

**ASSESSING THE RELATIONSHIP BETWEEN ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE (ESG) INITIATIVES AND THE PROFITABILITY OF A FIRM: A  
CASE OF ZAMBIAN BREWERIES PLC, LUSAKA PLANT**

**BY**

**Eddie Mwenya**

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requirements for the award of the Degree of Master of Science Operations, Projects and  
Supply Chain Management**

**THE UNIVERSITY OF ZAMBIA**

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## DECLARATION

I, **Eddie Mwenya**, do hereby declare that this work is my original work achieved through personal reading and research. This work has never been submitted to the University of Zambia or any other Universities. All sources of data used and literature on related works previously done by others, used in the production of this Dissertation have been duly acknowledged. If any omission has been made, it is not by choice but by error.

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## ABSTRACT

This study assessed the relationship between Environmental, Social, and Governance (ESG) initiatives and the profitability of Zambia Breweries Plc, Lusaka Plant. Guided by three (3) objectives, the study first assessed the relationship between ESG initiatives and firm profitability using quantitative data from 160 participants and financial records from 2021 to 2023. Multiple regression analysis was employed to determine the strength and significance of the relationships. The findings revealed a moderate positive relationship between ESG initiatives and profitability, with social initiatives showing the strongest positive and statistically significant relationship, followed by governance initiatives with a moderate positive but statistically insignificant relationship. Environmental initiatives had a weak positive but statistically insignificant relationship, likely due to high initial costs and delayed financial returns. The second objective explored the challenges faced in implementing ESG initiatives. Qualitative data from 10 key informants was analyzed using thematic analysis, which identified key barriers including highlights major barriers, including limited ESG expertise, resistance to change, inadequate stakeholder involvement, regulatory constraints, and restricted access to sustainable resources. The third objective was to propose strategies to enhance ESG implementation for improved profitability. Key strategies that emerged from the data included; continuous staff training, deeper community and stakeholder engagement, ethical governance, and long-term investment in sustainable technologies. The study concluded that while the aggregated ESG initiatives have a moderate positive relationship with profitability, the strength of this relationship varies across components, with social factors showing the most significant contribution to profitability. These findings support stakeholder theory and partially align with agency theory, though they challenge the resource-based view due to the weak relationship between environmental initiatives and profitability. The study recommends that Zambia Breweries Plc focuses more on strengthening social initiatives of ESG while addressing key implementation barriers. Enhanced capacity-building, improved transparency, and sustainable investment are essential for maximizing the relationship between ESG initiatives and profitability.

**Keywords:** Environmental, Social, and Governance (ESG), Profitability, Zambia Breweries Plc, Multiple Regression Analysis, Thematic Analysis.

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## **DEDICATION**

To the memory of my late father, Mr. Edward Mwenya, who left this world when I was only 4 years old. Though I grew up without your presence, I carry your name with pride and strive to honor the legacy you left behind. This dissertation is dedicated to you; a silent source of strength and inspiration throughout my journey.

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## **LIST OF ACRONYMS**

PLC	Public Limited Company
ZEMA	Zambia Environmental Management Agency
LuSE	Lusaka Securities Exchange
ISO	International Standards Organization
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
CEO	Chief Executive Officer
RBV	Resource Based View
ESG	Environmental, Social and Governance.
CSR	Corporate Social Responsibility
CFP	Corporate Financial Performance
EPS	Earnings per Share
KI-1	Key Informant 1
KI-2	Key Informant 2
KI-3	Key Informant 3
KI-4	Key Informant 4
KI-5	Key Informant 5
KI-6	Key Informant 6
KI-7	Key Informant 7

KI-8 Key Informant 8

KI-9 Key Informant 9

KI-10 Key Informant 10

# CHAPTER 1 - INTRODUCTION

## 1.0 Introduction

Environmental, Social, and Governance (ESG) considerations have become a critical aspect of corporate strategy, influencing business sustainability and financial performance. ESG encompasses three key dimensions: environmental (e.g., carbon emissions reduction, water conservation, and energy efficiency), social (e.g., employee training and development, responsible marketing, and community engagements), and governance (e.g., board diversity and inclusion, independent board committees, ethical business practices) (Eccles, et al., 2019). Globally, investors and stakeholders are increasingly prioritizing companies with strong ESG commitments, recognizing their potential to drive long-term financial success (Friede, et al., 2015).

Profitability remains a very important measure of a firm's stability and financial performance, often assessed through indicators such as return on assets (ROA), return on equity (ROE), and earnings per share (EPS) (Giese, et al., 2019). While some studies suggest a positive relationship between ESG initiatives and financial performance, citing factors like risk mitigation, improved brand reputation, and investor attraction; others argue that ESG implementation can be costly and may not always yield immediate financial benefits, particularly in emerging markets (Clark, et al., 2015).

In Zambia, ESG awareness is growing as businesses align with global sustainability trends and local regulatory requirements. *Zambian Breweries Plc*, the country's leading brewery, has implemented various ESG initiatives, including responsible water usage, energy efficiency initiatives, community engagements and corporate governance improvements (AB InBev, 2023). However, the relationship between these initiatives and the company's financial performance remains unclear. This study aims to assess the relationship between ESG initiatives and the profitability of *Zambian Breweries Plc*, providing empirical insights into this relationship.

## 1.1 Background of the study

Environmental, Social, and Governance (ESG) criteria assess a company's commitment to sustainable and ethical practices. Environmental factors focus on how a company manages its relation with natural resources and climate such as greenhouse gas emissions, water conservation,

energy efficiency (Eccles & Klimenko, 2023). Social factors evaluate the company's interactions with stakeholders, including labor conditions and community engagement (Sullivan & Mackenzie, 2024). Governance factors pertain to the company's management practices, such as board diversity and executive compensation (Grewal & Hauptmann, 2024). ESG considerations are crucial in investment decisions and have been shown to influence profitability (Kotsantonis, et al., 2024).

The integration of Environmental, Social and Governance (ESG) criteria into corporate strategies has gained significant attention as stakeholders increasingly demand sustainable and responsible business practices. ESG encompasses a range of factors including environmental, social responsibility, and corporate governance, all of which are believed to influence a firm's profitability (Khan, et al., 2023). According to (Ruan & Liu, 2021), increasingly noticeable environmental, social and governance risks and problems have made more and more companies and regulatory agencies realize the importance of environmental, social, and governance (ESG) activities.

Apart from the growing importance of ESG to investors and other stakeholders, there is evidence that ESG does enhance the profitability of firms. For example, In Germany, in a near-exhaustive examination, (Friede, et al., 2015) investigated the relationship between ESG and profitability based on aggregated evidence from more than 2000 empirical studies and found that more than 50% of studies have a non-negative ESG and corporate profitability relation. According to (Kell, 2018), a study on ESG and market performance found that operating with an ESG-oriented approach has been a strategy adopted by many entities and proves that stocks of sustainable companies tend to outperform their less sustainable counterparts (Kell, 2018). Similarly, In Russia, a study conducted by (Koroleva, et al., 2020) established from the results that companies that comply with ESG principles demonstrate significantly better profitability than other companies. The stakeholder theory supports the adoption of ESG initiatives and signals that the company is stakeholder-focused and manages its operations sustainably for the long-term which translates into superior economic returns over time.

However, there are also contrasting views against the ESG concept. Some scholars argue that investments in ESG areas represent additional costs that can negatively affect profitability. In addition, critics worry that ESG is a distraction from the corporate imperative to focus on return

on investment (ROI) and financial growth. For example, a study conducted by (Sukanya, et al., 2015) found a negative relationship between CSR practices and corporate profitability which was attributed to the additional costs of undertaking CSR activities that do not enhance or contribute to shareholder value. The more a firm becomes more socially responsible, the more difficult it becomes for it to increase its economic profits, as it cannot readily engage in projects without assessing their implications for ESG frontiers (Sukanya, et al., 2015). According to (Ruan & Liu, 2021), there is still no consensus as to whether ESG activities have promoted or negatively affected corporate profitability.

This study therefore focuses specifically on assessing the relationship between ESG initiatives and the profitability of a firm, in the case, *Zambian Breweries Plc*. *Zambian Breweries Plc*, listed on the Lusaka Securities Exchange (LuSE), operates in the beverage manufacturing industry and is part of a multinational giant. *Zambian Breweries Plc* is one of the pioneers in CSR and sustainability programs in Zambia with substantial investments in environmental protection, safety standards, responsible drinking initiatives and community upliftment over the past decade (*Zambian Breweries, 2023*).

Understanding whether ESG practices result in superior profitability is an important research question, especially in the context of a developing country like Zambia with different socio-economic dynamics compared to western economies where most empirical studies have been conducted so far. Evidence from *Zambian Breweries Plc*'s example which operates in the beverage manufacturing industry where empirical research of this nature has not yet been conducted can potentially highlight incentives for other *Zambian* companies across sectors, especially in the beverage manufacturing industry to adopt ESG practices whilst also contributing insights for policymakers seeking to formulate relevant guidelines or regulations around responsible business practices.

The specific relationship of ESG on profitability in Zambia, and particularly in the beverage manufacturing industry like brewing remains under-explored. For instance, (Munyati, 2024) pointed out that the relationship of ESG on corporate profitability is an emerging area of research, particularly in sectors like brewing, where environmental and social factors are increasingly scrutinized. Therefore, this study seeks to address this gap by examining the relationship of ESG

on the profitability of *Zambian Breweries Plc*, contributing valuable insights to both academic literature and industry practice.

### **1.1.1 Overview of *Zambian Breweries Plc***

*Zambian Breweries*, a subsidiary of *AB InBev*, is a leading beverage manufacturing firm in Zambia, established in 1964. As one of the largest producers of beer and soft drinks in the country, *Zambian Breweries* has played a pivotal role in the local economy by creating jobs and supporting local agriculture through its procurement of raw materials, particularly maize and sorghum (*Zambian Breweries*, 2023). The company operates several production facilities, including its main plant located in Lusaka, which is equipped with state-of-the-art technology to ensure high-quality production standards while adhering to international best practices.

In recent years, *Zambian Breweries* has increasingly focused on integrating Environmental, Social, and Governance (ESG) initiatives into its operational framework. This commitment is reflected in the company's sustainability strategy, which aims to reduce its environmental footprint, enhance community engagement, and ensure robust governance practices. According to (*ZEMA*, 2023), *Zambian Breweries* has implemented various environmental initiatives, including water conservation programs and waste management practices that align with national regulations and international sustainability goals. These initiatives not only contribute to environmental sustainability but also enhance the company's reputation among stakeholders.

The profitability of *Zambian Breweries* is closely linked to its ESG initiatives. Studies have shown that companies that adopt sustainable business practices often experience improved profitability (*Kotsantonis, et al.*, 2024). *Zambian Breweries* has reported that its investment in sustainable practices has led to cost savings, particularly in water and energy consumption (*Zambian Breweries*, 2023). By aligning its business strategy with ESG principles, the company aims to create long-term value for its shareholders while addressing the growing concerns of consumers regarding corporate responsibility.

