From Compliance to Commitment: The Role of Culture in Embedding ESG into Corporate Governance

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The integration of Environmental, Social, and Governance (ESG) principles into corporate governance has become a central element of contemporary management and regulatory discourse. While formal ESG compliance has expanded rapidly in response to regulatory pressure and stakeholder expectations, the depth and effectiveness of ESG implementation vary significantly across organizations and institutional contexts. This paper argues that culture plays a critical mediating role in shaping whether ESG adoption remains a compliance-driven exercise or evolves into a genuine organizational commitment embedded in governance structures and strategic decision-making. Drawing on insights from institutional theory, organizational culture, and cross-cultural management, the paper develops a theoretical framework that explains how national and organizational cultural characteristics influence the internalization of ESG values. The analysis highlights how dimensions such as trust, long-term orientation, power distance, and uncertainty avoidance affect managerial attitudes, governance practices, and the legitimacy of ESG initiatives. The paper contributes to the literature by conceptualizing the transition from compliance to commitment as a culturally contingent process and by identifying the conditions under which ESG becomes a substantive driver of sustainable corporate governance rather than a symbolic or procedural requirement.

Keywords:
cultural dimensions, compliance, corporate governance, cultural context, ESG principles

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1 ESG and the Evolution of Corporate Governance

Environmental, Social, and Governance (ESG) principles have emerged as a dominant framework for assessing corporate sustainability and responsible business conduct. Initially driven by socially responsible investment and voluntary corporate initiatives, ESG has increasingly become institutionalized through regulation, reporting standards, and stakeholder pressure. As a result, ESG is now closely intertwined with corporate governance, influencing board responsibilities, risk management, performance measurement, and corporate accountability.

Corporate governance traditionally focuses on aligning managerial behaviour with shareholder interests, ensuring transparency, accountability, and effective control mechanisms. The incorporation of ESG extends this perspective by emphasizing broader stakeholder interests, long-term value creation, and societal impact. This shift reflects a transition from a shareholder-centric to a stakeholder-oriented model of governance, in which firms are expected to consider environmental sustainability, social responsibility, and ethical conduct as integral to their strategic objectives. (Paola et al., 2025)

Environmental, Social, and Governance (ESG) principles are increasingly becoming central to corporate reporting and responsible business conduct (Hoang, 2018). ESG is widely regarded as a framework for assessing sustainability, providing firms with structured guidance for reducing their environmental footprint, promoting social responsibility, and improving governance practices (Capatina & Busmachiu, 2024).

However, the formal adoption of ESG regulations does not necessarily translate into substantive changes in organizational behaviour. In many cases, ESG sustainability is not organically embedded within corporate activities or societal norms, but rather remains confined to compliance-oriented practices focused on meeting reporting requirements, mitigating reputational risks, and satisfying external expectations. The way in which ESG practices are implemented and disclosed varies significantly across countries, as they are strongly influenced by the local context, particularly cultural factors (Daugaard & Ding, 2022).

The present study contributes to the existing literature by advancing a conceptual distinction between the symbolic adoption of ESG principles – primarily as a mechanism for achieving legitimacy (compliance) – and their substantive adoption, where ESG values are genuinely integrated into corporate governance and managerial decision-making processes (commitment). Furthermore, based on a conceptual synthesis as a methodological approach, the paper proposes a model linking firms' propensity toward compliance or commitment with the role of national culture and key dimensions of corporate governance. A key limitation of the study lies in its conceptual nature and the absence of empirical validation.

2 From Compliance to Commitment: A Conceptual Distinction

The practical application of the ESG sustainability concept can be understood as the systematic compliance of corporations with a set of regulatory requirements (laws, regulations, standards, and voluntary frameworks) governing environmental protection, social responsibility, and corporate governance practices. This represents, to a large extent, the explicit and formal dimension of corporate sustainability, whose primary objective is to ensure that organizational behaviour aligns with externally defined requirements and internally adopted ESG-related policies. At the same time, ESG sustainability may also be implicitly and strategically embedded in the creation of long-term corporate value, being embraced as a desired trajectory for future development, whereas ESG compliance is more narrowly associated with conformity, monitoring, reporting, and risk mitigation within the established legal and normative environment.

ESG compliance extends corporate reporting requirements beyond financial performance. Traditionally focused on finance, anti-corruption, labour, and competition law, it now encompasses disclosures related to climate impacts, human rights due diligence, inclusive representation of diverse social groups, supply chain transparency, and governance oversight. As such, it has evolved into a multidimensional managerial function, spanning legal, ethical, operational, and reputational domains.

