BEYOND SUSTAINABILITY REPORTING: A THEORETICAL FRAMEWORK FOR ETHICAL SUSTAINABILITY GOVERNANCE

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Abstract

Current sustainability efforts, often focused solely on reporting, have not had the expected impact. This conceptual paper proposes a framework based on ethical sustainability governance and incorporates a theory of change (ToC) (Organizational Research Services [ORS], 2004), that seeks to show how organizations can move beyond reporting and embrace ethical governance to achieve sustainable outcomes for people and the planet. Unlike frameworks like ESG (environmental, social, and governance), which emphasize external metrics, our framework prioritizes ethical governance and internal drivers for measurable outcomes. The framework also integrates a ToC which informs the framework's design by outlining the desired long-term outcomes, necessary preconditions for implementation, specific interventions, and methods for measuring progress. Drawing inspiration from diverse theories such as the triple bottom line (TBL), corporate governance, purpose-led organizations, the theory of planned behavior (TPB), dynamic capabilities theory (DCT), and stakeholder theory, our framework establishes four interconnected pillars: environmental, social, cultural, and technological. It emphasizes that ethical governance needs to be the cornerstone of good sustainability-focused action (Ehrenfeld, 2005). Finally, it emphasizes actionable implementation to increase the likelihood of tangible progress toward sustainability goals. By guiding organizations in implementing ethical governance there is a higher chance that sustainability-focused action plans can enable positive outcomes.

Keywords: Ethical Governance, Sustainability, Stakeholder Theory, Change, Culture, Technology

Authors' individual contribution: Conceptualization — I.S.; Methodology — I.S., C.A., and M.S.; Investigation — I.S. and M.S.; Writing — Original Draft — I.S.; Writing — Review & Editing — I.S., C.A., and M.S.; Visualization — I.S.

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1. INTRODUCTION

Current corporate sustainability practices often rely heavily on reporting metrics and environmental, social, and governance (ESG) ratings, raising concerns about "greenwashing" and a lack of tangible action. This paper proposes a new framework: ethical sustainability governance. This framework leverages the theory of change (ToC) principles to show how organizations can move beyond reporting and achieve measurable sustainability outcomes (Rogers & Weiss, 2007; Stein

& Valters, 2012; Weiss, 1995). To do this our framework emphasizes ethical governance (Ehrenfeld, 2005), internal drivers, and actionable implementation. This shift moves beyond reporting to deliver tangible progress (Böhm et al., 2022).

Importantly, this approach aligns with Blackrock chief executive officer (CEO) Larry Fink's call for action on sustainability (Blackrock, 2023). ToC provides a structured approach for designing and implementing change initiatives. It works by outlining desired long-term outcomes, identifying necessary preconditions, and detailing specific interventions (Organizational Research Services [ORS], 2004). This structured approach strengthens the ethical sustainability governance framework, increasing the likelihood of successful actionable implementation and positive sustainability impact.

Sustainability's focus has evolved from the triple bottom line's (TBL) environmental, social, and economic lens (Elkington, 1994) to the current emphasis on company reports and ESG metrics. This shift reflects a growing awareness of our planet's limitations, sparked by early warnings in the 1960s and 70s about resource depletion and environmental impact (Ehrenfeld, 2005). However, concerns exist about "greenwashing" through a focus on reporting instead of real action (Zharfpeykan & Akroyd, 2023), harking back to early critiques of TBL's lack of enforcement (Hussain et al., 2018).

Reporting-centric efforts to address sustainability issues, like standardization (Higgins et al., 2018), assurance (Junior et al., 2014), double materiality, and stakeholder engagement (Torelli et al., 2019), along with the use of ESG ratings just create new complexities (Lewellyn & Muller-Kahle, 2024). Different methodologies used by ESG rating agencies such as MSCI (n.d.) and Sustainalytics (n.d.), can be seen in the contrasting scores for companies such as 3M, which further compounds the challenge. This highlights the ongoing tension between measurement and measurable sustainability progress in the evolving political and social landscape.

The environmental issues faced by British Petroleum in the 2010 Deepwater Horizon oil spill (Pallardy, 2024) and Volkswagen, where they deliberately misled consumers about their vehicles' actual emissions (Jacob & Kalbers, 2019), underscore the importance of ethical practices and strong governance for stakeholder trust. Social issues like Carrefour's struggles to adapt its business model to local preferences and cultural sensitivities in Southeast Asia (Bhaskaran, 2011), and Uber's clash with cultural norms (Davis et al., 2018), showcase the importance of cultural adaptation for sustainable business practices. Finally, Kodak, once a photography leader industry, failed to adapt to the rise of digital photography, demonstrating the importance of embracing technological advancements for long-term success (Mui, 2012).

Recognizing the TBL's enduring influence, our framework builds upon its foundation while addressing its limitations, particularly regarding implementation, stakeholder perspectives, and the lack of an ecological focus (Milne & Gray, 2013). Our framework transcends the limitations of the TBL by offering an action-oriented and ethically grounded approach to robust sustainability management. To ensure ecological outcomes, alongside economic and social progress, our framework integrates ethical principles, corporate governance, and purpose-led values. It leverages ToC principles to show how organizations can embrace practices that contribute to a more sustainable, equitable, and ecologically sound future (Hunter, 2006).

Our framework is built on four interconnected pillars: environmental, social, cultural, and technological, which have all been shown to be important for achieving sustainable outcomes (Asif et al., 2023; Beaurain et al., 2023; Haar et al., 2019; Horak et al., 2018). These dimensions interact and influence each other in a dynamic system, ensuring comprehensive and interconnected efforts. By addressing these shortcomings and offering an action-oriented approach grounded in ethical principles, our framework has the potential to impact the way in which sustainability management is practiced. This aligns with Blackrock CEO Larry Fink's vision, promoting transparency, accountability, stakeholder engagement, and ultimately contributing to a more sustainable future (Blackrock, 2023).