Moreover, *Zambian Breweries* actively engages with local communities through various social initiatives. The company has launched programs aimed at promoting responsible drinking and supporting local development projects, such as education and health initiatives (*Zambian*

Breweries, 2023). These efforts not only enhance the company's social license to operate but also foster goodwill among consumers and local communities, ultimately contributing to brand loyalty and market share. As noted by (Munyati, 2024), companies that prioritize social responsibility tend to build stronger relationships with their stakeholders, which can lead to enhanced profitability.

In a nutshell, *Zambian Breweries* exemplifies a commitment to integrating ESG initiatives into its core business operations. By focusing on environmental sustainability, social responsibility, and effective governance, the company aims to explore the challenges of the modern business landscape while enhancing its profitability. This study will assess the relationship between ESG initiatives and the profitability of *Zambian Breweries*, contributing valuable knowledge to the understanding of sustainability practices in the beverage manufacturing sector in Zambia

## **1.2 Statement of the problem**

Environmental, Social, and Governance (ESG) initiatives have gained prominence globally as strategic levers for achieving sustainable profitability. Empirical studies from developed economies suggest that strong ESG performance is positively correlated with improved profitability metrics such as Return on Assets (ROA), Return on Equity (ROE), and stock market performance (Friede, et al., 2015; Khan et al., 2016; Fatemi et al., 2018). These findings are supported by robust ESG frameworks, mature financial markets, and regulatory mechanisms that incentivize ESG compliance (Eccles & Klimenko, 2019; Le et al., 2022).

However, in Sub-Saharan Africa, and Zambia in particular, the relationship between ESG practices and corporate profitability remains under-explored and inconclusive. Existing studies in the region often adopt qualitative or descriptive approaches and lack empirical testing of ESG-profitability linkages (Munyati, 2024; Mugambi & Ngugi, 2023). A recent bibliometric review by (Asongu & Nwachukwu, 2023) found that less than 5% of ESG-related research in Africa focuses on quantitative profitability outcomes, with a notable absence of sector-specific case studies.

In Zambia, although companies like *Zambian Breweries Plc* include ESG-related narratives in their corporate reports, these disclosures remain largely compliance-driven, lacking clear, measurable connections between ESG metrics and financial outcomes (*Zambian Breweries*, 2023). Moreover, high implementation costs, weak regulatory enforcement, and limited technical

expertise in ESG reporting constrain the adoption and strategic integration of ESG initiatives (Kotsantonis et al., 2024; Shaikh, 2021).

This presents both an academic and practical gap. Empirically, there is limited evidence on how ESG initiatives impact profitability in Zambia's private sector, especially within the manufacturing and beverage sectors. Most existing studies focus on extractive industries or public sector institutions, overlooking firms like *Zambian Breweries* which operate in a fast-moving consumer goods (FMCG) environment with distinct ESG dynamics.

This study therefore aims to fill this research gap by empirically assessing the relationship between ESG initiatives and profitability at *Zambian Breweries Plc*. It is unique in its focus on a non-extractive, consumer-facing industry in a Sub-Saharan African context, and it applies a quantitative approach to assess how specific ESG indicators correlate with key profitability metrics. The findings are expected to contribute novel, context-specific evidence to the ESG-performance literature and provide actionable knowledge for corporate managers and policymakers operating in resource-constrained and institutionally weak environments.

### **1.3 Aim of the study**

The aim of this study was to establish the relationship between Environmental, Social, and Governance (ESG) initiatives and the profitability of *Zambian Breweries Plc* at its Lusaka Plant.

### **1.4 Research Objectives**

- i. To establish the relationship between Environmental, Social and Governance (ESG) initiatives and profitability of *Zambian Breweries*.
- ii. To explore the challenges that *Zambian Breweries* experiences in implementing Environmental, Social and Governance (ESG) initiatives.
- iii. To propose strategies that can enhance the implementation of ESG initiatives for improved profitability at *Zambian Breweries*

## **1.5 Research Questions**

- i. What is the relationship of Environmental, Social, and Governance (ESG) initiatives and profitability of Zambian Breweries?
- ii. What challenges does Zambian Breweries face in the implementation of its ESG initiatives?
- iii. What strategies can be employed to enhance the implementation of ESG initiatives be enhanced for improved profitability at Zambian Breweries?

## **1.6 Research hypotheses**

### **1.6.1 Null Hypotheses**

H<sub>01</sub>: Environmental initiatives do not have a strong positive and significant relationship with the profitability of Zambian Breweries Plc.

H<sub>02</sub>: Social initiatives do not have a strong positive and significant relationship with the profitability of Zambian Breweries Plc.

H<sub>03</sub>: Governance initiatives do not have a strong positive and significant relationship with the profitability of Zambian Breweries Plc.

### **1.6.2 Alternative Hypothesis**

H<sub>1</sub>: Environmental initiatives have a strong positive and significant relationship with the profitability of Zambian Breweries Plc.

H<sub>2</sub>: Social initiatives have a strong positive and significant relationship with the profitability of Zambian Breweries Plc.

H<sub>3</sub>: Governance initiatives have a strong positive and significant relationship with the profitability of Zambian Breweries Plc.

## **1.7 Significance of the research**

This study was conducted to deliver practical, academic, and theoretical implications regarding the relationship between Environmental, Social, and Governance (ESG) initiatives and profitability.

Practically, this research addresses a critical concern for companies worldwide: the interplay between ESG practices and profitability. By centering on the beverage manufacturing sector, it provides actionable insights for *Zambian Breweries Plc* and similar firms, guiding them in making informed decisions about ESG initiatives that can enhance both sustainability and profitability. The findings will offer managers at *Zambian Breweries* a practical guidance on effectively integrating ESG programs with financial growth objectives. This includes insights into designing environmental or community initiatives, analyzing costs and benefits, setting sustainability goals and metrics, assigning responsibilities within organizational structures, and transparently disclosing ESG progress to stakeholders. Additionally, industry regulators, stock exchange policymakers, and sustainability standard-setters in Zambia may refer to this study's findings to develop guidelines or regulations that promote responsible business practices aligned with global standards while supporting local economic priorities. Identifying challenges in ESG implementation can enable the company to devise more effective strategies, aligning ESG practices with business objectives, thereby enhancing operational efficiency and financial returns.

Academically, this study contributes to the growing body of literature on ESG and profitability, particularly in emerging markets like Zambia. Through a detailed case study, it provides empirical evidence that validates existing theories and proposes new frameworks elucidating the relationship between ESG practices and financial metrics. This enriches the academic discourse, facilitating a deeper understanding and refinement of theoretical models in sustainability and corporate finance. By assessing the relationship between ESG initiatives and profitability through the lens of a significant player like *Zambian Breweries*, this research advances both conceptual and empirical understanding, serving as a foundation for future academic inquiries.

Theoretically, this research extends the boundaries of knowledge by exploring the nuanced dynamics between ESG factors and their relationship on profitability in a specific organizational context. By examining the operations of *Zambian Breweries*, unique insights and mechanisms may

be uncovered that enhance understanding of how ESG initiatives create value for stakeholders. This theoretical contribution not only advances scholarly understanding but also lays the groundwork for future research endeavors, stimulating further exploration into the intersection of sustainability and profitability across diverse industries and geographical contexts.

## **1.8 Theoretical and Conceptual Frameworks**

### **1.8.1 Theoretical framework**

The adoption of voluntary ESG practices by firms has been explained and justified through multiple theoretical lenses in academic literature. Some key perspectives are discussed below;

#### **1.8.1.1 Stakeholder Theory**

Stakeholder theory posits that businesses should consider the interests of all stakeholders, not just shareholders, in their decision-making processes (Barney & Hesterly, 2015). This includes employees, customers, suppliers, communities, and the environment. Integrating ESG considerations into business strategies can enhance relationships with stakeholders, improve brand reputation, and mitigate risks associated with regulatory compliance and public perception. For example, in a study conducted by (Choi & Wang, 2016), the findings suggested that a high stakeholder relations rating both helps a well-performing firm to sustain superior profits, and helps a poorly performing firm to move out of its disadvantageous position more quickly. This aligns with stakeholder theory, which emphasizes the importance of creating value for all stakeholders to ensure the long-term sustainability of the business.

Since the theory posits that a firm's success is intricately linked to how well it manages relationships with various stakeholders, including customers, employees, suppliers, communities, and investors. In the case study of *Zambian Breweries*, this theory informs the research by highlighting the importance of ESG initiatives in fulfilling stakeholders' expectations and needs. By examining how the implementation of environmental and social practices influences stakeholder trust and satisfaction, the study can provide insights into how these initiatives affect the company's profitability. For instance, stakeholders may respond positively to environmentally

sustainable practices, leading to increased loyalty and sales, which ultimately contributes to enhanced profitability.

### **1.8.1.2 Resource-Based View Theory**

The Resource-Based View (RBV) theory posits that a firm's sustained competitive advantage and superior profitability are primarily derived from the unique resources and capabilities it possesses (Barney & Hesterly, 2015). In the context of Environmental, Social, and Governance (ESG) factors, RBV suggests that firms can leverage their intangible assets related to ESG practices to create value and gain a competitive edge. The RBV framework emphasizes the role of dynamic capabilities in adapting to changing ESG requirements and seizing new opportunities for value creation. Firms that continuously innovate and adjust their resource base to align with evolving ESG standards are more likely to sustain their competitive advantage over time (Barney & Hesterly, 2015). For example, In Russia, (Koroleva, et al., 2020) pointed out that relying on the resource-based view of entrepreneurship reveals that ESG factors are rare and difficult-to-imitate resources that allow companies in Russia to achieve superior performance and obtain a competitive advantage.

Within the context of *Zambian Breweries*, this theory suggests that effective ESG initiatives can be viewed as valuable resources that differentiate the firm in the beverage market. By analyzing the firm's sustainability practices, such as responsible sourcing and waste management, the study can evaluate how these initiatives enhance organizational capabilities, improve operational efficiency, and attract investments. The RBV emphasizes that by leveraging unique ESG-related resources, *Zambian Breweries* can potentially achieve better profitability compared to competitors that do not prioritize sustainability.

### **1.8.1.3 Agency Theory**

Agency theory explores the relationship between principals (shareholders) and agents (management) within a firm, particularly focusing on how conflicts of interest between these parties can affect decision-making and firm performance (Velte, 2017). In the context of Environmental, Social, and Governance (ESG) factors, agency theory suggests that management may prioritize their own interests over those of shareholders, potentially leading to decisions that

neglect long-term sustainability concerns. Recent studies have examined the relationship between the ESG initiatives and the profitability within the framework of agency theory. For instance, research by Khan, et al. (2021) found that firms with stronger ESG performance tend to exhibit better profitability over the long term, suggesting that aligning management incentives with ESG goals can mitigate agency conflicts and enhance shareholder value. Moreover, a study by Tannous, et al. (2023) demonstrated that firms with higher levels of board independence and diversity, which are mechanisms to mitigate agency conflicts, are more likely to integrate ESG considerations into their strategic decision-making processes, leading to improved profitability. These findings underscore the importance of considering agency dynamics when analyzing the relationship between ESG and profitability.