ESG regulations cover environmental standards (including harmful emissions, greenhouse gas emissions, waste management, and climate impact reporting), social responsibility (labour rights, occupational health and safety, and anti-discrimination

protections), and governance rules (board independence, executive compensation, anti-bribery measures, and the effectiveness of internal control systems). Companies are required not only to implement these standards but also to report their ESG performance within relatively standardized frameworks.

ESG compliance is closely linked to corporate risk management, as regulatory violations may result in legal sanctions, financial losses, reputational damage, and diminished investor trust. Firms mitigate these risks by establishing effective internal controls, monitoring systems, dedicated ESG compliance roles, whistleblowing mechanisms, and audit procedures. In this sense, ESG compliance can be primarily conceptualized as a protective governance mechanism (Pollman, 2019).

In the context of ESG compliance, the existence of formalized procedures and measurable indicators is essential, while materiality assessments, documented policies, and external assurance enhance credibility. However, compliance does not guarantee substantive sustainability; adherence to minimum standards may coexist with ethically questionable practices, thereby increasing the risk of greenwashing (Fang et al., 2025). While ESG compliance is undoubtedly necessary to ensure adherence to standards and maintain public trust, it is not sufficient for meaningful sustainability integration. In compliance-driven settings, ESG metrics may function more as instruments of legitimacy than as indicators of genuine strategic commitment. Without strategic alignment, ESG compliance risks becoming a bureaucratic exercise focused primarily on documentation rather than impact.

In addition, excessive emphasis on compliance may create a "box-ticking" mentality, diverting attention from innovation and long-term value creation. Firms may allocate significant resources to reporting rather than to substantive improvements in environmental performance or social responsibility. Furthermore, compliance burdens may disproportionately affect smaller enterprises with limited administrative capacity. Policymakers therefore face the challenge of balancing regulatory rigor with proportionality and clarity.

Another important aspect of ESG compliance is its global heterogeneity. Different jurisdictions impose varying levels of regulatory stringency, and multinational corporations must navigate complex cross-border requirements. In some regions, ESG compliance is heavily regulation-driven, while in others it is primarily

influenced by investor expectations and market-based mechanisms. This diversity creates challenges for harmonization and comparability. International frameworks and voluntary standards attempt to reduce fragmentation, but differences in enforcement intensity and cultural attitudes toward regulation continue to shape compliance practices (Paola et al., 2025).

Despite its procedural nature, ESG compliance can act as a catalyst for broader cultural change. By institutionalizing transparency and accountability, compliance mechanisms may gradually shape organizational norms and expectations. Over time, what begins as regulatory conformity may evolve into deeper integration of sustainability values.

Commitment can be defined as an intention to perform a particular behaviour as a voluntary choice. In the organizational context, it also involves the presence of a process goal and the sharing of commitment among actors in order to achieve a common objective, thereby benefiting from social support and mutual accountability (Geller & Veazie, 2014).

ESG commitment represents an authentic, value-driven integration of sustainability into corporate strategy, governance, and organizational culture. In contrast to ESG compliance–which focuses on adherence to regulatory requirements and reporting–commitment is proactive and internally motivated, embedding sustainability into decision-making processes, performance systems, and long-term corporate objectives. While compliance is reactive and externally driven, aimed primarily at mitigating legal, financial, and reputational risks, ESG commitment is strategic and grounded in the belief that sustainability drives long-term value, resilience, and legitimacy. Organizations characterized by strong commitment integrate ESG considerations from the outset, influencing capital allocation, supply chains, and leadership incentives.

Key distinctions between the two approaches also emerge in terms of time horizon and stakeholder engagement. Compliance is typically associated with short-term reporting cycles, with stakeholder interaction largely limited to meeting disclosure requirements. By contrast, commitment adopts a long-term perspective, involving multi-year planning and ambitious sustainability targets. In this context, stakeholders

are engaged through shared values and leadership alignment, even in the absence of formal regulatory obligations.

In can be argued that ESG integration within corporate governance can follow two fundamentally different trajectories, illustrated in Table 1: a compliance-based approach or a commitment-based approach. In the compliance-based model, ESG implementation is primarily reactive and externally driven. Organizations adopt environmental, social, and governance practices in response to regulatory requirements, investor mandates, or reputational pressures. The emphasis is placed on meeting minimum disclosure standards, ensuring conformity with legal obligations, and avoiding sanctions or public criticism. ESG in this context functions largely as a risk management mechanism, designed to mitigate legal, financial, and reputational exposure. Policies, reporting frameworks, and internal controls are developed to demonstrate adherence, yet sustainability considerations may remain peripheral to core strategic decision-making.