Our framework represents a critical step towards a future where sustainability is not just a reporting exercise. It is a call to action, urging organizations to embrace ethical governance (Ehrenfeld, 2005) taking into consideration cultural sensitivity, technological innovation, and actionable implementation to build a more sustainable future for all.

This paper is structured as follows. Section 2 reviews relevant theories and frameworks. Section 3 outlines the research methodology. Section 4 presents the new theoretical framework. Section 5 discusses practical implications. Section 6 concludes the paper with some key takeaways.

2. LITERATURE REVIEW

2.1. Theory of change (ToC)

Developed in the 1990s in the context of social programs, ToC has been used to inform various fields, including sustainability (Armitage et al., 2019). This focus on theory-driven evaluation guides our framework so that it can be an actionable guide for organizations to translate their sustainability ambitions into results. Theory-driven evaluation emphasizes the importance of a clear theoretical understanding of the change process before interventions are implemented (Rogers & Weiss, 2007). This aligns with ToC's core strength of outlining desired long-term outcomes (e.g., a future with sustainable practices), preconditions (e.g., strong ethical governance and stakeholder engagement), and specific interventions (e.g., ethical policies and cleaner technologies) required to bridge the gap between theory and practice.

The ToC provides a valuable framework for implementing our ethical sustainability governance approach (Stein & Valters, 2012; Weiss, 1995). By focusing on clarity, action, and evaluation, ToC helps organizations define their sustainability journey, develop effective interventions, and monitor progress (Hunter, 2006). This structured approach ensures that sustainability initiatives are grounded in a solid understanding of what drives successful change (Weiss, 1995) and are aligned with organizational goals. By integrating ToC into our framework, we aim to provide a more comprehensive and effective tool for achieving long-term sustainability outcomes (Stein & Valters, 2012).

2.2. Triple bottom line (TBL)

The TBL, introduced by Elkington (1994), provided a way for understanding and pursuing sustainable development (Elkington & Rowlands, 1999). By emphasizing the interconnectedness of environmental, social, and economic dimensions, the TBL encouraged organizations to move beyond traditional profit-centric models and consider their broader impact on the world. However, despite its valuable contribution, the TBL has also faced critiques such as a lack of concrete guidance (Hussain et al., 2018), an external focus (Milne & Gray, 2013), and an undifferentiated social dimension (Horak et al., 2018).

These limitations can contribute to greenwashing and hinder the achievement of tangible sustainability outcomes. By addressing these critiques, our proposed framework offers a more comprehensive and action-oriented approach to sustainability, focusing on internal drivers, stakeholder engagement, and a broader understanding of the social and ecological dimensions of sustainability. Our framework builds upon the TBL by incorporating the ToC, which provides a structured approach for designing and implementing change initiatives (Stein & Valters, 2012; Weiss, 1995). By outlining desired outcomes, preconditions, and interventions, ToC bridges the gap between the TBL's aspirational goals and practical implementation.

2.3. Corporate governance

The spotlight on corporate governance has intensified, fueled by scandals like Enron (Tang et al., 2018), WorldCom (Hayes, 2024), and FTX (Prentice, 2023), and heightened demands for responsible business conduct (Organisation for Economic Co-operation and Development [OECD], 2021). These failures, rooted in weak governance and unethical practices, exposed the devastating consequences of neglecting accountability and fostering a culture devoid of ethical considerations. Strong good governance (Baldini et al., 2018; Svanberg et al., 2022) can serve as a crucial precondition for achieving a sustainable future, as envisioned by the ToC (ORS, 2004; Hunter, 2016).

Good governance rests upon several key pillars, including diverse and independent boards (Nicholson & Kurucz, 2019), aligned executive pay (Mo & Shi, 2018), effective enforcement of sustainability regulations (Katmon et al., 2019), and proactive stakeholder engagement (Torelli et al., 2019; Schaltegger & Burritt, 2018). These factors can foster trust, transparency, and responsible decision-making (Kang & Kim, 2022; Maniora, 2017), leading to more sustainable and ethical business practices. Beyond traditional factors, good governance must adapt to a complex and evolving landscape. Addressing issues like corruption (Baldini et al., 2018; Frig & Sorsa, 2020; Lehman & Morton, 2017) and the broader context of country-level governance (Orudzheva & Sluhan, 2023) which is essential for ensuring effective sustainability practices. By prioritizing ethical governance, businesses can navigate these challenges, contribute to a sustainable future, and create long-term value for all stakeholders.

Ethical governance is essential for sustainable business practices (Elkington, 2006). As demonstrated by the Enron (Tang et al., 2018), WorldCom (Hayes, 2024), and FTX (Prentice, 2023) scandals, ignoring ethical considerations can lead to devastating consequences. Strong ethical principles form the bedrock of responsible management and a thriving company culture. While initiatives like the Sarbanes-Oxley Act (SOX) and the implementation of supervisory boards, independent directors, and the segregation of the CEO-Chairman roles (Tonello, 2011), ongoing research is necessary to address emerging challenges such as country-level corruption and CEO behavior. By prioritizing ethical governance, businesses can navigate complexity, contribute to a sustainable future, and ensure long-term value creation for all stakeholders (Hussain et al., 2018).