In the context of this study, Agency Theory provides a framework for understanding how ESG initiatives might mitigate such conflicts by fostering transparency and ethical practices within Zambian Breweries. By assessing how management's commitment to ESG affects investor confidence and aligns with shareholder interests, the research can reveal the relationship of ESG performance on financial metrics. Effective governance structures that prioritize ESG can reduce agency costs by enhancing trust and ensuring that management acts in the best interest of shareholders, potentially resulting in improved profitability for the firm.

## **1.9 Conceptual framework**

Based on the review of empirical studies and underlying theoretical foundations, a conceptual model is presented below linking ESG practices as the independent variables with profitability as the dependent variable.

## Independent Variables

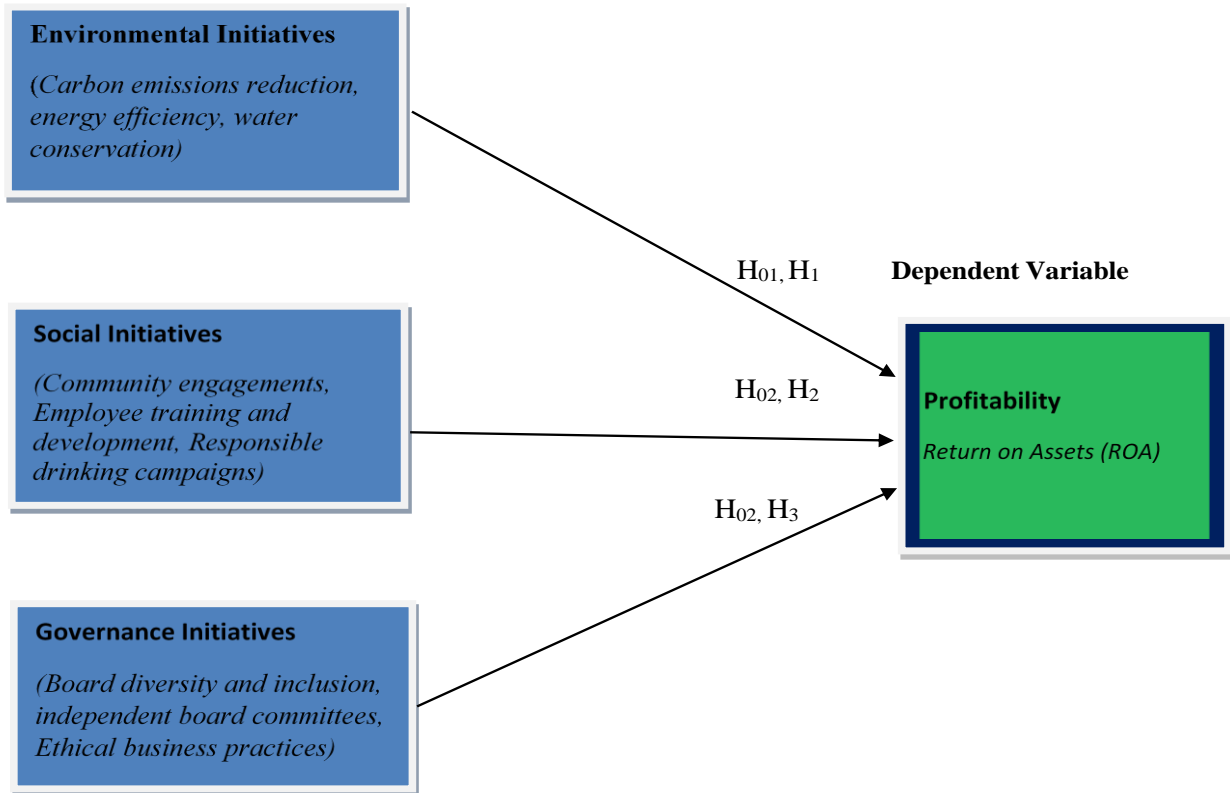


Figure 1.1: Conceptual Framework for assessing the relationship between the Environmental, Social and Governance (ESG) initiatives and the profitability (Researcher's own, 2024).

### 1.10 Scope of the research

This study focused exclusively on *Zambian Breweries Plc, Lusaka Plant*; specifically assessing the relationship between Environmental, Social, and Governance (ESG) initiatives and profitability, measured by Return on Assets (ROA). The research provides a comprehensive investigation into the specific ESG practices implemented by the company over a defined period of 2021 to 2023, allowing for a detailed assessment of potential correlations between ESG initiatives and profitability. The study covers the period from 2020 to 2023, aligning with *Zambian Breweries'* recent ESG reports and financial performance data. The period provides sufficient data to analyze trends.

Methodologically, the study adopted the mixed methods approach. The quantitative analysis employed multiple regression to assess the relationship between ESG initiatives and profitability,

using ROA as the dependent proxy variable for profitability. The qualitative approach explored the challenges in ESG implementation and the recommendation of strategies to enhance ESG implementation for improved profitability. This was done through structured questionnaires and key informant insights.

Geographically, the focus is on the *Zambian Breweries' Lusaka Plant*, although the findings may have implications for other regions within Zambia's beverage manufacturing industry. The study collected both quantitative and qualitative data from various stakeholders, including company executives, managers, and financial analysts (units of enquiry), to ensure a well-rounded understanding of the relationship between ESG initiatives and profitability.

While this study provides insights into ESG and profitability associations or linkages, it is limited to a single firm. Therefore, findings may not be fully generalizable to other industries or regions. By clearly confining the scope within *Zambian Breweries Plc*, focusing on ESG initiatives from 2021 to 2023, and applying quantitative and qualitative analysis, this study ensures a targeted and meaningful investigation into ESG and its financial implications.

### **1.11 Operational definitions**

- **Environmental, Social and Governance (ESG) Initiatives: Environmental, Social, and Governance (ESG)** refers to a set of non-financial performance indicators that evaluate a company's commitment to sustainable and ethical practices across three key dimensions: environmental stewardship (e.g., carbon emissions, energy use), social responsibility (e.g., employee welfare, community engagement), and governance structures (e.g., board independence, transparency) (Friede, Busch, & Bassen, 2015).
- **Environmental:** This dimension assesses a company's impact on the natural environment, incorporating metrics such as energy efficiency, carbon footprint, waste management practices, water usage, pollution levels, and efforts in biodiversity conservation (Eccles, et al., 2019).
- **Social:** The social dimension examines how a company manages its relationships with various stakeholders, including employees, suppliers, customers, and the communities in which it operates (Friedman, 2007). Key factors include labor practices, diversity and

inclusion efforts, human rights standards, community engagement initiatives, product safety protocols, and data security measures

- **Governance:** Governance relates to the structures and practices that guide corporate leadership, focusing on aspects like board composition, executive compensation, transparency, accountability, ethical standards, and compliance with legal and regulatory frameworks (Bebchuk & Cohen, 2005).
- **Profitability:** Profitability pertains to a firm’s ability to generate income or profit relative to its expenses, costs and other financial obligations over a specific period, measured through various metrics relevant to the industry context, such as profit margin, return on assets, return on equity, and earnings per share (Jensen & Meckling, 2016).

### 1.12 Operationalization of study variables

*Table 1.1: Summary of study variable operationalization*

Variable	Dimension	Indicator	Operationalization	Measurement
Dependent Variable	Profitability	Return on Assets (ROA)	$\text{Return on Assets (ROA) Formula} = \frac{\text{Net Income}}{\text{Average Total Assets}}$	Calculation of ROA from Financial Reports
Independent Variables	Environmental Initiatives	Water Conservation Initiatives	Average Mean Scores on the adoption of water conservation initiatives	Average Mean Scores of 1–10-point Likert Scale
		Energy Efficiency Initiatives	Average Mean Scores of energy efficiency initiatives implemented	Average Mean Scores of 1–10-point Likert Scale
		Carbon Emission Reduction Initiatives	Average Mean Scores on carbon emission initiatives	Average Mean Scores of 1–10-point Likert Scale
	Social Initiatives	Employee training and development	Average Mean Scores on employee training and development initiatives	Average Mean Scores of 1–10-point Likert Scale

		Community Engagement Initiatives	Average Mean Scores on community engagement initiatives	Average Mean Scores of 1–10-point Likert Scale
		Responsible Drinking Campaigns (Responsible Marketing)	Average Mean Scores from responsible drinking campaigns initiatives	Average Mean Scores of 1–10-point Likert Scale
	Governance Initiatives	Board Diversity and Inclusion	Average Mean Scores on the diversity and inclusion initiatives of board members	Average Mean Scores of 1–10-point Likert Scale
		Independent Board Committees	Average Mean Scores on independent board committees	Average Mean Scores of 1–10-point Likert Scale
		Ethical Business Practices	Average Mean Scores of ethical business practices	Average Mean Scores of 1–10-point Likert Scale

**1.12.1 Independent Variables**

- **Environmental initiatives:** Measured through metrics like greenhouse gas emissions (carbon emissions), energy efficiency, water use reduction, waste recycling, etc.
- **Social initiatives:** Measured through metrics like workforce diversity and inclusion, gender representation, community engagement, safety practices, supply chain monitoring, employee training and development, etc. reported in sustainability disclosures.
- **Governance initiatives:** Measured through metrics like board independence, board diversity, executive remuneration, ethical compliance, sustainability reporting, independent committees, etc.

### **1.12.2 Dependent Variable**

- Profitability: Measured through accounting ratios related to profitability, liquidity, solvency, efficiency, and investor returns. Examples of profitability ratios are return on assets (ROA) and return on equity (ROE).

### **1.13 Ethical considerations**

Ethical Clearance was obtained from the University of Zambia Ethics Committee with reference No. **HSSREC-2024-SEP-010**. Ethical considerations were upheld throughout the research process. Participants were recruited voluntarily, with clear explanations of the study's purpose to ensure informed consent. Informed consent was obtained from all participants before data collection. Participants were provided with information about the study, including its objectives, procedures, potential risks, and benefits. They had the right to withdraw from the study at any time without any negative consequences. Privacy, anonymity, and confidentiality was maintained to protect participants' identities. All data collected was stored securely, and identifying information was removed during data analysis. Participants were assured that their responses were only used for research purposes. The researcher upheld ethical standards by avoiding plagiarism and ensuring proper citation of all sources. Additionally, the researcher adhered to ethical guidelines in data analysis and interpretation, ensuring that findings are reported honestly and transparently.

## **CHAPTER TWO - LITERATURE REVIEW**

### **2.0 Introduction**

This chapter reviews existing literature related to the study's objectives of assessing the relationship between environmental, social, and governance (ESG) practices and profitability, with a specific focus on *Zambian Breweries Plc*. It provides a comprehensive overview of empirical studies conducted globally, regionally in Africa, and locally in Zambia, identifying research gaps and critiquing the literature. This literature review is structured in line with the key themes derived from the study's research objectives and questions.