By contrast, a commitment-based approach to ESG is proactive and strategically embedded within the organization. Rather than merely responding to external demands, firms integrate ESG principles into long-term planning, capital allocation, innovation processes, and performance evaluation systems. Sustainability becomes part of the corporate identity and value proposition. In this model, ESG is not limited to compliance reporting but is reflected in organizational culture, leadership priorities, and stakeholder engagement practices. The focus shifts from risk avoidance to value creation, recognizing that environmental stewardship, social responsibility, and sound governance contribute to resilience, competitiveness, and long-term profitability.

Table 1: Comparison between compliance-based and commitment-based ESG

Dimension	Compliance-based ESG	Commitment-based ESG
Strategic Orientation	Reactive	Proactive
Primary Driver	Legally driven	Strategically integrated
Time horizon	Short-term reposting cycles	Long-term perspective
Depth of Integration	Minimum disclosure	Integrated sustainability culture
Core Objective	Risk avoidance	Value creation orientation

Source: author

In summary, compliance may be conceptualized as a *push system* grounded in technical conformity, whereas commitment represents a *pull system* based on cultural alignment. This distinction is supported by the findings of Chen & Chen (Chen & Chen, 2019), which indicate that instrumental and moral motives contribute comparably to compliance, while moral motives exert a stronger influence on firms' commitment to sustainable practices. Furthermore, although compliance has a more pronounced effect on economic and environmental performance, commitment proves significantly more robust in enhancing environmental and social outcomes.

The determinants of ESG outcomes can be grouped into four broad categories. First, the level of economic and social development creates a context in which significant societal challenges can be openly recognized and addressed. Closely related to this is the political and regulatory framework: while the identification of key social issues is essential, meaningful progress often depends on regulatory intervention or policy support to ensure the implementation of appropriate measures. Third, financial market conditions may serve as an additional mechanism for promoting socially beneficial initiatives, particularly when such actions are aligned with financial incentives or profitability objectives. Finally, specialized investment strategies focused on responsible and sustainable impact–commonly referred to as socially responsible investment (SRI)–represent a further driver encouraging firms to enhance their ESG performance (Daugaard & Ding, 2022).

The context shaped by societal challenges inherently reflects the fundamental characteristics of a given society, including its cultural attributes, which in turn influence the regulatory framework, even in the presence of increasing global regulatory convergence. These findings support the broader argument that the transition from ESG compliance to ESG commitment cannot be achieved solely through regulatory mechanisms or formal governance structures. Rather, cultural dimensions–both organizational and national–play a decisive role in shaping how ESG principles are perceived, internalized, and implemented. Consequently, efforts to facilitate this transition should not rely exclusively on standardized regulatory approaches but should instead incorporate culturally sensitive strategies tailored to specific institutional and societal contexts.

The relationship between ESG sustainability and culture can therefore be examined along multiple dimensions, most notably at the organizational and national levels.

3 Cultural Differences Perspective: Explaining ESG Governance at the National Level

According to Geert Hofstede (Hofstede, 2008), culture can be defined as the collective programming of the mind that distinguishes the members of one group or category of people from another. In this sense, national culture shapes social norms and standards, influencing how individuals think and behave. It also affects beliefs, values, expectations, and economic outcomes, largely because it underpins attitudes toward economically relevant phenomena such as social capital, unethical behaviour, and preferences for redistribution. By extension, the extent to which societies value socially responsible behaviour–or penalize misconduct–may vary significantly across cultural contexts (Shin et al., 2023).

Geert Hofstede initially identified four measurable cultural dimensions, later expanded to six. These include (Hofstede, 2008; Sutrisno & Dularif, 2020) individualism–collectivism, power distance, masculinity–femininity, uncertainty avoidance, long-term versus short-term orientation, and indulgence versus restraint. However, a substantial body of research on the relationship between culture and ESG sustainability (Bae et al., 2012; Liaqat et al., 2026) focuses on four core dimensions – individualism, uncertainty avoidance, power distance, and long-term orientation – which are also adopted in the present study.

Individualism captures the extent to which individuals are integrated into groups and the degree to which autonomy and self-interest are prioritized over collective goals. In individualistic societies, generalized trust tends to extend beyond close social networks, fostering confidence in public institutions. Such trust contributes to stronger ESG outcomes by enhancing institutional quality, improving governance, and encouraging environmentally responsible behaviour. Moreover, individualistic cultures promote decision-making based on economic fundamentals rather than social ties, thereby reducing herd behaviour. Although stakeholders in these contexts may prioritize personal benefits, ESG practices are often adopted once their financial advantages become evident, positioning ESG not only as a societal objective but also as a strategic instrument for value creation and profitability.