2.4. Purpose-led organizations

Purpose-led organizations, which prioritize solving societal and environmental challenges through their core operations (Edmans, 2023; George et al., 2023), are increasingly recognized for their positive impact on sustainability. This approach aligns with our framework's focus on ethical governance and actionable implementation (Hunter, 2016). Studies have shown that purpose-led organizations can achieve higher levels of employee engagement, brand loyalty, and financial performance (Edmans, 2023; George et al., 2023; Lee & Raschke, 2020; von Ahsen & Gauch, 2022). Additionally, research suggests that these organizations have the potential for long-term financial outperformance (Lee & Raschke, 2020), aligning with the economic aspect of the TBL, by building stronger relationships with stakeholders (Freeman & Reed, 1983).

Transforming into a purpose-led organization requires a deliberate and structured approach. Edmans (2023) and George et al. (2023) emphasize that companies must establish clear and measurable sustainability goals, implement robust governance structures, and prioritize ethical considerations throughout their value chain (Schaltegger & Burritt, 2018; Zhu et al., 2019). This involves ensuring that sustainability is integrated into all aspects of the business, from decision-making to operations and reporting. By doing so, organizations can create a positive impact on society and the environment, while also achieving long-term financial success.

2.5. Theory of planned behavior (TPB)

Our framework strives to translate well-intentioned sustainability commitments into concrete sustainability actions that deliver impactful results. To achieve this ambitious goal, our framework can benefit from theories that illuminate behavior change within organizations. In this context, the theory of planned behavior (TPB), developed by Icek Ajzen in 1991, is a valuable tool (Ajzen, 2020). The TPB aligns well with the ToC by focusing on the preconditions necessary for successful change initiatives. By understanding individual attitudes, subjective norms, and perceived behavioral control, organizations can create a supportive environment for change and foster positive attitudes toward ethical sustainability governance (Guarneros-Meza et al., 2018).

The TPB enhances the TBL by providing insights into individual and social factors that drive behavioral change (Nicholson & Kurucz, 2019). By combining these two theories, organizations can create a more effective and comprehensive approach to sustainability. Robust corporate governance ensures accountability and transparency, essential for building trust and buy-in around sustainability initiatives (Fotaki et al., 2020). The TPB also helps organizations influence individuals within the organization to actively participate in implementing these initiatives. Moreover, the TPB complements the aim of purpose-led organizations, which prioritize positive societal and environmental impact alongside financial success, by showing how to cultivate positive individual and collective attitudes towards sustainable practices (Steckler & Clark, 2019).

2.6. Dynamic capabilities theory (DCT)

While the theories examined above can provide a guide to individual behavior change, achieving lasting sustainability requires an understanding of organizational capabilities. Dynamic capabilities theory (DCT), proposed by Teece et al. (1997), aligns with ToC by emphasizing the development of capabilities necessary to achieve long-term sustainability goals (Guarneros-Meza et al., 2018). DCT focuses on building capabilities for sensing and seizing opportunities, continuous improvement, and reconfiguring resources, all of which contribute to the sustainability goals envisioned by ToC.

DCT enables organizations to identify emerging ethical and sustainability trends, anticipate regulatory changes, and develop new business models that promote ethical sustainability practices. While the TBL provides a comprehensive framework for assessing sustainability, DCT bridges the gap by focusing on how organizations can develop the capabilities necessary to achieve these goals (Teece et al., 1997). Moreover, DCT encourages organizations to actively sense and seize emerging sustainability opportunities beyond compliance, fostering a proactive approach to ethical decision-making and building trust with stakeholders. By combining the TBL, TPB, and DCT, our framework provides a holistic understanding of the organizational capabilities needed for long-term sustainability success, demonstrating that the need to change individual behavior must be accompanied by fostering dynamic capabilities for enduring positive impact.

2.7. Stakeholder theory

Our framework focuses on driving internal ethical governance and behavior change within organizations. While valuable, this emphasis needs to be balanced by considering the broader impacts on external stakeholders. Stakeholder theory bridges this gap by considering the needs and interests of diverse groups such as employees, communities, investors, and environmental groups (Freeman & Liedtka, 1997; Freeman & Reed, 1983; Freeman et al., 2020; Schaltegger et al., 2019). Integrating this theory strengthens our framework's reach and relevance, ensuring it remains responsive to a multifaceted sustainability landscape.

Stakeholder theory aligns with the ToC by emphasizing stakeholder engagement as a precondition for sustainable outcomes. By identifying key actors and their interests (DuBow & Litzler, 2019), organizations can foster trust and build a stronger foundation for sustainable practices, while navigating complex external environments. Practical applications within our framework can guide organizations in identifying, prioritizing, and engaging with key stakeholders, ensuring their perspectives are incorporated into sustainability initiatives. This requires organizations to identify their most material sustainability issues, balance diverse stakeholder interests, and measure their impact effectively (Freeman et al., 2020).