### **2.1 Environmental, Social and Governance (ESG) Initiatives and profitability**

The section below provides literature review on the relationship between Environmental, Social and Governance (ESG) Initiatives and the profitability.

#### **2.1.1 Environmental initiatives and profitability**

##### **Global Perspective**

Empirical studies have yielded mixed results regarding the relationship between environmental performance and financial performance. Several meta-analyses have found a positive association between environmental practices and financial metrics such as return on assets (ROA), return on equity (ROE), and stock market performance (Endrikat et al., 2014). However, other studies have reported negative or insignificant relationships, suggesting that the costs of environmental initiatives may outweigh their benefits.

For example, in a study conducted by (Xie, et al., 2018), the findings show that not all environmental policies will improve financial performance. Further, (Xie, et al., 2018) found that firms that choose to use the sustainable packaging policy are more likely to have higher ROA and market value. However, activities such as emission-reduction initiatives, climate change policy, and discussion of climate change opportunities and risks and new products related to climate change and energy efficiency policy have no significant relationship with corporate efficiency, ROA, or market value (Xie, et al., 2018). Furthermore, (Xie, et al., 2018) also observed that a green building policy is positively associated with both corporate efficiency and ROA.

Improvement in financial performance occurs only if the policy aims to enhance environmental performance with any potential profit higher than the additional cost (Xie, et al., 2018). In Indonesia, (Susilawati, et al., 2023) investigated the influence of CSR and environmental performance on financial performance using multiple regression techniques and found that environmental performance, shows a positive influence on financial performance. According to (Susilawati, et al., 2023), this result was attributed to effective industrial waste management practices implemented by the sampled companies in this study. Consequently, (Susilawati, et al., 2023) claimed that the enhancement of industrial waste management leads to a competitive advantage and ultimately drives increased company profits. In Germany, (Trumpp & Guenther, 2015) explored the u-shaped relationship between corporate environmental performance and corporate financial performance and found empirical evidence of a non-linear, specifically a U-shaped relationship between carbon performance and profitability as well as between waste intensity and profitability. Regarding the findings, (Trumpp & Guenther, 2015) asserted that it pays to be green only after exceeding a minimum level of corporate environmental performance. In Romania, (Dobre, et al., 2015) investigated the influence of environmental and social performance on financial performance evidenced from Romania's listed entities and found that there is a significant effect of increasing water, air and soil protection on financial performance measured by ROE, but the effect is negative. Contrary to (Susilawati, et al., 2023), (Dobre, et al., 2015) found that other environmental factors such as waste policy, energy, gas, soil and sound pollution improvements have no influence on the financial performance measured by ROE. In China, (Song, et al., 2017) examined the relationship between environmental management and financial performance of Chinese listed firms from 2007 to 2011 and found that environmental management is significantly and positively related to financial performance in the subsequent years, implying that environmental management can significantly improve future profitability. Further, (Song, et al., 2017) mentioned that environmental investment consumes capital and resources, hence results in their study indicate that environmental management is not significantly related to improved financial performance in the current year. In a study conducted by (Lee, et al., 2014), it was found that there is a significant positive relationship between environmental responsibility and financial performance (ROE) at the firm level, and between environmental responsibility and operational performance at the firm level. For dependent variables (Lee, et al., 2014) used ROE to measure financial performance, and ROA to measure operating performance.

For the independent variable (environmental responsibility), (Lee, et al., 2014) used environmental strategy, environmental organization, environmental management, environmental performance, environmental correspondence (stakeholder) and total environmental evaluation score as proxy variables. Contrary to the findings of (Xie, et al., 2018), a study conducted by (Batae, et al., 2020) found that the only environmental dimension that is correlated with or has a positive relationship on financial performance refers to emissions and waste reduction. Contrary to the finding of (Batae, et al., 2020), a study conducted by (Khoury, et al., 2021) in which the environmental responsibility pillar was derived from a predetermined weighted score on indicators related to emission, innovation and resource use found a negative relationship between environmental initiatives and financial performance. Environmental initiatives only affect accounting performance (ROA/ROE) with a convex relationship, illustrating the presence of a U-shaped relationship (Khoury, et al., 2021). More specifically, while a negative relationship between environmental initiatives and accounting performance (ROA/ROE) may occur at an early stage, there is a turning point after which the relationship becomes positive (Khoury, et al., 2021). This recommends that improving environmental responsibility is a procedure that takes a long time to reap its benefits (Khoury, et al., 2021). The findings in this study conducted by (Khoury, et al., 2021) are similar to the findings in another study conducted by (Trumpp & Guenther, 2015) in which they explored the U-shaped relationship between corporate environmental performance and corporate financial performance and found empirical evidence of a non-linear, specifically a U-shaped relationship between carbon performance and profitability as well as between waste intensity and profitability. Similar to (Khoury, et al., 2021), (Trumpp & Guenther, 2015) concluded that it pays to be green only after exceeding a minimum level of corporate environmental performance. Another study conducted by (Shaikh, 2021) shows statistical evidence that environmental disclosure and return on assets (ROA) are adversely (negatively) associated. It's evident that when companies decide to practice sustainability, they need to employ more financial resources in terms of non-monetary assets, which results in an increased amount of capital expenditure (CAPEX) and a considerable amount of operational overhead (Shaikh, 2021). During the initial fiscal years of sustainability practice, the undertaking's profitability shrinks due to increased overheads (Shaikh, 2021). The assertions made by (Shaikh, 2021) regarding the shrinkage of profitability due to increased capital expenditure in the initial fiscal years of sustainability practice are similar to those of (Khoury, et al., 2021), (Trumpp & Guenther, 2015)

and (Song, et al., 2017) in their findings. Furthermore, all four (4) scholars report in their findings that even though environmental activities are costly in the initial stages and relate negatively on financial performance, they eventually influence improved financial performance of a firm in the long run; hence the convex (u-shaped) relationship between the two variables (environmental initiatives and financial performance). In Greece, (Triantafyllidou, 2021) investigated the relationship between the ESG criterion and the financial performance of a company and found a negative correlation between the environmental pillar and financial performance.

According to (Xie, et al., 2018), the strength and nature of the relationship between environmental initiatives and financial performance of a firm may depend on various factors, including the specific environmental initiatives implemented, the industry sector, the geographic context, and the time frame considered.

### **African Perspective**

In the African context, research on the relationship between environmental initiatives and financial performance is relatively limited compared to developed regions. However, several studies have contributed to the understanding of this relationship within the unique environmental and socio-economic challenges faced by African countries.

A study conducted by (Dzomonda & Fatoki, 2020) in which environmental compliance and carbon emission reduction were used as parameters for environmental sustainability found that there is a significant positive relationship between both parameters (environmental compliance and carbon emission reduction) and financial performance. Further, (Dzomonda & Fatoki, 2020) postulated that being a compliant business in terms of environmental requirements such as ISO 14001 and internal environmental policies may increase the profitability of the business as measured by EPS (Equity per Share). On the contrary, a study conducted by (Botchwey, et al., 2022), found that environmental initiatives (energy consumption, waste management, emissions) and return on assets (ROA) as a measure of financial performance did not establish any significant relationship between the two variables. Environmental reporting includes disclosing sustainability indicators such as energy consumption, waste management, emissions, and biodiversity (Botchwey, et al., 2022).

### **Local (Zambian) Perspective**

Research specifically focused on the relationship between environmental initiatives and financial performance in the Zambian context is limited. However, some studies have explored broader environmental issues and their implications for businesses operating in Zambia.

In Zambia, (Mwanza & Chinyonga, 2024) investigated the relationship of sustainability accounting and reporting on firm value, a case of listed companies on Lusaka Stock Exchange (LUSE). Based on the results, (Mwanza & Chinyonga, 2024) concluded that there is an increase in environmental sustainability activities of listed companies which has a positive and significant effect on the firm value (ROA). Similarly, in Zambia, (Choongo, 2017) conducted a longitudinal study on the relationship of corporate social responsibility on firm performance of SMEs in Zambia, the results show that the two dimensions of CSR (social and environmental) significantly and positively relationship financial performance.

In the context of Zambian Breweries Plc, the company has published sustainability reports highlighting its environmental initiatives, such as water stewardship, energy efficiency, and waste reduction programs. However, there is a lack of empirical research specifically examining the relationship of these initiatives on the company's financial performance.

### **2.1.2 Social initiatives and profitability**

The relationship between social initiatives and financial performance has been extensively studied globally, with researchers drawing upon various theoretical frameworks, including stakeholder theory, the resource-based view, resource dependency theory and the legitimacy theory.

#### **Global Perspective**

Empirical studies have produced mixed findings regarding the relationship between social initiatives and financial performance. Several meta-analyses and literature reviews have reported a positive association between social initiatives and various financial metrics, such as return on assets (ROA), return on equity (ROE), and stock market performance (Choi & Wang, 2016). In a study conducted by (Shakil, et al., 2019), a positive association of environmental and social performance with the financial performance of banks in emerging countries was established. Similar to the findings by (Shakil, et al., 2019), a study conducted by (Velte, 2017) using the multivariate regression analysis provided that both the total Environmental, Social and Governance (ESG) performance and the three components ( Governance, Environment and Social)

are positively and significantly related to ROA as accounting-based variable of financial performance. In Sweden, (Chen, et al., 2015) investigated the relationship between disclosures of corporate social performance and financial performance evidenced from GRI reports in the manufacturing industry and found that labor practices and decent work performance indicators, which are occupational health and safety and equal remuneration for women and men are positively and significantly correlated with ROE. Further, (Chen, et al., 2015) found that human rights performance indicators, which are investment and procurement practices are significantly correlated with ROE. Furthermore, (Chen, et al., 2015) found that in society performance indicators analysis, compliance is positively and significantly correlated with ROE. Lastly, in product responsibility performance indicators, which is marketing communications, (Chen, et al., 2015) found that it has a positive and significant correlation with ROE. In a study conducted by (Cho, et al., 2019), six evaluation items were used, namely; soundness, fairness, contribution to social service, consumer protection satisfaction, environmental protection satisfaction, and employee satisfaction as the variables of CSR (independent variable) and ROA was chosen as a proxy variable for financial performance to measure profitability. In this study (Cho, et al., 2019) found that in the correlation between CSR performance and profitability (ROA), only fairness, contribution to social service, consumer protection satisfaction, and employee satisfaction (social contribution) has a positive relationship with financial performance at a significant level. On the other hand, (Cho, et al., 2019) asserted that while soundness and environmental protection (environmental contribution) have a positive relationship with ROA, they are not statistically significant. However, other studies have found negative or insignificant relationships, suggesting that the costs of social initiatives may outweigh their benefits or that the relationship is complex and context-dependent. For instance, a study conducted by (Khoury, et al., 2021), found that the social pillar displayed a concave relationship with accounting measures i.e., return on assets (ROA). According to (Khoury, et al., 2021), this suggested that a better social pillar is associated with a better short run financial performance, while an augmented social pillar is associated with a lower company financial performance in the long run. Conversely, in another study conducted by (Shaikh, 2021), it was found that social disclosures contribute adversely (negatively) to corporate financial performance. In Greece, (Triantafyllidou, 2021) investigated the relationship between the ESG criterion and financial performance of a company and found no relation between the social pillar and financial performance.

