4 GOV + \beta_5 Controls + \epsilon$$

Where SDM is the stakeholder decision-making (proxied), and ESG is the aggregate ESG score, ENV is the environmental performance, SOC is the social performance, GOV is the governance performance, and Controls are variables relating to the CEO.

The model allows the research to evaluate the overall and the specific impact of the ESG dimensions on the decision-making results.

2.7 Ethical Considerations

The research is based solely on publicly available secondary data, retrieved on Kaggle. There are no human subjects involved, and no confidential or sensitive information will be used. Consequently, there are no ethical issues regarding the privacy of data or consent of participants in the study. An appropriate reference to the source of data is followed to provide transparency and academic integrity.

3. Results

3.1 Descriptive Statistics

The descriptive statistics were calculated to analyze the distribution and central tendencies of the most important variables utilized in the research. As shown in Table 1, there are 426 firm-level observations in the dataset, which represent the ESG performance of S&P 500 companies.

The overall ESG performance among firms has a moderate variable as the mean ESG Score is 21.536 and a standard deviation of 7.154. The standard deviation of the Environmental Score

(5.315) is relatively high and implies that there is more dispersion than in Governance (2.179) and Social (3.768) scores. The Social Score has the highest average (9.073), followed by Governance (6.706) and Environmental (5.758), as the ESG components show the tendency that the firms are relatively better in social than environmental aspects.
The Stakeholder Decision Proxy, which is designed to be an average of the ESG component scores, has a mean of 7.179 and a standard deviation of 2.385, which is an average variation in decision-related outcomes across firms.

Table 1. Descriptive Statistics

Variable	Count	Mean	Std	Min	25%	50%	75%	Max
ESG Score	426	21.536	7.154	6.84	15.995	21.32	26.205	46.02
Governance Score	426	6.706	2.179	3.08	5.232	6.2	7.728	15.51
Environment Score	426	5.758	5.315	0	1.58	3.765	9.185	24.61
Social Score	426	9.073	3.768	1.11	6.662	8.765	11.508	21.01
Stakeholder Decision Proxy	426	7.179	2.385	2.28	5.332	7.103	8.735	15.34

Further distribution of ESG scores is depicted in Figure 1, which depicts a skewed distribution towards the right as the majority of firms have moderate ESG scores, but fewer are characterized by high ESG performance.

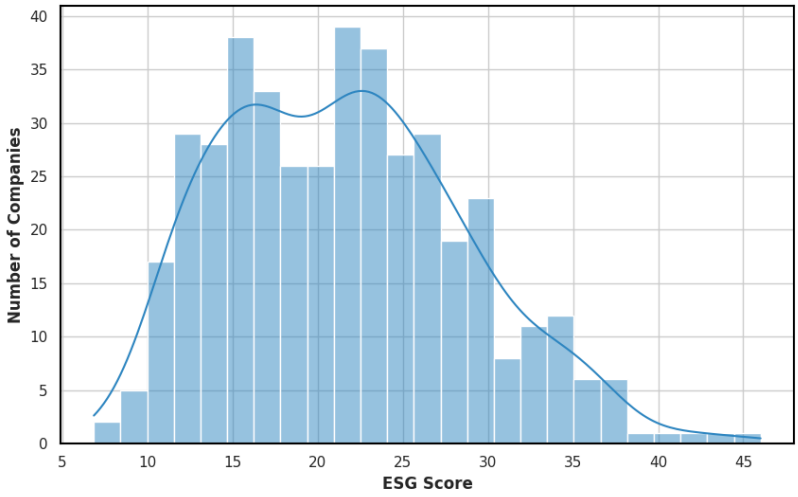

Figure 1. Distribution of ESG Scores

3.2 ESG Component Analysis

In order to get a clearer picture regarding the relative contribution of the ESG dimensions, average scores of Environmental, Social, and Governance components were examined. The highest average is in the Social Score, as indicated in Figure 2, with Governance and Environmental scores coming next. This indicates that the companies included in the sample are more concerned with social activities than with the environment.