3. RESEARCH METHODOLOGY

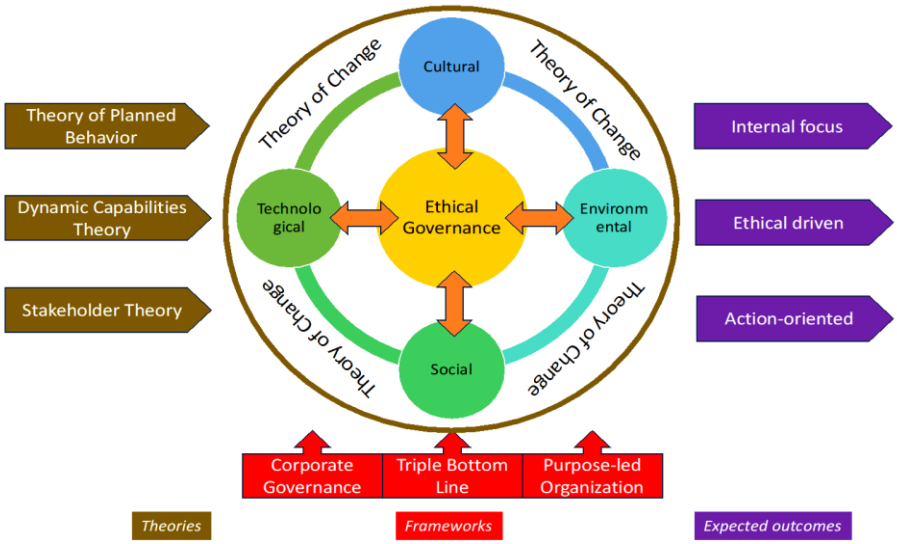
This study employs a theory synthesis approach (Jaakkola, 2020) to develop and explain a novel theoretical framework for ethical sustainability governance. The framework is grounded in a comprehensive literature review that synthesizes existing theories and frameworks on ethical governance and sustainability performance. Additionally, the analysis of publicly available case studies informs and enriches the synthesized framework.

The theory synthesis approach used in this study offers several advantages over a systematic literature review (Morioka & de Carvalho, 2016) or a grounded theory approach (Lumsdon & McGrath, 2011) which have also been used to develop frameworks. A theory synthesis approach enables a depth of analysis by exploring the connections between different theories and frameworks to draw new insights, an integration of both academic and practitioner perspectives, and a deep contextual understanding. These strengths make the theory synthesis approach well-suited for developing a novel and comprehensive framework for ethical sustainability governance. While a systematic literature review and grounded theory approach can also be valuable, the theory synthesis approach provides unique benefits that align with the goals of this study.

The conceptual framework process involved four interconnected stages: a literature review and case study selection, conceptual framework development, case study analysis, and discussions and implications. The synthesized theoretical framework of ethical governance sustainability incorporates insights from both the literature review and case study analysis, which is presented in Figure 1.

Finally, this paper discusses the practical implications for our ethical governance sustainability theoretical framework. We highlight the study's contributions to the field, including the original insights, theoretical advancements, and practical implications. By following this structured approach, this paper provides an ethical governance sustainability theoretical framework that offers new insights for practitioners and policymakers.

Figure 1. Theoretical framework: Ethical governance through sustainable practices



Source: Authors' elaboration.

4. RESULTS

The rise of ESG has undoubtedly brought sustainability to the forefront of corporate consciousness. However, concerns remain about greenwashing and superficial integration persist (Zharfpeykan & Akroyd, 2022, 2023). ESG often just focuses on achieving compliance, resulting in activities that do not address the root causes of environmental and social challenges (von Ahsen & Gauch, 2022). This disconnect between intention and impact highlights a critical gap in our current approach to sustainability, a gap the ToC can address.

Sustainable business models offer a powerful alternative. They embed sustainability directly into the company's DNA, fundamentally changing how value is created, delivered, and captured (Maniora, 2017). Companies like Schneider Electric with their circular economy approach (Dalsace, 2022) showcase this shift. This systemic change aligns with a core principle of ToC as it focuses on interventions that create lasting transformation (Stein & Valters, 2012; Rogers & Weiss, 2007; Weiss, 1995).

Their focus on systemic change potentially reduces the risk of greenwashing and aligns transformative solutions with overall business strategies, going beyond reporting efforts, a key outcome envisioned by the ToC. Transitioning to sustainable models presents challenges. Inertia, complex value chains, and balancing sustainability goals with short-term profits are hurdles. However, frameworks like the circular and doughnut economies offer guidance (Beaurain et al., 2023). These frameworks can enable companies to operate within ecological and social boundaries while achieving prosperity, aligning with the ToC's emphasis on achieving environmental and social goals alongside economic success.

In today's rapidly globalized and technologically advanced world, cultural and technological considerations are no longer secondary. Consumer preferences are increasingly driven by sustainability concerns, demanding products and services aligned with their values (Beaurain et al., 2023). Understanding diverse cultural perspectives is crucial for developing inclusive and successful sustainable business models, ensuring the interventions outlined in the ToC are culturally sensitive and resonate with a broader audience.

Furthermore, technological advancements like renewable energy and artificial intelligence (AI) offer solutions for resource efficiency and sustainable product development. Leveraging these advancements is essential for building a sustainable future. Integrating environmental, social, cultural, and technological considerations, sustainable business models become powerful tools for navigating current challenges and are necessary for ensuring the ToC takes a holistic approach.

The TBL framework and ESG have shaped much of the current sustainability narrative, encouraging businesses to consider "people, planet, and profit". While positive shifts have occurred, recent critiques highlight limitations such as inconsistent reporting, overreliance on external pressure, and inadequate focus on governance (Higgins et al., 2018; Milne & Gray, 2013; Elkington, 2006). These shortcomings and investor dissatisfaction demand a critical reevaluation (Blackrock, 2023).

Corporate scandals like Enron and FTX exemplify the need for proactive adaptation and ethical foundations (Tang et al., 2018; Prentice, 2023). Similarly, Kodak and Blockbuster's declines underscore the importance of internal adaptation to disruptive trends (Mui, 2012; David & Higgins, 2013). Recent studies emphasize that sustainable development demands a deeper purpose, transcending compliance and driving positive societal and ecological impact (Edmans, 2023; George et al., 2023).