Uncertainty avoidance reflects the degree to which societies tolerate ambiguity and risk. High uncertainty avoidance is associated with a preference for strict rules and formalized structures, often leading to regulatory-driven ESG adoption. While this may result in higher ESG scores, such adoption is frequently compliance-oriented and motivated by risk avoidance rather than genuine strategic integration. This "box-ticking" approach limits broader benefits such as stakeholder engagement and reputational gains, thereby weakening ESG's contribution to financial stability.

Power distance refers to the extent to which inequality and hierarchical structures are accepted within a society. In high power distance environments, lower levels of social trust and weaker expectations regarding corporate responsibility tend to prevail, often resulting in less effective ESG performance. Reduced trust increases transaction costs and undermines financial stability, while also discouraging investment in ESG initiatives and increasing operational costs. In contrast, low power distance societies exhibit higher levels of trust, which facilitate responsible risk-taking, support innovation, and improve access to finance, thereby creating more favourable conditions for ESG investment.

Long-term orientation reflects the extent to which societies prioritize future outcomes over immediate gains. In long-term-oriented cultures, values such as persistence and thrift encourage investments in sustainability and align corporate strategies with long-term stakeholder interests. This orientation can strengthen the ESG–stability relationship by promoting forward-looking risk management, including the mitigation of long-term environmental and financial risks. At the same time, a strong future orientation may lead firms to place less emphasis on immediate transparency, potentially weakening stakeholder trust.

The relationship between culture and ESG sustainability can also be examined at the national level along two main dimensions: first, the influence of national culture on the perception and interpretation of values underlying ESG sustainability; and second, its impact on how sustainability disclosures are interpreted. With regard to the first dimension, existing research demonstrates a clear link between national culture and values associated with corporate social responsibility and ESG (Lafraia & Dias, 2024). Societies tend to distinguish between two overarching categories of corporate motives for engaging in environmental and social initiatives (van Prooijen et al., 2021): public-serving motives, oriented toward collective welfare and external

stakeholders, and firm-serving motives, focused on organizational benefits such as financial performance.

Regarding the second dimension, empirical findings suggest that the financial returns associated with ESG engagement vary across countries due to differences in how stakeholders evaluate and appreciate ESG performance (Shin et al., 2023). In cultures characterized by high individualism or masculinity, ESG performance is more explicitly recognized and more strongly linked to financial outcomes. By contrast, in cultures with high power distance or uncertainty avoidance, ESG efforts are less likely to translate into improved financial performance. Similarly, evidence indicates that while ESG performance can enhance bank stability (Liaqat et al., 2026), this effect is more pronounced in individualistic cultures, whereas high levels of uncertainty avoidance, power distance, and long-term orientation may attenuate this relationship.

The connection between Hofstede's cultural dimensions and ESG implication are being an objective of some researches with controversial results mostly because of limited scope of cultures included (Jacobs et al., 2016; Khlif, 2016; Khlif et al., 2015).

A growing body of research also examines the influence of national culture on broader accountability mechanisms and rule compliance beyond sustainability. For example, cultural dimensions such as individualism and uncertainty avoidance have been found to be positively associated with tax compliance (Kapıcıoğlu & Ekelik, 2026), suggesting that cultural factors systematically shape adherence to formal rules.

In addition to Hofstede's framework, the distinction between high-context and low-context cultures, introduced by Edward T. Hall (Hall, 1976), provides a valuable analytical lens for understanding cross-cultural differences in communication patterns, trust formation, and institutional design. This perspective offers important insights into how ESG principles are interpreted, legitimized, and operationalized across different societal contexts.

High-context cultures rely on implicit communication, shared experiences, and relational trust, with informal norms often guiding behaviour more strongly than formal rules. In such settings, ESG legitimacy frequently depends on endorsement by respected leaders, community figures, or professional networks. Narrative

communication, symbolic actions, and relational accountability play a central role, while formal reporting may be less emphasized. ESG commitment can diffuse rapidly when sustainability values are embedded within social networks; however, in the absence of relational support, formal ESG rules may have limited impact.

By contrast, low-context cultures emphasize explicit communication, codified rules, and contract-based trust. ESG implementation in these environments is typically based on measurable indicators, standardized reporting, and external verification. Transparency, detailed performance metrics, and structured compliance systems reinforce accountability. Although initial ESG adoption may be compliance-driven, the availability of transparent performance data can foster longer-term commitment.