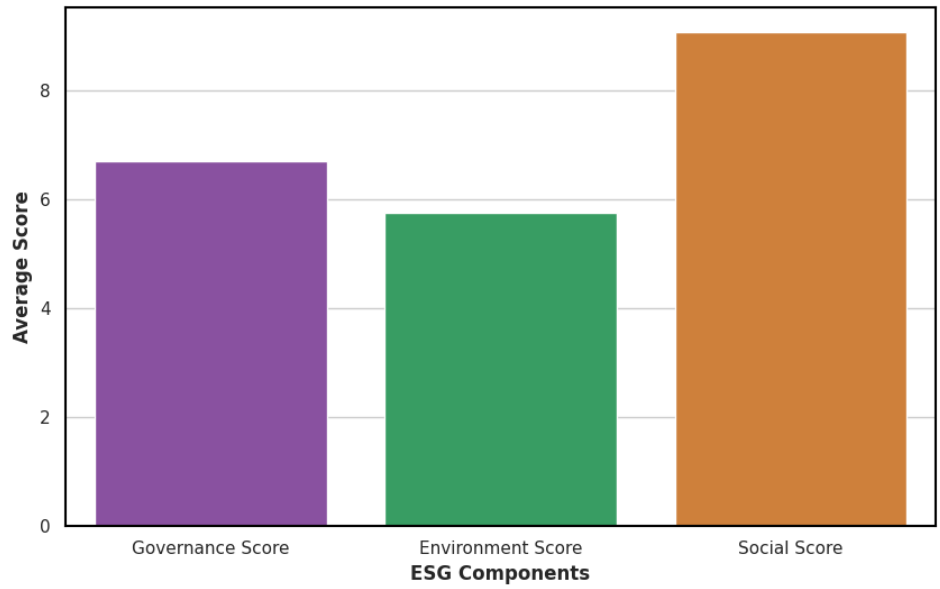

Figure 2. Average ESG Component Scores

3.3 Correlation Analysis

A correlation analysis was performed to investigate the ESG variables' relationships and the stakeholder decision proxy. As shown in Table 2, the results show that ESG Score is strongly positively correlated with each of its components, especially Environmental (r = 0.716) and Social (r = 0.677) scores.

There is a perfect correlation between Stakeholder Decision Proxy and ESG Score (r = 1.000), as it is a composite measure made of ESG components. Also, the proxy has positive correlations with Environmental (r = 0.716) and Social (r = 0.677) scores, which means that these aspects are the primary causes of stakeholder-related outcomes.

Interestingly, Governance Score has a moderate positive association with ESG Score (r = 0.365) and the decision proxy (r = 0.365) but a weak negative association with Environmental Score (r = -0.178), indicating that there exist some trade-offs between governance and environmental practices in certain firms.

Table 2. Correlation Matrix

Variable	ESG	GOV	ENV	SOC	SDM
ESG Score	1	0.365	0.716	0.677	1
Governance Score	0.365	1	-0.178	0.366	0.365
Environment Score	0.716	-0.178	1	0.053	0.716
Social Score	0.677	0.366	0.053	1	0.677
Stakeholder Decision Proxy	1	0.365	0.716	0.677	1

Figure 3 visually validates the correlation structure with warmer colors showing stronger relationships and especially between ESG Score, Environmental Score, and the decision proxy.