Building upon this critical analysis, our framework emerges, acknowledging the strengths and limitations of previous approaches. It aligns with the core principles of ToC by addressing the root causes of sustainability challenges and fostering systemic change. It draws inspiration from established theories like, corporate governance exemplified by SOX, and the purpose-led organization framework. Moreover, it recognizes

the valuable contributions of the United Nations Sustainable Development Goals (SDGs), while simultaneously addressing their shortcomings (Table 1).

Our framework offers a distinct perspective, informed by ToC and anchored by ethical governance. This core principle emphasizes ethical assessments, verifiable metrics, and long-term economic feasibility, all of which contribute to the desired long-term outcomes envisioned by the ToC. By incorporating these pillars, our framework provides a roadmap for achieving lasting change, aligning with the transformative goals outlined in the ToC.

Table 1. Theoretical framework's underlying theories contribution and references

Frameworks and theories	*Contribution to the theoretical framework*	*Representative publications*
Triple bottom line (TBL)	• Aligns directly with the three core ESG aspects. • Encourages long-term value creation.	Elkington (1994, 2004), Elkington and Rowlands (1999), Hussain et al. (2018)
Corporate governance	• Ensures ethical leadership that prioritizes sustainability considerations. • Promotes transparency in sustainability reporting.	Baldini et al. (2018), Fotaki et al. (2020), Hussain et al. (2018), Mo and Shi (2018), Nicholson and Kurucz (2019), Schaltegger and Buritt (2018), Steckler and Clark (2019)
Purpose-led organization	• Provides a guiding principle that integrates sustainability into core activities. • Mobilizes stakeholders around a shared commitment to sustainability.	Dhanesh (2020), Edmans (2023), George et al. (2023), Lee and Raschke (2020), von Ahsen and Gauch (2022), Zhu et al. (2019)
Theory of change (ToC)	• Outlines the desired future state and the positive impact. • Emphasizes the roles of stakeholders and the necessary conditions. • Guides the development of targeted interventions.	ORS (2004), Armitage et al. (2019), DuBow and Litzler (2019), Guarneros-Meza et al. (2018), Hunter (2006), Weiss (1995), Stein and Valters (2012)
Theory of planned behavior (TPB)	• Shapes individual positive attitudes toward ethical sustainability governance. • Builds internal capacity such as dedicated teams, training programs, and appropriate technology to support ethical sustainability implementation practice.	Ajzen (2020)
Dynamic capability theory (DCT)	• Enables organizations to identify emerging ethical and sustainability trends. This includes anticipating regulatory changes, stakeholder expectations, etc. • Allows organizations to adapt existing processes and structures to integrate ethical sustainability considerations.	Teece et al. (1997), Teece (2014)
Stakeholder theory	• Ensures that all four pillar concerns are considered. • Promotes ethical sustainability decision-making to foster transparency, trust, and engagement with all stakeholders.	Freeman and Liedtka (1997), Freeman and Reed (1983), Freeman et al. (2020), Schlategger et al. (2019)

Source: Authors' elaboration.

1) *Environmental responsibility*: Minimizing environmental and ecological footprint and actively contributing to solutions. Schneider Electric's circular economy approach (Dalsace, 2022) showcases this shift. In stark contrast, Volkswagen and British Petroleum faced hefty fines and reputational damage due to environmental transgressions (Jacob & Kalbers, 2019; Pallardy, 2024).

2) *Societal impact and stakeholder well-being*: Beyond traditional philanthropy, promoting fair labor practices, employee well-being, and community engagement. Schneider Electric's focus on diversity and inclusion further highlights this positive impact (Dalsace, 2022).

3) *Cultural sensitivity and adaptation*: Respecting local customs and integrating them into business practices. Toyota entering a new market with a culturally diverse workforce and actively consulting with local stakeholders (Simão & Lisboa, 2017) contrasts with Uber and Carrefour's difficulties and exits from Southeast Asian markets due to cultural insensitivity (Bhaskaran, 2011; Davis et al., 2018).

4) *Embracing technological innovation for sustainable growth*: Adopting sustainable technologies and leveraging technology to address environmental and social challenges. Schneider Electric invests in renewable energy solutions (Dalsace, 2022), which contrasts with Kodak's (Mui, 2012) and Blockbusters' (David & Higgins, 2013) failure to embrace technological advancements, contributing to their downfall.

Our framework stands apart by placing ethical governance at its core (Nicholson & Kurucz, 2019; Schaltegger & Burritt, 2018; Zhu et al., 2019). This principle goes beyond profit-seeking, fostering economic prosperity that considers both people and the planet. This shift provides organizations a way to embark on a journey towards more sustainable outcomes, encompassing ethical considerations, robust governance, and a clear purpose aligned with ecological outcomes.

Our framework's journey is continuous and requires ongoing commitment to improvement. This aligns with the iterative nature of ToC. As our community gathers data and learns from the implementation of these initiatives, this framework can be refined to become even more effective in helping organizations achieve their goals (Stein & Valters, 2012; Rogers & Weiss, 2007; Weiss, 1995).

4.1. Ethical governance: The bedrock of sustainable business

Our framework defines ethical governance as the ethical compass guiding organizations toward long-term economic sustainability through responsible, transparent, and accountable decision-making across environmental, social, cultural, and technological dimensions (Böhm et al., 2022; Frémeaux & Voegtlin, 2023). This emphasizes

the overarching role of ethical leadership in driving sustainable choices that minimize environmental impact, promote equity, respect diverse cultures, and leverage technology responsibly, all while ensuring transparency and accountability to stakeholders (de Colle et al., 2024; Ehrenfeld, 2005). These elements can be seen as preconditions for effective ethical governance within a ToC.