Both cultural models present distinct advantages and limitations: high-context systems facilitate normative alignment and internalization of values, whereas low-context systems ensure transparency, comparability, and accountability. Effective ESG strategies should therefore account for these cultural communication patterns, balancing relational legitimacy with formal governance mechanisms in order to promote substantive and enduring sustainability commitment.

4 Integrating Cross-Cultural, Institutional, and Stakeholder Perspectives: Explaining ESG Compliance versus Commitment at the Organizational Level

At the organizational level, the relationship between culture and ESG sustainability can be conceptualized through the prism of several management theories. A robust theoretical explanation of ESG adoption – particularly the distinction between compliance and commitment – can be developed by integrating insights from cross-cultural management with institutional theory, stakeholder theory, and the Corporate Social Responsibility (CSR) literature. Such an approach allows for a multi-level understanding of how national culture shapes organizational behaviour, not in isolation, but through its interaction with institutional pressures and stakeholder expectations.

Cross-cultural management provides the foundational premise that managerial cognition, organizational practices, and strategic priorities are deeply embedded in national cultural systems. Scholars such as Geert Hofstede (Sutrisno & Dularif,

2020) demonstrate that values such as individualism, collectivism, long-term orientation, and universalism systematically vary across societies and influence how organizations interpret their roles and responsibilities. These cultural frameworks shape not only internal decision-making processes but also how firms perceive external demands, including those related to ESG sustainability.

However, culture by itself does not fully determine organizational behaviour. Institutional Theory offers an essential complementary perspective by explaining how organizations react to wider systems of rules, norms, and societal expectations. Building on the work of John W. Meyer and Ronald L. Jepperson (Jepperson & Meyer, 2021), organizations are understood as actors striving to attain legitimacy within their institutional contexts. Legitimacy, in turn, refers to a broadly shared perception that an entity's actions are appropriate and acceptable within a socially constructed system of norms, values, and beliefs (van Prooijen et al., 2021). Within such environments, organizations are subject to three main types of pressures: coercive (such as regulatory requirements), normative (arising from professional standards), and mimetic (stemming from imitation under conditions of uncertainty).

Within this framework, national culture can be understood as a form of informal institution that shapes how these pressures are interpreted and enacted. Building on the work of W. Richard Scott, culture is embedded within the normative and cultural-cognitive pillars of institutions (Scott, 1995). It influences what is considered appropriate, legitimate, and desirable behaviour. Consequently, while firms across different countries may face similar formal ESG regulations or global standards, their responses may differ significantly depending on culturally embedded values.

This interaction between institutional pressures and cultural context provides a useful explanation for the variation between ESG compliance and ESG commitment. ESG compliance typically reflects a response dominated by coercive pressures. Firms adopt ESG practices to meet regulatory requirements, satisfy reporting standards, or avoid reputational risks. In such cases, ESG remains external to the core strategy of the firm, functioning as a mechanism of legitimacy rather than a driver of value creation. This form of adoption is more likely in cultural contexts characterized by high power distance and high uncertainty avoidance, where adherence to formal rules and hierarchical authority is emphasized.

In contrast, ESG commitment reflects a deeper internalization of sustainability principles, driven by normative and cultural-cognitive alignment. Here, firms integrate ESG considerations into their core strategic objectives, decision-making processes, and organizational identity. This form of adoption is more likely in cultural contexts that emphasize collectivism, long-term orientation, and values such as universalism and benevolence. In these settings, sustainability is not perceived as an external imposition but as a natural extension of shared societal values.

The effectiveness of ESG integration within corporate governance structures is closely linked to the concept of tone at the top. While ESG frameworks provide formal standards, reporting requirements, and performance metrics, their substantive implementation largely depends on the ethical climate and value orientation established by senior leadership. As highlighted in the COSO-based understanding of internal control, leadership behaviour shapes organizational culture and influences how formal rules are interpreted and applied in practice. Consequently, the distinction between symbolic and substantive ESG adoption can often be traced to the signals transmitted by top management.

Tone at the top can be understood as a sustained and clearly communicated example set by leadership, gradually shaping employees' behaviour and expectations. As noted in the literature, the organizational climate regarding control awareness and expected standards of conduct depends heavily on the signals transmitted throughout hierarchical levels. Cunningham (Cunningham, 2005) defines tone at the top as the shared set of values established by senior management and reflected primarily in their actions. Similarly, it has been described as the "DNA of integrity," signifying consistent adherence to high moral and professional standards.