## **African Perspective**

In the African context, research on the relationship between social initiatives and financial performance is relatively limited compared to developed regions. However, several studies have explored this relationship within the unique socio-economic challenges and cultural contexts of African countries.

In Kenya, (Agutu & Githira, 2023) investigated the relationship between sustainability reporting and financial performance of listed financial firms. The results in this study show that social sustainability reporting has a positive and significant influence on the financial performance of listed financial firms in Kenya. Further, (Agutu & Githira, 2023) pointed out that institutions should focus on social sustainability to improve financial performance through improved reputation and legitimacy, increased employee and customer's loyalty, and enhanced brand value. Increasing social sustainability initiatives, which culminate in high reporting scores, will translate into improved financial performance and a higher return on equity. A study conducted by (Botchwey, et al., 2022), stated that the social dimension of sustainability entails disclosures on human resources, labor practices, relationship on society, and corporate social responsibility. Similar to the findings of (Agutu & Githira, 2023), the results in this study conducted by (Botchwey, et al., 2022) indicate that the social sustainability has a significant favorable influence on financial performance and firm value.

## **Local (Zambian) Perspective**

Research specifically focused on the relationship between social initiatives and financial performance in the Zambian context is limited. However, some studies have explored broader social issues and their implications for businesses operating in Zambia.

In a study conducted by (Mwanza & Chinyonga, 2024), the findings indicated that there was a weak association between the dependent variable (ROA) and the independent variables (environmental and social sustainability). Furthermore, in a longitudinal study conducted by (Choongo, 2017), the analysis results showed that the two dimensions of CSR (social and environmental) significantly relationship financial performance.

In the context of *Zambian Breweries Plc*, the company has published sustainability reports highlighting its environmental, social and governance initiatives, such as community development programs, employee training and development, and responsible drinking campaigns, etc. However, there is a lack of empirical research specifically examining the relationship between these environmental, social and governance (ESG) initiatives and the company's financial performance.

### **2.1.3 Governance initiatives and profitability**

The relationship between corporate governance practices and financial performance has been extensively studied globally, with researchers drawing upon various theoretical frameworks, including agency theory, resource dependency theory and stakeholder theory.

#### **Global Perspective**

Empirical studies have produced mixed findings regarding the relationship between corporate governance practices and financial performance. Several meta-analyses and literature reviews have reported a positive association between various governance mechanisms, such as board independence, CEO/Chair duality, and ownership concentration, and financial metrics like return on assets (ROA), return on equity (ROE), and Tobin's Q.

For instance, a study conducted by (Tan, et al., 2016), CEO/Chairman duality, board size and presence of independent directors were used as proxies of the corporate governance as the independent variable. In this study by (Tan, et al., 2016) the dependent variable was financial performance which was measured by return on assets (ROA), return on equity (ROE) and Tobin's Q. (Tan, et al., 2016) found that there is a statistically strong and positive relationship between CEO/Chairman duality and financial performance. Further, (Tan, et al., 2016) found a strong and positive relationship between board size and ROA and ROE. However, (Tan, et al., 2016) found that presence of independent directors is negatively correlated with ROA and ROE. According to (Tan, et al., 2016) the negative correlation between presence of independent directors and ROA and ROE suggests that independent directors do not definitely result in good firm performance. Similar to the findings of (Tan, et al., 2016), results in a study conducted by (Kalsie & Shrivastav, 2016) using the fixed effect model, random effect model and feasible generalized least square (FGLS) regression models, concluded that the board size has a positive and significant relationship

on the firm performance. Further, (Kalsie & Shrivastav, 2016) pointed out that existing literature on board size is based on different theories of corporate governance. While agency theory and resource dependency theory suggest that the board size positively affects performance, stewardship theory favors smaller board size and argues that larger board size negatively relationships the firm performance (Kalsie & Shrivastav, 2016). Similar results in a study by (Yasser, et al., 2014) show a positive relationship between the board size, minority representation in board, and family director's in-board and firm performance. In a study conducted by (Yang & Zhao, 2014), it was revealed that the main argument against CEO duality (or dual leadership) is based on agency theory, which predicts that CEOs, as agents of shareholders, do not always act in the best interests of shareholders. In another study by (Amba, 2014), it was pointed out that CEO duality means that the CEO is also holding a position as a chairman of the board of directors. Agency theorists argue that when a board chairman is also a CEO, he will gain sufficient controlling power to gain more private benefits (Amba, 2014). The study conducted by (Amba, 2014) examined the influence of corporate governance variables (CEO duality, Chairman of Audit Committee, Proportion of Non-executive Directors, Concentrated Ownership structure, Institutional Investors, Gearing Ratio) on firms' financial performance (Return on Assets) using the firms traded in Bahrain bourse. In this study, (Amba, 2014) found that CEO duality has a negative relationship on ROA and creates additional agency costs and impairs performance. In this study, (Amba, 2014) found that Board of director being the chair of audit committee has positive effect on performance and contributes to transparent and well audited financial reports. Further in this study, (Amba, 2014) found that proportion of non-executive directors has a negative influence on return on assets (ROA) signaling the higher the proportion of non-executive directors (NED) the lower the firm's financial performance. This indicates the need of optimum proportion of non-executive directors in the board for effective governance and improved financial performance of the firm (Amba, 2014). Furthermore, (Amba, 2014) found that the proportion of institutional ownership in the capital structure positively affects the firm's financial performance. As institutional owners are more concerned about returns on their investments, they are perceived to contribute to effective corporate governance of the firm which enhances firms' financial performance (Amba, 2014). Finally, (Amba, 2014) found that the gearing ratio is statistically significant to corporate governance with a negative relationship with firms' financial performance. As debt holders control corporations with covenants in their contracts may impair the aggressive

strategies of the management in pursuit of financial excellence. In Canada, (Kim & Li, 2021) studied the relationship of ESG practices in corporate finance and found that corporate governance has the most significant and positive influence on financial performance. Another study carried out by (Rossi, et al., 2015) ascertained that corporate governance has a positive relationship with financial performance. The analysis in this study by (Rossi, et al., 2015) reported that a better protection of shareholders (e.g. one share one vote, prohibition of poison pills, etc.), an appropriate composition of the board of directors (in terms of presence of independent directors and internal committees, gender and professional diversity, etc.) and an appropriate remuneration policy (e.g. limits to variable components of remuneration, mechanisms of share retention and lock up, etc.) lead to better financial performance. In Russia, a study conducted by (Koroleva, et al., 2020) established from the results that companies that comply with ESG principles demonstrate significantly better financial performance than other companies. From the results, (Koroleva, et al., 2020) asserted that the governance factor is more strongly related to company performance, thus providing implications for companies' policymakers in terms of the utility of adopting ESG information. In Greece, (Triantafyllidou, 2021) investigated the relationship between the ESG criteria and the financial performance of a company and found a positive correlation only between the governance pillar and financial performance. However, other studies have found negative or insignificant relationships, suggesting that the relationship is complex and context-dependent. For example, as per the study conducted by (Jordi, et al., 2018), the results suggest that the variables of interest (i.e., ownership dispersion, board members, and dividend) have no significant effect on financial performance (ROE). In Malaysia, (Shakil, et al., 2019) investigated whether environmental, social and governance performance affects the financial performance of banks in a cross – country study of emerging market banks and found that governance performance does not influence financial performance. Another study conducted by (Zahid, et al., 2022) established that ESG has a significantly negative effect on a firm's financial performance as measured by the return on assets (ROA), supporting the trade-off hypothesis in which investing in ESG activities increases the cost of business. However, (Zahid, et al., 2022) reported that ESG has a significantly positive effect on revenue, suggesting that customers are more attracted to firms that invest in ESG. Customers' attraction to firms that invest in ESG fulfils the aim of the stakeholder and legitimacy theories.

The strength and nature of the relationship may depend on various factors, including the specific governance mechanisms implemented, the industry sector, the geographic context, and the time frame considered. For instance, studies have found that the relationship of board independence on financial performance may vary across countries with different legal and institutional environments (Aguilera et al., 2008).

### **African Perspective**

In the African context, research on the relationship between corporate governance practices and financial performance is relatively limited compared to developed regions. However, several studies have explored this relationship within the unique institutional and cultural contexts of African countries.

A study conducted in Egypt by (Shahwan, 2015) found that there was an insignificant relationship between corporate governance practices and financial performance. The analysis in the study by (Shahwan, 2015) reported that the two proxy variables for corporate governance (Ownership concentration and institutional ownership) were unrelated to firm performance. However, leverage as a proxy of financial risk turns out to be positively associated with firm performance (Shahwan, 2015). This result sheds light on the nature of the capital structure of Egyptian firms which heavily rely on debt financing (Shahwan, 2015). To enhance the function of debt as a control device in an emerging economy like Egypt, substantial effort should be directed not only to developing corporate governance practices but also to providing additional legal protection for creditors' interests (Shahwan, 2015). In South Africa, (Kemp, 2014) reported no significant relationships between corporate governance and financial performance. As per the study by (Botchwey, et al., 2022), a significant positive relationship between governance disclosures and financial performance was found. Another study by (Ntim, 2014) examined the relationship of corporate governance practices on the financial performance of South African listed firms. The study found a positive relationship between governance mechanisms, such as board diversity, board size, and ownership concentration, and financial performance metrics like return on assets (ROA) and Tobin's Q, highlighting the importance of effective governance practices in the South African context. In Nigeria, (Mustapha, et al., 2020) investigated the relationship between corporate governance and financial performance of Nigeria listed banks. The study found that the relationship between board independence and ROA is negatively insignificant; board meeting and

ROA were found to be negatively significant. Further, (Mustapha, et al., 2020) found that the relationship between board genders, board size and ROA is negatively insignificant while the relationship between firm size and ROA is positively significant. For bank age and ROA, (Mustapha, et al., 2020) found that the relationship was negatively significant. The study by (Mustapha, et al., 2020) highlighted the need for further research to understand the context-specific factors that may influence the effectiveness of corporate governance practices in African countries. In Ghana, (Boachie, 2023) investigated the relationship between corporate governance and financial performance of banks in Ghana with the moderating role of ownership structure. The findings in the study by (Boachie, 2023) reviewed that audit independence, chief executive officer (CEO) duality; non-executive directors and banks size have a positive relationship on financial performance. The findings by (Boachie, 2023) also revealed that foreign ownership has an interacting effect between corporate governance and profitability.