Ethical governance is the cornerstone of resilient and sustainable businesses (Elkington, 2006; Hussain et al., 2018; Nicholson & Kurucz, 2019; Svanberg et al., 2022). This commitment fosters trust with stakeholders, safeguarding against legal risks and reputational damage. It attracts and retains top talent, who fuel innovation and competitiveness (Fotaki et al., 2020). Ethical governance also fosters informed decision-making, leading to superior performance (Ethisphere, 2023).

Ethical leadership serves as the linchpin of successful ethical governance (Zhu et al., 2019). Through this multifaceted approach, strong ethical leadership directly translates to stronger management of ESG material risks as evaluated by Sustainalytics (n.d.), ultimately contributing to a better ESG score according to MSCI (n.d.) methodology. This aligns with the ToC principle of identifying ethical leaders and their roles in achieving long-term sustainability goals (Weiss, 1995).

Ideas like the purpose-led organization (Edmans, 2023; George et al., 2023) implicitly address ethical governance. But these need to be combined with regulatory measures like SOX and the establishment of supervisory boards, independent directors, and segregated CEO-Chair roles to bolster governance (Tonello, 2011), as well as strong audit committees (Al-Shaer & Zaman, 2019), as these represent concrete steps towards ethical governance within the broader corporate landscape (Frig & Sorsa, 2020).

ESG rating agencies like MSCI explicitly weigh governance most heavily in their scoring methodologies. Ethisphere Institute's "World's Most Ethical Companies" list, compiled for over a decade, further underscores the tangible connection between ethical practices and financial performance (Ethisphere, 2023). Companies featured on this list consistently achieve strong ESG scores from agencies like MSCI and Sustainalytics (MSCI, n.d.; Sustainalytics, n.d.). Ethisphere Institute's 2023 report revealed a 17-year trend: "World's Most Ethical Companies" consistently outperform their peers and competitors (Ethisphere, 2024). This quantifiable difference coined the "Ethics Premium", stands at 13.6% over the past five years (2018–2023), compared to a benchmark index of large-cap companies (Ethisphere, 2023). An example of ethical governance in action is Unilever. A global leader in sustainability, Unilever exemplifies ethical governance through its commitment to transparency, responsible sourcing, and fair labor practices (Sodhi & Tang, 2019). They consistently rank high on the "World's Most Ethical Companies" list and boast strong ESG scores. Schneider Electric is a multinational champion for ethical governance through employee empowerment, diversity, and inclusion initiatives, and a strong focus on responsible supply chain management (Dalscace, 2022).

4.2. Cultural sustainability: Embracing "think global, act local"

While social responsibility encompasses broad ethical practices, cultural sustainability deserves unique recognition as a distinct pillar due to its region-specific nature. The importance of cultural sustainability is further underscored by contrasting narratives like Toyota achieving success (Simão & Lisboa, 2017), versus Carrefour and Uber's failed attempts in Southeast Asia (Bhaskaran, 2011; Davis et al., 2018), highlighting the potential consequences of neglecting cultural sensitivities. This aligns with a core principle of ToC: interventions focused on long-term sustainability require a deep understanding of the context and potential pitfalls.

Cultural sustainability transcends pre-expansion market research. It demands ongoing engagement, respect, and continuous adaptation. This aligns with the age-old adage "think global, act local" or "glocalization" exemplified by companies like McDonald's, which adapts its menu and restaurant design to resonate with local tastes and traditions while maintaining its core brand identity (Crawford et al., 2015).

Cultural sustainability offers benefits beyond immediate economic gains (Horak et al., 2018). It fosters social harmony, community development, and a positive brand reputation. By recognizing cultural sustainability as a distinct pillar and embracing the "think global, act local" philosophy, organizations can move beyond token gestures and prioritize genuine respect, adaptation, and preservation of local cultures. This aligns with the ToC principle of identifying impactful interventions that create lasting change, rather than superficial actions (Stein & Valters, 2012).

4.3. Technological sustainability: Powering the future of business

Like cultural sustainability, technological sustainability deserves independent recognition as a pillar due to its transformative impact on businesses. The dot-com era and Industry 5.0 showcase the evolution of technology beyond convenience, becoming an integral part of sustainable operations (Asif et al., 2023). For example, Unilever implemented blockchain in their supply chain with the aim to continue serving customers while minimizing environmental impacts (O'Donnell, 2022). This aligns with a core principle of ToC: interventions should leverage advancements to achieve desired outcomes, in this case, both economic and environmental sustainability.

Technological sustainability goes beyond short-term efficiency gains. It requires organizations to harness the power of emerging technologies. A company like Toyota invests heavily in AI for automotive design resulting in more efficient and innovative vehicles, and machine learning for material selection, data-driven insights, and safety feature improvement (Simão & Lisboa, 2017). This data-driven approach promotes both environmental and economic sustainability, aligning with resource optimization (Meinrenken et al., 2014). This aligns with the ToC principle of identifying key actors and interventions: organizations need to invest in and utilize, emerging technologies for long-term sustainability goals (Stein & Valters, 2012).

Industry 5.0 focuses on human-centric collaboration with technology (Flyverbom et al., 2017). Technological sustainability in this context plays a crucial role in achieving economic sustainability through enhanced efficiency with big data and automated streamlined processes. This leads to cost savings and increased profitability. Data analytics then enables personalized customer experiences, resulting in sustainable revenue streams (Asif et al., 2023). By leveraging AI and data analysis companies can anticipate and mitigate risks crucial for financial sustainability (Gurd & Helliar, 2017).