The theoretical justification for its significance is grounded in Fazio's (Fazio, 1990) Motivation and Opportunity as Determinants (MODE) model, which distinguishes between spontaneous and deliberate behaviour. Empirical research demonstrates that when intrinsic motivation is weak, leadership cues strongly influence professional conduct. Consequently, tone at the top plays a crucial role in shaping organizational ethics, performance standards, and long-term behavioural norms through both positive signals–such as zero tolerance for fraud–and negative signals, including tolerance of unethical practices.

Stakeholder theory further enriches this analysis by focusing on the relational dimension of organizations. Introduced by R. Edward Freeman, the stakeholder approach defines stakeholders as any group or individual that can affect or is affected by the achievement of an organization's objectives (Freeman & McVea, n.d.). It shifts the focus of strategic management from a narrow emphasis on shareholder value to a broader consideration of multiple stakeholder interests. Importantly, stakeholder theory emphasizes that long-term organizational success depends on the effective management and integration of these relationships.

The relevance of stakeholder theory to ESG lies in its normative foundation: it assumes that firms have responsibilities not only to shareholders but also to employees, customers, communities, and the natural environment. However, the relative importance assigned to different stakeholders is not universal; it is shaped by cultural context. For example, in collectivist societies, community and societal stakeholders may be prioritized, facilitating ESG commitment. In more individualistic contexts, stakeholders may be evaluated primarily in terms of their economic relevance, reinforcing a compliance-oriented approach.

The CSR literature provides additional insight into how these dynamics manifest in practice. As highlighted by scholars such as Dirk Matten and Jeremy Moon, there is a distinction between "implicit" and "explicit" CSR (Matten & Jeremy Moon, 2008). Implicit CSR refers to practices that are embedded in institutional frameworks and cultural norms, often observed in European contexts where social responsibility is integrated into the fabric of business-society relations. Explicit CSR, more common in Anglo-American contexts, involves voluntary, strategic initiatives that are often communicated externally. This distinction aligns closely with the compliance versus commitment continuum in ESG. Implicit CSR environments, characterized by strong institutionalization and cultural alignment, are more conducive to ESG commitment. In contrast, explicit CSR environments may encourage firms to adopt ESG practices as visible signals of responsibility, often driven by reputational concerns rather than intrinsic values.

Taken together, these theoretical perspectives suggest that ESG adoption is best understood as the outcome of a complex interaction between institutional pressures, cultural values, and stakeholder relationships. Cross-cultural management provides the lens through which differences in values and cognition are understood;

institutional theory explains how these differences shape responses to external pressures; stakeholder theory highlights the relational mechanisms through which ESG is enacted; and CSR literature illustrates how these dynamics are expressed in practice.

Importantly, this integrated framework also highlights that ESG commitment is not simply a function of stronger regulation or better governance. Rather, it depends on the alignment between ESG principles and the underlying cultural and institutional context. Where such alignment exists, firms are more likely to internalize sustainability as a core strategic objective. Where it does not, ESG is more likely to remain a compliance-driven activity, focused on meeting external expectations without fundamentally transforming organizational behaviour.

In this sense, the transition from ESG compliance to ESG commitment can be conceptualized as a shift from external adaptation to internal integration. It reflects not only changes in regulatory environments but also deeper transformations in values, norms, and stakeholder relationships. Understanding this shift requires a theoretically pluralistic approach, combining insights from cross-cultural management, institutional theory, stakeholder theory, and CSR. Such an approach provides a more nuanced and comprehensive explanation of why ESG practices vary across contexts and how they can evolve toward more substantive and value-driven forms of sustainability.

5 ESG Embedding Mechanisms from compliance to commitment: An Integrative Perspective

Building on the distinguishing features of ESG compliance and ESG commitment, the key characteristics of national cultures, and the mechanisms through which ESG sustainability is internalized as part of organizational culture, a conceptual model of their interrelationships can be derived. An understanding of the cultural context–particularly Geert Hofstede's cultural dimensions–and their linkage to ESG implementation mechanisms, including regulatory effectiveness, tone at the top, stakeholder activism, long-term investment orientation, reporting preferences, and overall ESG orientation, informs the conceptual model presented below.

5.1 Power Distance and Authority-Based ESG Compliance

In high power distance societies, authority is rarely questioned, and ESG adoption relies on formal compliance with strong, centrally enforced regulations. Stakeholder activism is limited, making top leadership critical in setting sustainability priorities, with reporting typically formal and rule-based. Long-term ESG investment depends on directives from senior authorities.