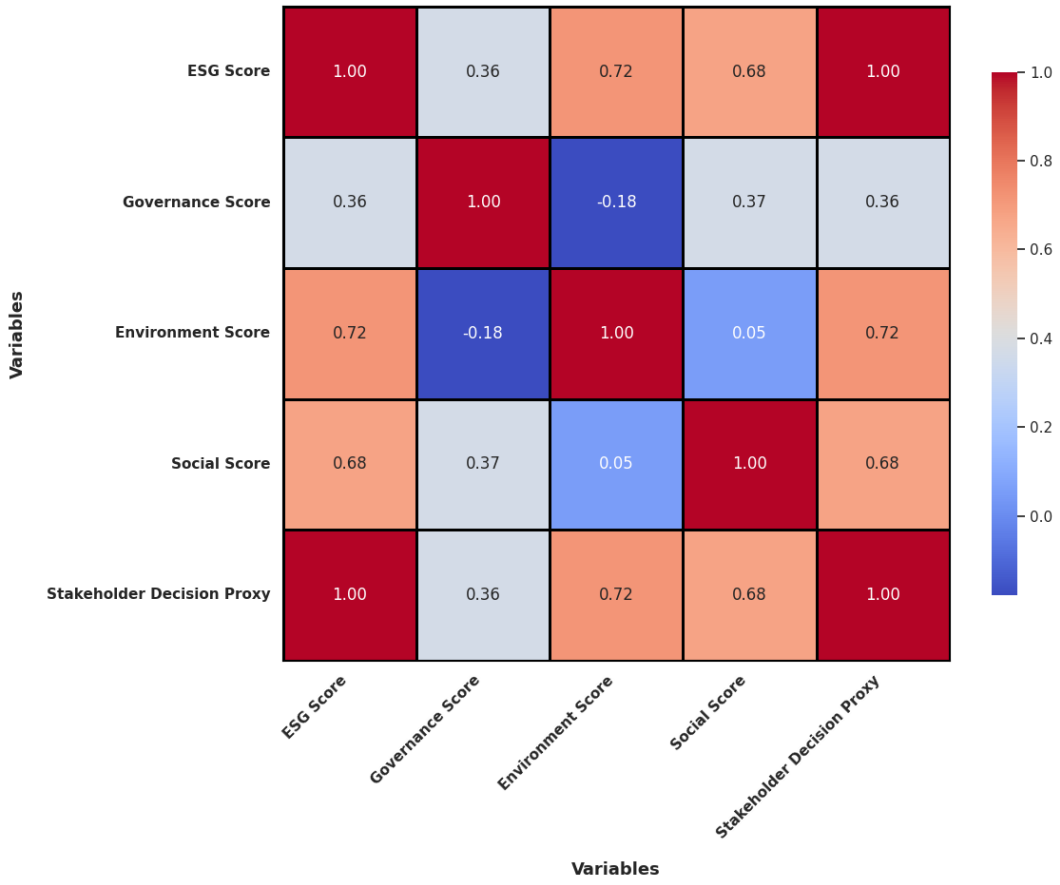

Figure 3. Correlation Matrix of ESG Variables

3.4 Regression Analysis

The effect of the ESG components on the stakeholder decision-making was evaluated by multiple linear regression analysis. Table 3 shows the results.

The three ESG elements, Governance, Environmental, and Social scores have positive coefficients ($\beta = 0.3333$), meaning that each of the three dimensions has a positive impact on the stakeholder decision-making process. The p-values of all predictors are statistically significant ($p < 0.001$), which proves the strength of all these relations.

The regression output, however, indicates abnormally high t-values and zero standard errors, which can be explained by the mathematical construction of the dependent variable, as a direct average of the independent variables. This shows that there is perfect multicollinearity and deterministic relationships in the model.

In spite of this shortcoming, the results indicate that the ESG elements have a positive and equal effect on the stakeholder decision-making results.

Table 3. Regression Results

Variable	Coefficient	Std Error	t-value	p-value
Constant	0	0	3.5208	0.0005

Governance Score	0.3333	0	2.07E+15	0
Environment Score	0.3333	0	5.41E+15	0
Social Score	0.3333	0	3.63E+15	0

3.5 ESG Performance by CEO Gender

ESG scores were compared with respect to the gender of CEOs to investigate possible differences in ESG performance across leadership traits. Figure 4 demonstrates that the median ESG score of both male- and female-led firms is similar but shows some differences in distribution and dispersion.

The spread of ESG scores among female-led firms seems to be a bit broader, which is indicative of a variation in the sustainability performance of these firms. Nonetheless, the general similarity of the distributions suggests that the gender of CEOs does not give rise to significant differences in ESG performance in the sample.