5. DISCUSSION

Our framework transcends isolated pillars, instead envisioning a dynamic web where ethical governance serves as the central weaver, stitching together environmental, social, cultural, and technological sustainability outcomes (Böhm et al., 2022; Frémeaux & Voegtlin, 2023). This interconnectedness aligns with a core principle of ToC: interventions and desired outcomes across various focus areas (pillars) must be considered holistically for long-term success (Stein & Valters, 2012; Weiss, 1995).

Unlike traditional compliance-based approaches, ethical governance emphasizes proactive and values-driven decision-making that anticipates and prevents harm, fostering trust and long-term value creation (Nicholson & Kurucz, 2019; Schaltegger & Burritt, 2018; Zhu et al., 2019). This aligns with the ToC principle of identifying ethical leaders and their role in driving long-term, positive change.

In Table 2, we present the interactions between ethical governance and the four pillars of our framework (Hussain et al., 2018; Nicholson & Kurucz, 2019). This aligns with the ToC principle of illustrating how interventions in an area named ethical governance can lead to positive change across other pillars. In Table 3, we present the major elements of each pillar.

Table 2. Ethical governance relationship with the other four pillars

Ethical governance relationship	***Representative publications***
Environmental: It promotes responsible resource management and pollution reduction by prioritizing long-term environmental well-being over short-term profits.	Baldini et al. (2018)
Social: It fosters fair labor practices and employee well-being by recognizing the intrinsic value of individuals and social responsibility.	Baldini et al. (2018), Lehman and Morton (2017)
Cultural: It encourages cultural sensitivity, adaptation, and community engagement, leading to sustainable and inclusive practices.	Beaurain et al. (2023), Haar et al. (2019), Horak et al. (2018)
Technological: It ensures responsible innovation and use of technology by upholding ethical principles like data privacy and responsible AI deployment.	Asif et al. (2023), Flyverbom et al. (2019), Svanberg et al. (2022)

Source: Authors' elaboration.

Table 3. Theoretical framework items and major elements

Items	***Major elements***
Ethical governance	• Integrity and accountability • Rule of law and compliance
Environmental	• Resource consumption • Waste reduction and pollution prevention • Biodiversity conservation
Social	• Equity and social justice • Human rights and wellbeing • Diversity and inclusion
Cultural	• Cultural preservation • Cultural sensitivity • Community engagement
Technological	• Innovation culture • Responsible innovation • Data privacy and security

Source: Authors' elaboration.

Moving beyond theory, effectively measuring success in ethical governance requires a practical approach. We leverage insights from three key theories to identify actionable metrics that capture progress across the interconnected pillars of ethical governance, environmental practices, social responsibility, cultural integration, and technology adaptation. This aligns with a core ToC principle: identifying measurable indicators of progress toward achieving desired outcomes.

Table 4 presents a comprehensive set of practice implementation guidance for organizations and policymakers, providing actionable steps to integrate ethical sustainability governance into their operations and policies. These guidelines are designed to help organizations measure and evaluate their progress toward achieving desired outcomes across all four pillars.

Additionally, some key measurement metrics for successful ethical governance are necessary (Svanberg et al., 2022). These are based on the three key theories and frameworks: TPB, DCT, and stakeholder theory.

Ethical purpose-driven culture: The prevailing values, attitudes, norms, and behaviors that influence how employees approach ethical decision-making and conduct business (de Colle et al., 2024; Frémeaux & Voegtlin, 2022; Fotaki et al., 2020; Mo & Shi, 2018; Nicholson & Kurucz, 2019). This aligns with the ToC principle of measuring changes in leader and employee behavior and attitudes, a key factor in achieving long-term cultural shifts toward ethical practices (Rogers & Weiss, 2007; Weiss, 1995).

Table 4. Practice implementation guidance for companies and policymakers

Theory of change (ToC) Individual and organizational level					*Theory of planned behavior (TPB) Individual level*			*Dynamic capabilities theory (DCT) Organizational level*	
Category		***Desired outcomes***	***Preconditions Link to TPB and DCT***	***Interventions***	***Attitudes***	***Subjective norms***	***Perceived behavior control***	***Core competencies***	***Dynamic capabilities***
Ethical driven	Ethical governance	Code of ethics	Is the code of ethics clear and widely understood within the organization?	Policy; Procedures; Working instruction; Information system; Action; Monitoring; Evaluation	Are leaders' and employees' attitudes towards sustainability positive and supportive of the organization's goals?	Do leaders and employees perceive that their colleagues and peers support sustainable behaviors?	Do leaders and employees believe they have the ability and resources to engage in sustainable behaviors? **Link to DCT.**	Does the organization possess the core competencies needed to implement and adapt sustainable practices?	Is the organization capable of developing new capabilities and adapting to changing circumstances?
		Ethical leadership	Do leaders consistently demonstrate ethical behavior and uphold the organization's values?						
		Ethical training	How often leaders and employees are trained on the code of ethics and its implications for their work?						
		Accountability	Are there clear mechanisms for holding individuals accountable for unethical behavior?						
	Purpose-led organization	Organizational purpose	Is the organization's sustainability purpose clearly defined and aligned with its business goals?						
		Purpose-driven culture	Does the organization have a culture that is driven by its purpose and values including sustainability?						
	Stakeholder theory	Identification	Have all relevant stakeholders been identified and engaged?						
		Engagement/ communication	Are there effective channels for engaging and communicating with stakeholders?						
	Triple bottom line (TBL)	Economic performance	Is the organization financially sustainable and able to generate long-term value for its stakeholders?						
		Social responsibility	Is the organization contributing positively to society and addressing social and cultural issues?						
		Environmental impact	Is the organization reducing its environmental footprint and making progress toward its sustainability goals?						
			Internal focus	***Action-oriented***				***Internal focus***	

Source: Authors' elaboration.