Conversely, low power distance cultures favor equality and participatory decision-making. ESG engagement is driven by active stakeholders, the tone at the top is shared, long-term investment is strong, and reporting emphasizes transparency. Here, ESG adoption reflects commitment through participation rather than hierarchical compliance.

5.2 Uncertainty Avoidance and Regulatory Formalism

High uncertainty avoidance cultures prioritize stability and detailed regulation, resulting in comprehensive ESG legislation and compliance-driven initiatives. Organizations rely on formal rules, standardized reporting, and risk mitigation, with the tone at the top reinforcing policies rather than visionary leadership. Stakeholder activism is moderate, and long-term ESG investment is cautious, with reporting favoring detailed, checklist-style disclosures.

In contrast, low uncertainty avoidance societies tolerate ambiguity and encourage experimentation. ESG frameworks are principles-based, allowing innovation and strategic leadership. Stakeholder activism and long-term investment are strong, while reporting emphasizes flexible, narrative-driven disclosures over prescriptive rules.

5.3 Long-Term Orientation and Strategic Sustainability

High long-term orientation cultures embed ESG deeply, emphasizing perseverance, intergenerational responsibility, and strategic alignment with national development. Legislative effectiveness is moderate, with ESG often integrated into broader policy rather than strictly enforced. Leadership adopts a strategic tone at the top, long-term ESG investment is high, reporting is integrated, and ESG orientation is commitment-driven, reflecting intrinsic organizational values.

In contrast, short-term oriented cultures prioritize immediate results. ESG legislation is less effective, leadership focuses on financial metrics, long-term investment is limited, and reporting is minimal or compliance-based. ESG initiatives are tactical, pursued mainly for quick financial or reputational gains.

5.4 Collectivism, Individualism, and Legitimacy Sources

Collectivist societies emphasize group welfare, granting ESG initiatives high social legitimacy. Leadership strongly embodies collective values, legislative frameworks align with societal norms, long-term ESG investment is high, and reporting favors integrated narratives. ESG orientation reflects societal alignment.

By contrast, individualistic cultures derive legitimacy from legal compliance and market performance. Stakeholder activism is high, the tone at the top is moderate, long-term ESG investment depends on financial incentives, and reporting focuses on KPIs, resulting in an investor-driven ESG orientation.

5.5 Communication Context and Reporting Style

High-context cultures emphasize implicit communication, relationships, and shared understanding. ESG reporting is narrative, symbolic, and value-driven, with leadership signaling priorities through actions. Governance relies on trust and social norms, and ESG orientation is norm-driven, shaped by expectations and reputation.

Low-context cultures prioritize explicit rules, measurable outcomes, and formal accountability. ESG reporting is quantitative and metric-based, stakeholder activism is high, and long-term ESG investment is data-driven. ESG orientation is metric-driven, focusing on transparency, comparability, and performance.

5.6 Integrative Implications

The interaction between cultural dimensions and ESG embedding mechanisms, illustrated in Table 2, demonstrates that sustainability governance cannot be universally standardized. Legislative effectiveness, tone at the top, stakeholder activism, and reporting preferences are all culturally contingent. In high power distance and high uncertainty avoidance contexts, ESG tends to be compliance-

driven and authority-based. In low power distance and low uncertainty avoidance settings, participatory and innovation-driven models prevail. High long-term orientation and collectivism foster deep, commitment-driven ESG integration, whereas short-term orientation and strong individualism often produce tactical or investor-driven approaches.

Table 2: Cultural Dimensions and ESG Embedding Mechanisms

Cultural Dimensions	Legislative Effectiveness	Tone at the Top	Stake-holder Activism	Long-Term ESG Investment	Reporting Preference	Likely ESG Orientation
High Power Distance	Very high	Critical	Low	Moderate	Formal	Compli-ance via authority
Low Power Distance	Moderate	Shared	High	High	Trans-parent	Commit-ment via participa-tion
High Uncertainty Avoidance	High	Important	Moderate	Moderate	Detailed rules	Compli-ance-driven
Low Uncertainty Avoidance	Moderate	Strategic	High	High	Principles-based	Innovation -driven
High Long-Term Orientation	Moderate	Strategic	Moderate	Very high	Integrated	Commit-ment-driven
Short-Term Orientation	Low	Financial focus	Variable	Low	Minimal	Tactical ESG
Collectivism	High social legitimacy	High	Moderate	High	Integrated	Societal alignment
Individualism	Legal legitimacy	Moderate	High	Market-based	KPI-focused	Investor-driven
High-Context Culture	Relationshi p-based	Symbolic leadership	Moderate	Variable	Narrative	Norm-driven
Low-Context Culture	Rule-based	Gover-nance-based	High	High	Quanti-tative	Metric-driven

Source: author

Importantly, tone at the top functions as a cross-cutting moderating mechanism across all cultural contexts. In hierarchical cultures, it reinforces compliance through authority. In participatory cultures, it shapes shared commitment. In innovation-oriented environments, it frames ESG as a strategic opportunity. Thus, leadership signals translate external regulatory and cultural expectations into organizational behaviour.