### **Local (Zambian) Perspective**

Research specifically focused on the relationship between corporate governance practices and financial performance in the Zambian context is limited. However, some studies have explored broader governance issues and their implications for businesses operating in Zambia.

A research study conducted by (Chikuta, 2020) investigated the effect of corporate governance on the financial performance of state-owned enterprises in Zambia. The corporate governance attributes applied by (Chikuta, 2020) composed of firm size, board size, independent committees and board composition. In this study, (Chikuta, 2020) found that there is a negative relationship between board size, independent committees and board compositions with financial performance of state-owned enterprises (SOEs) in respect to ROA. Contrary to the findings of (Chikuta, 2020), a study conducted by (Milupi, 2023) using fixed effects model and the random effects model found a positive and significant relationship between board independence and financial performance. Agency theory is supported by these results because it argues that the existence of outside independent directors on the board enables the board to monitor any self-interest actions by managers better and reduce agency problems (Milupi, 2023). Further, (Milupi, 2023) found that board gender diversity had a positive and significant relationship with financial performance. This result is an indication that corporate boards should increase number female directors to improve the financial performance (Milupi, 2023). This result also supports the mass theory which concerns

the levels of female representatives on board of directors (Milupi, 2023). Furthermore, firm size had a positive and significant relationship with financial performance. The result between firm size and financial performance means that an increase in total assets would also increase the financial performance (Milupi, 2023).

In the context of *Zambian Breweries Plc*, the company has published corporate governance reports outlining its governance structures, policies, and practices, such as board composition, risk management, and stakeholder engagement. However, there is a lack of empirical research specifically examining the relationship between these governance initiatives and the company's financial performance.

## **2.2 Theoretical Literature Review**

Numerous global studies have explored the link between environmental, social and governance (ESG) initiatives and corporate financial performance, with diverse findings. The relationship has been analyzed through various theoretical lenses, including the resource-based view, stakeholder theory, resource dependency theory and legitimacy theory.

### **2.2.1 Resource based view theory in relation to environmental initiatives and profitability**

The resource-based view posits that environmental initiatives can lead to competitive advantages by improving operational efficiency, reducing costs, and developing valuable organizational capabilities. (Khanra & Kaur, 2021) pointed out that Hart (1995) introduced a natural resource-based view of the firm which directed businesses to deploy three interlinking strategies, which are pollution prevention, product stewardship and sustainable development to achieve competitive advantage. Businesses are keen on environmental relationship and simultaneously determined to gain a variety of benefits through the implementation of ISO14001 Environmental Management System (Haslinda & Muruga, 2015). ISO 14001 is an international standard which specifies requirements for Environmental Management Systems (Haslinda & Muruga, 2015). Further, (Haslinda & Muruga, 2015) pointed out that organizations implementing Environmental Management Systems in accordance with the requirements of ISO 14001 are required to systematically identify and manage the environmental aspects and relationships resulting from their activities, products or services. According to (Haslinda & Muruga, 2015), the benefits of ISO 14001 can be classified into several performance dimensions and benefits such as market share,

exports, sales and sales growth, profitability, improvement in competitive position/competitive advantage, improvement in systematization (improved documentation, work procedures, clarity of work, improvement in responsibilities), efficiency (productivity, savings in costs, reduction in mistakes and rework, shorter lead time, improved management control), improved quality in product/service, improved image, improvements in employee results (motivation, satisfaction, teams, communication, knowledge), improved customer satisfaction (reduction in complaints, etc.), improved relationships with suppliers, improved relationships with authorities and other stakeholders and environmental performance. Other benefits which have also merited great attention are improved image, improvement in customer satisfaction, improved staff results, improved competitive edge and improved relations with stakeholders. In Russia, (Koroleva, et al., 2020) discussed that relying on the resource-based view of entrepreneurship reveals that ESG factors are rare and difficult-to-imitate resources that allow companies in Russia to achieve superior performance and obtain a competitive advantage.

### **2.2.2 Stakeholder theory in relation to environmental initiatives and profitability**

Stakeholder theory suggests that companies that effectively manage their relationships with stakeholders, including environmental stakeholders, can improve their financial performance. A study conducted by (Danso, et al., 2019) found that the relationship between stakeholder integration and financial performance is mediated by environmental sustainability orientation. Further, (Danso, et al., 2019) also found that under conditions of intense industry competition, the indirect effect of levels of stakeholder integration on financial performance was stronger. By addressing environmental concerns, firms can build trust and goodwill with stakeholders thereby reducing potential conflicts and associated costs. Stakeholder theory incorporated the accountability of management to a broad range of stakeholders. It states that managers in organizations have a network of relationships to serve – this includes the suppliers, employees and business partners (Papertyari, 2024). The theory focuses on managerial decision making and interests of all stakeholders having intrinsic value, and no set of interests is assumed to dominate the others (Papertyari, 2024).

### **2.2.3 Agency Theory in relation to environmental initiatives and profitability**

According to (Berrone, et al., 2021), the principal-agent problem, in the context of environmental initiatives, is particularly relevant as the implementation of environmental initiatives often lead to

significant upfront costs that might not provide immediate financial returns. Managers, who are typically evaluated based on short-term financial performance, may be less inclined to invest in such initiatives unless they align with immediate profitability metrics. (Peng & Isa, 2020) pointed out that the engagement of ESG presents an agency problem between managers and shareholders. According to this theory, ESG expenditure is not in the best interest of shareholders because it represents a direct outflow of funds that will reduce profits (Peng & Isa, 2020). However, according to (Hart & Ahuja, 2021), recent research suggests that environmental initiatives can significantly improve profitability in the long run. Studies have shown that companies that integrate sustainability practices into their business models can achieve both environmental and financial benefits, particularly in the areas of cost reduction and market differentiation (Hart & Ahuja, 2021). For example, investments in energy-efficient technologies, waste reduction, and sustainable sourcing can lead to substantial cost savings, which improve profit margins over time (Wagner, 2020).

#### **2.2.4 Resource Based View Theory in relation to social initiatives and profitability**

According to RBV, firms with a strong commitment to social issues gain access to resources that can enhance their competitive positioning in the marketplace (Wang, et al., 2021). For instance, companies that invest in social initiatives such as environmental protection, philanthropy, or employee welfare programs build a reputation for being socially responsible, which can attract consumers who prioritize ethical business practices (Luo & Bhattacharya, 2020). This customer loyalty is a form of competitive advantage, creating an intangible resource that is difficult for competitors to replicate.

#### **2.2.5 Stakeholder theory in relation to social initiatives and profitability**

The stakeholder theory states that managers in organizations have a network of relationships to serve – this includes the suppliers, employees and business partners (Papertyari, 2024). The theory focuses on managerial decision making and interests of all stakeholders have intrinsic value, and no set of interests is assumed to dominate the others (Papertyari, 2024). Stakeholder theory suggests that companies that effectively manage their relationships with stakeholders, such as employees, customers, and local communities, can enhance their financial performance. For example, in a study conducted by (Choi & Wang, 2016), the findings suggested that a high stakeholder relations rating both helps a well-performing firm to sustain superior profits, and helps

a poorly performing firm to move out of its disadvantageous position more quickly. In particular, this study by (Choi & Wang, 2016) placed a special emphasis on poorly performing firms and demonstrated that, unlike many other rare and hard-to-imitate resources, good stakeholder relations do not lock a firm into poor positions when it incurs a downturn in financial performance; instead, they help the firm recover more quickly from poor performance. In this study, (Choi & Wang, 2016) further emphasized the important role of a firm's relationship with stakeholders in creating and sustaining economic rents for the firm.

### **2.2.6 Agency theory in relation to social initiatives and profitability**

In the context of social initiatives, (Berrone, et al., 2021) pointed out that the principal-agent problem is critical because social initiatives such as community engagements or projects, diversity and inclusion, training and development, etc. may not yield immediate financial returns, making it difficult for managers to justify such investments based on short-term performance metrics. (Eccles & Klimenko, 2023) further reported that Managers whose performance is often evaluated based on quarterly earnings or short-term profitability, may resist such investments even though they might bring long-term benefits.

However, according to a study conducted by (Khan, et al., 2022), social initiatives can play a crucial role in talent acquisition and retention. Companies that engage in social initiatives often see higher employee engagement, satisfaction, and retention, which reduces turnover costs and enhances overall productivity (Khan, et al., 2022). Companies that prioritize social issues such as diversity and inclusion or employee welfare are more likely to attract top talent, which in turn can contribute to long-term financial success.

Additionally, (Clarkson, et al., 2022) stated that social initiatives may also help firms manage risks. Companies involved in social initiatives may be better prepared for regulatory changes or social expectations, especially in areas such as labor rights, community welfare, or ethical sourcing. By proactively addressing these issues, firms can reduce the likelihood of legal fines, reputational damage, or boycotts, thus protecting profitability in the long term.

### **2.2.7 Agency theory in relation to governance initiatives and profitability**

The Agency theory was postulated in the early 1970's American literature regarding the relationships that exists between the owners of a company and its directors (Agutu & Githira,

2023). This relationship is built on the principle that the owners (principles) engage the directors (agents) to run the company on their behalf (Agutu & Githira, 2023). Agency theory suggests that effective corporate governance mechanisms can help align the interests of managers (agents) and shareholders (principals), thereby reducing agency costs and improving firm performance (Agutu & Githira, 2023). The agency theory is important to this study as it explains the roles of directors in relation to management. In addition, (Milupi, 2023) stated that the agency theory gives exclusive insights into corporate systems, outputs, incentives and risks. It was further stated by (Milupi, 2023) that the agency theory helps settle any problem that might arise between the principals and the agents. Furthermore, (Papertyari, 2024) stated that the key feature of agency theory is separation of ownership and control. The theory prescribes the directors and managers are held accountable for their tasks and responsibilities. Rewards and punishments can be used to correct the priorities of agents (Papertyari, 2024).

#### **2.2.8 Resource Based View Theory in relation to governance initiatives and profitability**

According to (Teece, 2018), the RBV emphasizes that governance initiatives can help firms enhance their decision-making and strategic capabilities. For example, having a diverse and independent board of directors can provide a firm with a broader range of perspectives, better risk management, and improved strategic direction, which ultimately contributes to sustained profitability (Anderson, et al., 2020). By aligning managerial incentives with long-term goals, governance initiatives ensure that firms can pursue strategies that improve their competitive advantage and deliver long-term value.

#### **2.2.9 The stakeholder theory in relation to governance initiatives and profitability**

The stakeholder theory is relevant in that it emphasizes or makes firms to make enhanced proper decision-making processes that protect the interest of all the stakeholders. For example, (Milupi, 2023) stated that the stakeholder theory helps firms understand that they can attain stability when the interests of both the internal and external stakeholders are met through proper stakeholder engagement mechanisms. In firms with strong governance frameworks, stakeholder interests are more likely to be balanced, promoting trust, collaboration, and long-term co-operation, which in turn improves profitability (Lopez-de-Silanes, et al., 2020). For example, companies that involve employees in decision-making processes and prioritize fair labor practices may see improved

employee satisfaction and retention, leading to improved productivity and reduced turnover costs (Aguilera, et al., 2021).