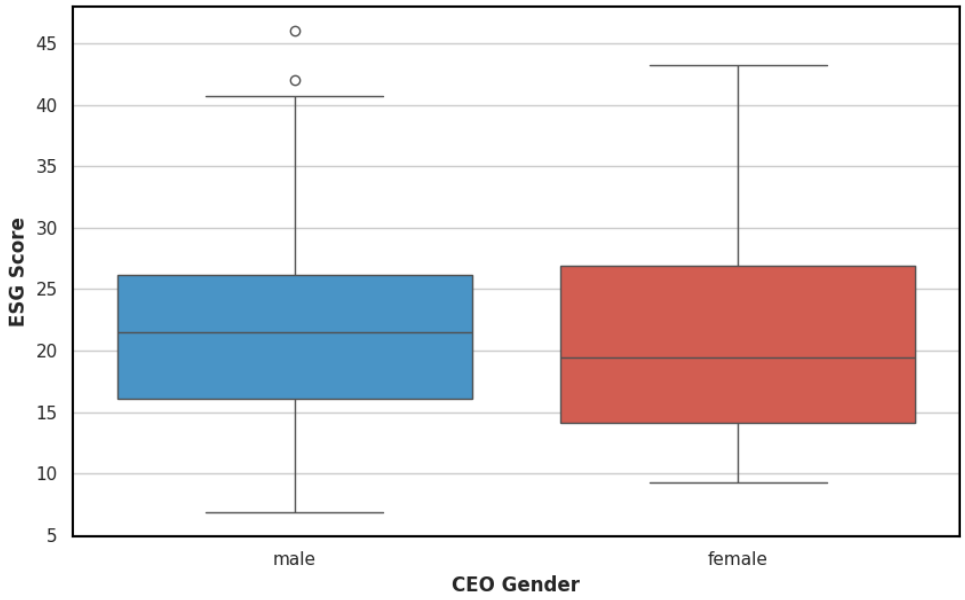

Figure 4. ESG Score Distribution by CEO Gender

3.6 Summary of Key Findings

The findings suggest that the ESG performance is closely linked with the stakeholder decision-making process, with the Environmental and Social dimensions becoming particularly significant. Governance, in its turn, has certain positive but less strong relationships. The results also point to some structural constraints in the data, especially in the creation of the dependent variable, which leads to a perfect correlation and deterministic regression results.

4. Discussion

The findings of this study provide empirical evidence on the relationship between ESG performance and stakeholder decision-making, reinforcing the growing importance of sustainability metrics in corporate evaluation. The results indicate that ESG performance,

particularly its Environmental and Social dimensions, exhibits strong positive associations with stakeholder-oriented decision proxies. These findings align with the broader argument that non-financial disclosures enhance transparency and influence stakeholder perceptions, thereby shaping decision-making processes (Broadstock et al., 2021; Flammer, 2015).

The descriptive analysis showed that the firms are more likely to excel in the social aspect than in the environmental and governance aspects. This trend indicates that companies might focus on social programs, including employee welfare, diversity, and engagement to the community as visible signs of corporate responsibility. This is in line with previous studies that show that social performance tends to have a direct relationship with stakeholder engagement and reputation management (Servaes & Tamayo, 2013). The comparatively lower score on environmental, along with a greater variance, can be due to the complexity and expensive nature of applying environmental sustainability practices to industries (Busch & Friede, 2018).

The correlation analysis also revealed that there were strong positives between the ESG components and the stakeholder decision proxy, especially in the case of environmental and social scores. These results reinforce the perspective that stakeholders are more and more basing investment and evaluation choices on the information provided by the ESG system. Past researchers have also drawn attention to the fact that ESG disclosures decrease uncertainty and enhance efficiency in their decision-making by giving them more information layers other than the traditional financial indicators (Amel-Zadeh & Serafeim, 2018; Grewal et al., 2021). The moderate correlation found in governance indicates that governance is still relevant, but its impact might be indirect or dependent on other variables like regulatory environments and firm-specific attributes (Bebchuk et al., 2009).

Regression outcomes have shown that all three ESG elements have a positive impact on stakeholder decision-making, where there are equal coefficients on the environmental, social, and governance scores. Although this observation is indicative of a balanced role of the ESG dimensions, it should be taken with caution because the model is deterministic in nature. The development of the dependent variable as an average of the independent variables contributes to the perfect multicollinearity, resulting in the artificially high t-values and zero standard errors. Although the study has this limitation, conceptually, results support the idea that ESG dimensions have an overall effect on stakeholder choices, which is in line with the previous studies that have underlined the integrated aspect of sustainability performance (Li et al., 2018).