Leadership commitment: The demonstrable dedication of top management to upholding ethical principles and integrating sustainability considerations into the organization's purpose (George et al., 2023; Haar et al., 2019; Nicholson & Kurucz, 2019).

Risk management: The proactive identification, assessment, and mitigation of potential hazards related to unethical behavior, environmental impact, social injustices, and other risks associated with the organization's operations (Gurd & Helliar, 2017; Kang & Kim, 2022).

Accountability and transparency: The openness and clarity with which the organization communicates its activities, performance, and decision-making processes to stakeholders (Flyverbom et al., 2019; Kang & Kim, 2022) which is necessary to overcome the lack of synergy between external sustainability reports and concrete sustainability actions (Zharfpeykan & Akroyd, 2022).

Stakeholder engagement: The ongoing process of identifying, communicating with, and collaborating with various groups impacted by the organization's activities, including customers, employees, communities, investors, and regulators (Flyverbom et al., 2019; Freeman & Liedtka, 1997; Freeman & Reed, 1983; Freeman et al., 2020; Schaltegger et al., 2019).

6. CONCLUSION

This paper is motivated by the limitations of current sustainability reporting, which often focuses solely on metrics without delivering tangible results for society or the environment. To do this we propose a new framework focused on ethical sustainability governance that prioritizes ethical governance, internal drivers, and actionable implementation to achieve measurable sustainability outcomes. We highlight the evolving nature of sustainability, from the early focus on the TBL to the current emphasis on reporting and ESG metrics. However, there are concerns about "greenwashing" and the lack of tangible progress in sustainability development. To address these challenges, this paper proposes a more comprehensive approach based on ethical governance and actionable implementation.

Our framework thus offers a lens for evaluating sustainability practices. It prioritizes ethical governance as the bedrock for action, aligning with a core ToC principle: interventions focused on long-term systemic change are more effective than short-term fixes (Stein & Valters, 2012; Rogers & Weiss, 2007; Weiss, 1995). Building upon the TBL, we incorporate theories of corporate governance and purpose-led organizations. This reflects the ToC principle of leveraging existing knowledge and frameworks to inform interventions. By focusing on ethical decision-making, transparency, and responsible stewardship of ecological resources, the framework sets the stage for achieving long-term sustainability goals. This shift toward internal drivers, fostered by ethical governance, empowers key stakeholders to champion initiatives that prioritize long-term ecological balance and economic progress. This echoes the principles advocated by Milne and Gray (2013) and aligns with the ToC principle of identifying key actors (stakeholders) and their role in driving change.

The framework introduces a crucial distinction by encompassing separate cultural and technological pillars within the social pillar. This recognizes the growing influence of both culture and technology on sustainability, reflecting the ToC principle of considering context and potential long-term impacts when designing interventions. Ethical governance acts as a powerful force in bonding and strengthening each pillar of the sustainability framework, ensuring a more comprehensive approach.

In the environmental sphere, ethical governance translates into responsible practices that minimize negative impacts and promote long-term environmental outcomes. Socially, it prioritizes well-being through fair labor practices, safe working conditions, and a commitment to social justice. This focus on a healthy environment underpins social sustainability, as a healthy ecosystem is essential for human well-being. Furthermore, ethical governance fosters respect for diverse cultures and values, minimizing potential negative impacts on cultural identity. Finally, it ensures the development and deployment of technology in a responsible manner. This includes considering environmental and social implications while promoting innovation that addresses environmental challenges and fosters social good.

While the relative importance of each pillar may vary by context, all are essential for sustainable value creation. Our framework emphasizes that a focus on ethical governance strengthens each pillar, leading to a more comprehensive and holistic approach, aligning with the ToC principle of interconnectedness. This framework empowers organizations to define their unique sustainability journey based on an ethical assessment of their business, track progress through verifiable metrics aligned with ToC principles, and demonstrate commitment to long-term financial success alongside ecological well-being.

This framework combines theories to provide a practical means for measuring success in ethical governance. Drawing from three key theories and previous studies (de Colle et al., 2024; Freeman et al., 2020; Frémeaux & Voegtlin, 2023; Gurd & Helliar, 2017; Haar et al., 2019; Kang & Kim, 2022; Nicholson & Kurucz, 2019; Schaltegger et al., 2019), we can identify key metrics across various aspects. These include ethical culture, leadership commitment, risk management, transparency and accountability, and stakeholder engagement (Svanberg et al., 2022). By formalizing this framework, we aim to encourage the adoption and creation of a more universal standard for measuring and disclosing sustainability efforts. This aligns with the ToC principle of ensuring interventions are scalable and replicable for broader impact.

As a conceptual paper, this study is limited by its reliance on existing theories and frameworks. While these provide a solid foundation for our proposed framework, empirical research is necessary to validate its effectiveness in real-world contexts. Additionally, the framework's applicability may vary across organizational cultures and geographic regions. To address the limitations of this conceptual paper and further advance our understanding of ethical sustainability governance, future research should prioritize empirical research and case studies.

Empirical studies can provide valuable insights into the practical application of the proposed framework. By conducting controlled experiments or quasi-experiments, researchers can test the effectiveness of the framework in different organizational contexts and identify best practices for implementation. Case studies can offer in-depth analyses of specific organizations that have implemented aspects of ethical sustainability governance. By doing this, future researchers can learn from the experiences of others and identify key factors that contribute to successful implementation. By conducting more research, we can gain valuable insights into the practical application of the proposed framework and its potential contribution to achieving a more sustainable future.

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