## **2.3 The challenges firms experience in implementing Environmental, Social and Governance (ESG) Initiatives.**

The increasing emphasis on Environmental, Social, and Governance (ESG) factors is transforming the landscape of corporate governance and sustainability. As firms globally adopt ESG initiatives to enhance their sustainability practices and respond to stakeholder demands, they encounter various challenges that can hinder the effectiveness of these initiatives. This literature review examines some of the primary challenges firms face in implementing ESG initiatives, focusing on data collection and reporting, regulatory compliance, stakeholder engagement, integration into business strategy, measuring relationship, resource allocation, cultural resistance, lack of expertise, short-term focus, market pressure, supply chain complexity, evolving standards, financial constraints, fragmented regulations, balancing profitability and responsibility, and technological challenges.

### **2.3.1 Data Collection and Reporting**

A critical challenge in ESG implementation is the effective collection and reporting of relevant data. The lack of standardized metrics and frameworks complicates the accurate quantification of ESG performance (Khan, et al., 2023); Inconsistent reporting practices hinder transparency and undermine stakeholder trust, as stakeholders increasingly demand reliable ESG data (Khan, et al., 2023); (Smith & Patel, 2023). Without a robust data collection system, firms may struggle to present a comprehensive overview of their sustainability efforts, leading to reputational damage and reduced investment opportunities (Jones, et al., 2023); (Sullivan & Mackenzie, 2024).

The complexity of ESG criteria further exacerbates the challenge of data collection. These criteria encompass a broad range of environmental relationships, social responsibilities, and governance practices, making it difficult for firms to determine which data to collect (Jones, et al., 2023); (Baker, et al., 2022). This often results in incomplete or misleading reports, creating a significant disconnect between reported ESG performance and actual practices ( (Smith & Patel, 2023); (Sullivan & Mackenzie, 2024). Consequently, stakeholders and investors may become

disillusioned with firms that fail to demonstrate genuine commitment to sustainability, affecting their willingness to engage with or invest in such firms (Khan, et al., 2023).

Furthermore, the lack of technological solutions for efficient data collection and analysis can hinder firms' ability to report on ESG initiatives effectively (Fries & Tschäpe, 2023). Many organizations may not have the necessary infrastructure or expertise to implement advanced data management systems, resulting in inefficient processes (Smith & Patel, 2023); (Baker, et al., 2022). This technological gap can lead to delays in reporting and hinder the timely communication of ESG performance to stakeholders, further eroding trust and credibility (Khan, et al., 2022); (Sullivan & Mackenzie, 2024).

### **2.3.2 Regulatory Compliance**

The regulatory landscape surrounding ESG initiatives is constantly evolving, posing substantial challenges for firms. Organizations must navigate a complex web of local, national, and international regulations, which can differ significantly (Sullivan & Mackenzie, 2024); (Smith & Patel, 2023). Adhering to these diverse regulations is essential for legal compliance and maintaining a positive reputation in the market (Jones, et al., 2023); (Baker, et al., 2022). The dynamic nature of ESG regulations requires firms to stay informed and adaptable, which can be resource-intensive.

Compliance with ESG regulations often necessitates significant investments in training and development to ensure that employees understand relevant regulations and best practices (Smith, et al., 2023). Failure to comply can lead to legal repercussions, including fines and sanctions, adversely affecting a firm's profitability (Baker, et al., 2022). Moreover, non-compliance can tarnish a company's reputation, making it more challenging to attract investors who prioritize sustainable practices (Khan, et al., 2022).

Additionally, firms operating in multiple jurisdictions face the challenge of aligning their practices with diverse regulatory requirements (Smith & Patel, 2023). This fragmentation can complicate compliance efforts and necessitate additional resources to ensure adherence across different regions (Jones, et al., 2023). The evolving nature of regulations may also create uncertainty,

making it difficult for firms to develop long-term strategies that comply with future requirements (Khan, et al., 2022).

### **2.3.3 Stakeholder Engagement**

Engaging stakeholders effectively is crucial for the successful implementation of ESG initiatives. However, many firms struggle to balance the diverse interests of their stakeholders, including customers, employees, investors, and local communities (Bennett & James, 2023). Aligning stakeholder expectations with corporate objectives is an ongoing challenge that requires continuous dialogue and negotiation (Jones, et al., 2023). Inadequate stakeholder engagement can lead to conflicts that undermine ESG initiatives and hinder their potential for success (Sullivan & Mackenzie, 2024).

For instance, if local communities feel excluded from decision-making processes regarding environmental relationships, they may resist the company's efforts, potentially leading to public protests or negative media coverage (Khan, et al., 2022). Engaging stakeholders in a meaningful way demands a commitment to transparency and inclusivity, which can be resource-intensive and complex (Baker, et al., 2022). Failure to communicate effectively or to engage stakeholders can result in disengagement, making it difficult for firms to gather feedback and build support for their ESG initiatives (Baker, et al., 2022).

Moreover, the challenge of stakeholder engagement is compounded by the rapid pace of change in societal expectations regarding corporate responsibility (Jones, et al., 2023). Firms must remain vigilant and responsive to evolving stakeholder concerns, which requires ongoing investment in relationship-building and communication strategies (Bennett & James, 2023). This dynamic environment necessitates a proactive approach to stakeholder engagement, ensuring that firms can adapt to changing expectations and maintain their social license to operate (Jones, et al., 2023); (Sullivan & Mackenzie, 2024).

### **2.3.4 Integration into Business Strategy**

The integration of ESG initiatives into core business strategy is essential for their long-term success; however, many firms face resistance in this area. Aligning sustainability goals with

traditional business objectives often requires significant cultural shifts within organizations (Baker et al., 2022; Jones et al., 2023). Established companies may encounter inertia due to ingrained practices and mindsets that prioritize short-term financial gains over long-term sustainability (Smith & Patel, 2023; Sullivan & Mackenzie, 2024). This resistance can hinder the effective implementation of ESG initiatives and limit their potential benefits.

The lack of alignment between ESG initiatives and business strategy can lead to superficial compliance, where firms engage in ESG activities without genuine commitment (Jones et al., 2023; Khan et al., 2022). This misalignment not only undermines the effectiveness of ESG initiatives but can also diminish their potential positive relationship on profitability (Smith & Patel, 2023; Baker et al., 2022). To overcome this challenge, firms must cultivate a corporate culture that prioritizes sustainability and integrates ESG principles into strategic decision-making processes (Jones et al., 2023; Sullivan & Mackenzie, 2024).

Moreover, integrating ESG considerations into business strategy requires a shift in how performance is measured and evaluated (Baker et al., 2022; Smith & Patel, 2023). Firms must develop metrics that reflect the true value of sustainability initiatives, moving beyond traditional financial indicators to encompass social and environmental relationships (Jones et al., 2023; Khan et al., 2022). This holistic approach to performance measurement can facilitate better decision-making and promote a culture of sustainability throughout the organization (Baker et al., 2022; Sullivan & Mackenzie, 2024).

### **2.3.5 Measuring Relationship**

Measuring the relationship of ESG initiatives remains a significant hurdle for many firms. The absence of standardized metrics complicates efforts to quantify the benefits of sustainability practices (Jones et al., 2023; Smith & Patel, 2023). Without robust tools for measuring ESG performance, firms may struggle to demonstrate the financial relationship of their initiatives, leading to skepticism among stakeholders regarding the value of these investments (Khan et al., 2022; Baker et al., 2022). This skepticism can deter potential investors and limit funding opportunities for sustainability projects (Smith & Patel, 2023; Sullivan & Mackenzie, 2024).

Furthermore, the difficulty in quantifying ESG relationships can hinder firms' ability to secure funding for sustainability projects (Jones et al., 2023; Baker et al., 2022). Investors are increasingly interested in the financial implications of ESG initiatives; thus, a lack of clear metrics can make it challenging to attract capital (Smith & Patel, 2023; Khan et al., 2022). Developing a framework for measuring ESG relationship that aligns with industry standards is essential for firms to effectively demonstrate the value of their sustainability efforts (Jones et al., 2023; Sullivan & Mackenzie, 2024).

Additionally, firms must navigate the complex interplay between qualitative and quantitative measures of ESG performance (Baker et al., 2022; Smith & Patel, 2023). While quantitative metrics can provide concrete data, qualitative assessments are equally important for capturing the nuances of ESG initiatives (Jones et al., 2023; Khan et al., 2022). Striking the right balance between these approaches is crucial for providing a comprehensive view of ESG performance and its relationship on overall business success (Baker et al., 2022; Sullivan & Mackenzie, 2024).

### **2.3.6 Resource Allocation**

Resource allocation poses another critical challenge in implementing ESG initiatives. Many firms, particularly those in developing markets, face constraints in financial and human resources dedicated to ESG strategies (Smith & Patel, 2023; Jones et al., 2023). Limited resources can restrict a firm's ability to invest in necessary technologies, training, and infrastructure needed for effective ESG implementation (Baker et al., 2022; Sullivan & Mackenzie, 2024). Consequently, inadequate resource allocation can lead to insufficient implementation of ESG initiatives, resulting in minimal relationship on sustainability goals.

Moreover, firms may resort to a checkbox approach to ESG compliance, engaging in minimal efforts to meet regulatory requirements without pursuing meaningful change (Baker et al., 2022; Smith & Patel, 2023). This superficial engagement can limit the potential benefits of ESG initiatives and hinder overall profitability (Jones et al., 2023; Khan et al., 2022). To counteract these challenges, firms must prioritize resource allocation for ESG initiatives, recognizing their long-term value and potential for driving sustainable growth (Smith & Patel, 2023; Sullivan & Mackenzie, 2024).

Additionally, effective resource allocation requires a strategic approach that aligns ESG initiatives with broader business objectives (Baker et al., 2022; Jones et al., 2023). Firms must assess their current resource capabilities and identify areas for improvement, ensuring that they allocate sufficient resources to support their sustainability efforts (Smith & Patel, 2023; Sullivan & Mackenzie, 2024). This alignment can facilitate more effective implementation of ESG initiatives and enhance their overall relationship on profitability (Khan et al., 2022; Baker et al., 2022).

### **2.3.7 Cultural Resistance**

Changing corporate culture to prioritize ESG values can be a daunting task for many organizations. Employees and management may resist changes that disrupt established practices or require new ways of thinking (Hahn et al., 2022; Smith & Patel, 2023). This resistance can manifest in various forms, including skepticism toward sustainability initiatives, reluctance to adopt new practices, and a general lack of enthusiasm for ESG-related changes (Bennett & James, 2023; Jones et al., 2023). Overcoming this cultural inertia is essential for the successful implementation of ESG initiatives.