The graphical analysis helps to give more information on ESG distribution and variability among firms. The histogram reveals that the number of firms cluster around moderate ECG scores, which implies that although sustainability practices are a common feature of many organizations, there is still a potential to improve among many organizations. The result is consistent with previous research indicating the existence of disparities in the implementation of ESGs within industries and geographic areas (Mattingly & Berman, 2006). Moreover, the boxplot analysis of the ESG performance of CEOs by gender had little disparities, which suggests that the gender of leadership might not be a key factor in influencing the outcome of ESG. The observation correlates with divided evidence in the existing literature with some studies reporting that gender diversity does not have a direct impact on firm performance, and some studies highlighting the contextual aspect (Post et al., 2011).

As compared to the past empirical studies, the results of this study tend to prove the positive relation between ESG performance and the outcomes of stakeholders. To provide an example, Broadstock et al. (2021) discovered that those firms that had better ESG performance were more resilient to times of economic uncertainty that consequently affected investor behavior (Broadstock et al., 2021). Likewise, as pointed out by Flammer (2015), corporate sustainability activities can result in a higher market value and stakeholder confidence (Flammer, 2015). Nonetheless, in contrast to the research that makes use of direct financial indicators, e.g., stock returns or the firm value, the current study uses a proxy of stakeholder decision-making, which is one of the most significant methodological differences.

Although it has its contributions, the study has a number of limitations. First, there is the limitation of variables used, especially those that directly reflect stakeholder decision-making, e.g., investment behavior or market performance, due to the use of a secondary dataset provided by Kaggle. Consequently, the dependent variable becomes a proxy and this imposes methodological restrictions and reduces the interpretability of regression findings. Second, the cross-sectional character of data does not make it possible to analyze the dynamic and causal relationships. Longitudinal studies would give a more in-depth perspective of the dynamics of ESG performance over time and its effect on stakeholder decisions. Third, multicollinearity that is introduced by the creation of variables impacts the strength of statistical inference, showing that more sophisticated design of variables is needed in future studies.

In terms of future research directions, several avenues can be explored to enhance the robustness and applicability of findings. The analysis ought to include more thorough datasets that comprise direct indicators of the decision-making of stakeholders, stock market responses, investor sentiment, or company valuation indicators in future studies. Also, it would be possible to incorporate panel data to study the cause-and-effect relationships and time trends in ESG performance. More sophisticated analytical methods, including structural equation modeling or machine learning-based methods, might be used as well to reveal intricate interactions among ESG dimensions and stakeholder outcomes. Moreover, extending the analysis to cover companies across various regions and industries would enhance the applicability of findings and provide comparative information on ESG practices across the world (Gillan et al., 2021).

In general, the results of this research paper can be discussed in relation to the increasing literature on ESG performance as they point at its importance in the formation of the choice of stakeholders. The outcomes highlight the need to incorporate the environmental, social, and governance factors in the corporate strategies and reporting systems. Although it cannot be denied that the study has certain methodological limitations, the research is an important body of empirical evidence of the relevance of ESG metrics in the contemporary business context. With the stakeholders increasingly demanding increased transparency and accountability, ESG performance will probably remain an important factor of corporate success and decision-making processes.

5. Conclusion

This study examined the impact of Environmental, Social, and Governance (ESG) performance on stakeholder decision-making using a quantitative approach based on secondary data from S&P 500 firms. The results show that ESG performance has a relevant impact on determining the

stakeholder-oriented outcomes, with environmental and social dimensions showing stronger relations than governance factors. The findings emphasize the idea that companies with a greater ESG score are more likely to be more transparent and accountable, which boosts stakeholder trust and allows making informed decisions.

The work adds to the current body of literature by offering empirical data in the form of a structured analytical framework and secondary ESG data. It supports the significance of incorporating sustainability measurements into corporate assessment regimes, underlining that the ESG performance is not just an ethical accountability ratio, but also a determinant of paramount importance in terms of organizational credibility and trustworthiness.

The generalizability of the findings is, however, restricted by the use of proxy measures to make decisions by the stakeholders and the cross-sectional nature of the data. Irrespective of these shortcomings, the research does provide useful information on the applicability of ESG metrics in modern business settings. Further studies in this field should include more direct indicators of stakeholder behavior, and longitudinal data should be included to further confirm and expand these results.

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