Overall, understanding the cultural foundations of ESG embedding enhances both academic insight and policy design. Policymakers must tailor regulatory strategies to cultural contexts, leveraging authority in hierarchical systems, participation in egalitarian societies, and market incentives in individualistic environments. Similarly, corporate leaders must recognize that ESG success depends not only on formal frameworks but also on culturally aligned governance practices. By integrating cultural dimensions into ESG analysis, organizations can move beyond symbolic compliance toward substantive, context-sensitive sustainability transformation.

Figure 1 presents an integrative conceptual model linking national cultural dimensions to ESG implementation outcomes. It illustrates how cultural context shapes key organizational embedding mechanisms, which in turn determine whether ESG is adopted as compliance-driven or internalized as strategic commitment. The model conceptualizes ESG adoption as a continuum from rule-based conformity to value-driven integration.

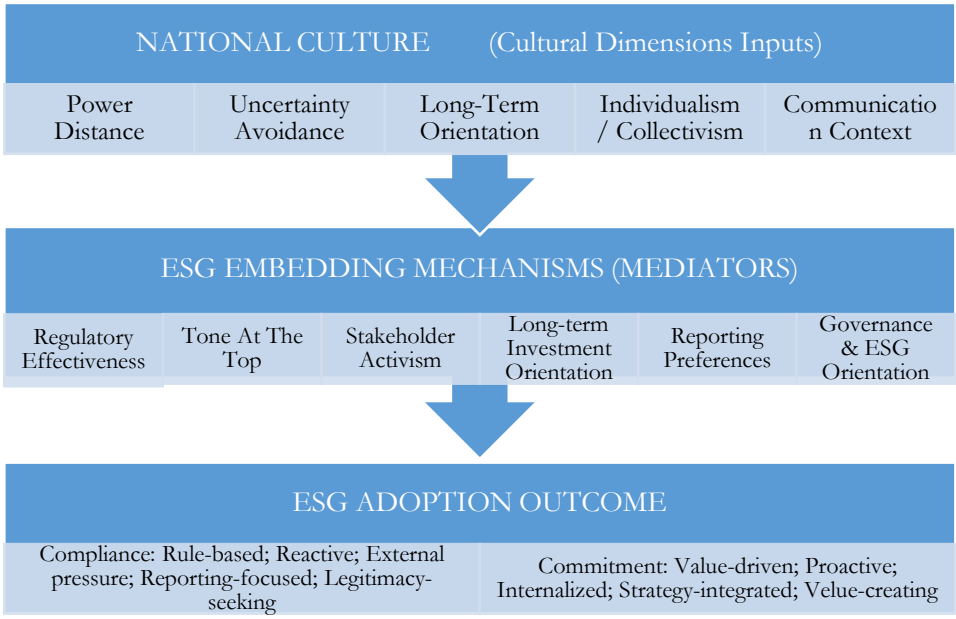

Figure 1: Conceptual Model of ESG Embedding: From Compliance to Commitment
Source: author

6 Conclusion

The institutionalization of ESG practices is deeply shaped by the interplay between cultural dimensions and governance mechanisms. Compliance alone is insufficient; true sustainability requires alignment between societal values, corporate leadership, and regulatory frameworks. Cultural traits–such as power distance, individualism, uncertainty avoidance, and long-term orientation–determine how ESG initiatives gain legitimacy, are implemented, and transition from procedural adoption to strategic commitment. Multinational corporations and policymakers must therefore design ESG strategies and regulations that are culturally sensitive, balancing global principles with local adaptation. Tone at the top, participatory governance, and context-aware reporting emerge as critical mechanisms for embedding ESG effectively across diverse environments.

The distinction between compliance-based and commitment-based ESG constitutes a meaningful conceptual contribution to the literature on corporate sustainability. Integrating cultural dimensions into this framework provides a nuanced and analytically valuable perspective on how ESG practices are interpreted and implemented across contexts. Together, these insights enhance our understanding of the conditions under which ESG evolves from formal compliance to genuine strategic commitment.

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