To address cultural resistance, firms must foster an organizational culture that values sustainability and encourages employees to embrace ESG principles (Hahn et al., 2022; Baker et al., 2022). This can involve providing training and education on the importance of ESG initiatives, as well as creating incentives for employees to engage with sustainability efforts (Smith & Patel, 2023; Sullivan & Mackenzie, 2024). By cultivating a culture of sustainability, firms can empower employees to take ownership of ESG initiatives and contribute to their success (Jones et al., 2023; Khan et al., 2022).

Moreover, leadership plays a crucial role in driving cultural change within organizations (Bennett & James, 2023; Hahn et al., 2022). Leaders must demonstrate a genuine commitment to ESG values and lead by example, inspiring employees to align their actions with the organization's sustainability goals (Smith & Patel, 2023; Baker et al., 2022). Effective communication of the benefits of ESG initiatives and their alignment with the firm's overall mission can help to mitigate resistance and foster a more supportive environment for sustainability efforts (Khan et al., 2022; Sullivan & Mackenzie, 2024).

### **2.3.8 Lack of Expertise**

Many firms may lack in-house expertise in ESG areas, such as environmental science, social responsibility, or governance practices (Fries & Tschape, 2023; Smith & Patel, 2023). This gap in knowledge can lead to ineffective strategies and implementations, undermining the potential benefits of ESG initiatives (Jones et al., 2023; Baker et al., 2022). To address this challenge, firms must invest in building internal capacity and expertise in ESG areas to ensure effective implementation and compliance (Smith & Patel, 2023; Sullivan & Mackenzie, 2024).

Recruiting and retaining skilled professionals with ESG expertise can be a significant challenge, particularly in competitive labor markets (Fries & Tschape, 2023; Khan et al., 2022). Many firms may struggle to attract talent with the necessary skills and experience in sustainability practices, leading to a reliance on external consultants or advisors (Jones et al., 2023; Baker et al., 2022). While external expertise can be valuable, it may not always align with the firm's specific context and needs, potentially limiting the effectiveness of ESG initiatives (Smith & Patel, 2023; Sullivan & Mackenzie, 2024).

Additionally, firms must prioritize ongoing training and development for existing employees to enhance their understanding of ESG principles and best practices (Fries & Tschape, 2023; Baker et al., 2022). This investment in employee development can foster a culture of sustainability and empower staff to contribute meaningfully to ESG initiatives (Smith & Patel, 2023; Khan et al., 2022). By building internal expertise, firms can enhance their capacity to implement effective ESG strategies and achieve their sustainability goals (Jones et al., 2023; Sullivan & Mackenzie, 2024).

### **2.3.9 Market Pressure**

Competitive pressures can lead firms to engage in “greenwashing,” where they exaggerate or misrepresent their ESG efforts to appease stakeholders without making substantive changes (Delmas & Burbano, 2019; Smith & Patel, 2023). This practice can undermine the credibility of genuine sustainability initiatives and create distrust among stakeholders (Delmas & Burbano, 2019; Jones et al., 2023). As firms strive to maintain a positive public image in a competitive landscape, the temptation to engage in greenwashing can become a significant challenge to authentic ESG implementation (Baker et al., 2022; Sullivan & Mackenzie, 2024).

Moreover, market pressure to conform to ESG expectations can lead to a focus on superficial compliance rather than meaningful change (Delmas & Burbano, 2019; Smith & Patel, 2023). This reactive approach can hinder the development of innovative sustainability solutions and limit firms' ability to differentiate themselves in the marketplace (Jones et al., 2023; Baker et al., 2022). To counteract this challenge, firms must prioritize transparency and authenticity in their ESG efforts, demonstrating a genuine commitment to sustainability rather than merely responding to market pressures (Delmas & Burbano, 2019; Sullivan & Mackenzie, 2024).

Additionally, the growing demand for sustainable products and practices among consumers can create both opportunities and challenges for firms (Smith & Patel, 2023; Khan et al., 2022). While firms that genuinely invest in ESG initiatives can gain a competitive advantage, those that engage in greenwashing risk alienating customers who prioritize authenticity (Delmas & Burbano, 2019; Baker et al., 2022). Therefore, firms must navigate the delicate balance between responding to market pressures and maintaining a genuine commitment to sustainability (Jones et al., 2023; Sullivan & Mackenzie, 2024).

### **2.3.10 Supply Chain Complexity**

Ensuring that suppliers and partners adhere to Environmental, Social, and Governance (ESG) standards poses significant challenges, particularly in global supply chains. Companies often struggle to enforce compliance and monitor ESG practices across diverse geographical and regulatory landscapes (Chiarini, 2022; Smith & Patel, 2023). This complexity arises from the need to coordinate with multiple suppliers, each with their own practices, cultures, and levels of commitment to sustainability (Jones et al., 2023). As a result, firms may find it difficult to maintain a consistent approach to ESG compliance throughout their supply chains.

Moreover, the lack of transparency in supply chains can exacerbate these challenges. Many companies have limited visibility into the practices of their suppliers, making it hard to assess their adherence to ESG standards (Khan et al., 2022; Baker et al., 2022). This opacity can lead to reputational risks if suppliers engage in practices that conflict with the firm's ESG commitments (Chiarini, 2022; Sullivan & Mackenzie, 2024). Consequently, firms may face backlash from

consumers and stakeholders if they are perceived as complicit in unsustainable or unethical practices within their supply chains.

To address these challenges, firms must invest in robust monitoring and auditing systems that can track ESG compliance among suppliers (Smith & Patel, 2023; Jones et al., 2023). Implementing technology solutions, such as blockchain, can enhance transparency and accountability, allowing firms to verify the ESG practices of their suppliers more effectively (Khan et al., 2022; Baker et al., 2022). However, these technological solutions often require significant investment and expertise, which can be a barrier for smaller firms or those operating in resource-constrained environments (Chiarini, 2022; Sullivan & Mackenzie, 2024).

Additionally, fostering collaborative relationships with suppliers can help improve ESG compliance across the supply chain (Smith & Patel, 2023; Jones et al., 2023). By engaging suppliers in discussions about sustainability goals and providing support for their ESG initiatives, firms can create a more cohesive approach to sustainability that benefits all parties involved (Khan et al., 2022; Baker et al., 2022). This collaborative approach not only strengthens the supply chain but also enhances the overall credibility of the firm's ESG commitments.

### **2.3.11 Financial Constraints**

Implementing ESG initiatives often requires substantial upfront investment, which may not be feasible for all firms, particularly in economically challenging times (Smith & Patel, 2023; Baker et al., 2022). Many organizations face budgetary constraints that limit their ability to allocate resources towards sustainability efforts, leading to a reluctance to invest in ESG initiatives (Jones et al., 2023; Sullivan & Mackenzie, 2024). This financial pressure can result in firms prioritizing short-term profitability over long-term sustainability goals, undermining their commitment to ESG practices.

Moreover, the perception of ESG initiatives as cost centers rather than value drivers can further hinder investment (Khan et al., 2022; Smith & Patel, 2023). Firms may struggle to quantify the potential financial benefits of sustainability efforts, making it difficult to justify the initial expenditures to stakeholders (Baker et al., 2022; Sullivan & Mackenzie, 2024). This lack of clarity

can create a cycle where firms avoid investing in ESG initiatives due to perceived financial risks, ultimately limiting their ability to achieve meaningful sustainability outcomes.

Additionally, firms in developing markets may face even greater financial constraints when attempting to implement ESG initiatives (Smith & Patel, 2023; Jones et al., 2023). Limited access to capital and financial resources can restrict these organizations from adopting advanced technologies or practices that support sustainability (Khan et al., 2022; Baker et al., 2022). As a result, these firms may find themselves at a disadvantage compared to larger, resource-rich competitors that can more easily invest in ESG initiatives.

To overcome financial constraints, firms must develop innovative financing strategies that can support their sustainability efforts (Sullivan & Mackenzie, 2024; Jones et al., 2023). Exploring partnerships with investors who prioritize ESG criteria, or utilizing green financing options, can provide the necessary capital for implementing sustainable practices (Khan et al., 2022; Smith & Patel, 2023). By strategically aligning financial resources with sustainability goals, firms can enhance their capacity to adopt and sustain effective ESG initiatives.

### **2.3.12 Fragmented Regulations**

The absence of a unified regulatory framework across regions and industries can complicate compliance efforts for organizations (Sullivan & Mackenzie, 2024; Smith & Patel, 2023). Firms operating internationally often face the challenge of aligning their practices with diverse regulations, which can vary significantly in their requirements and enforcement mechanisms (Jones et al., 2023; Baker et al., 2022). This fragmentation can lead to increased administrative burdens and costs as firms attempt to navigate multiple regulatory environments.

Moreover, the lack of consistency in ESG regulations can create confusion among stakeholders, making it difficult for firms to communicate their sustainability efforts effectively (Khan et al., 2022; Sullivan & Mackenzie, 2024). Stakeholders may struggle to understand the firm's commitment to ESG principles if the underlying regulatory framework is unclear or inconsistent (Smith & Patel, 2023; Jones et al., 2023). This confusion can undermine stakeholder trust and engagement, further complicating the implementation of ESG initiatives.

Additionally, fragmented regulations can hinder firms' ability to develop cohesive ESG strategies that align with their overall business objectives (Baker et al., 2022; Sullivan & Mackenzie, 2024). Organizations may find themselves reacting to regulatory changes rather than proactively integrating ESG considerations into their business models, limiting their potential for innovation and long-term sustainability (Khan et al., 2022; Smith & Patel, 2023). This reactive approach can create inefficiencies and reduce the effectiveness of ESG initiatives.

To address the challenges posed by fragmented regulations, firms must invest in compliance management systems that can help them navigate the complexities of diverse regulatory environments (Sullivan & Mackenzie, 2024; Jones et al., 2023). Establishing dedicated teams to monitor regulatory changes and engage with policymakers can also enhance firms' ability to adapt to evolving requirements (Khan et al., 2022; Smith & Patel, 2023). By fostering a proactive compliance culture, organizations can better align their practices with ESG standards and enhance their overall sustainability performance.

### **2.3.13 Balancing Profitability and Responsibility**

Firms often grapple with the tension between pursuing profit and being socially responsible, particularly when it comes to ESG initiatives (Eccles et al., 2019; Smith & Patel, 2023). Decisions that prioritize ESG considerations can sometimes conflict with short-term profitability, leading to internal conflicts among stakeholders and decision-makers (Jones et al., 2023; Baker et al., 2022). This tension can create challenges for firms seeking to balance their financial objectives with their commitment to sustainability.

Moreover, the perception that ESG investments may not yield immediate financial returns can deter firms from prioritizing sustainability initiatives (Eccles et al., 2019; Sullivan & Mackenzie, 2024). Stakeholders may question the value of investing in ESG practices if they believe that these efforts will detract from short-term profitability (Smith & Patel, 2023; Khan et al., 2022). This skepticism can hinder the allocation of resources towards sustainability efforts, ultimately limiting the potential relationship of ESG initiatives.

Additionally, firms may face pressure from investors and shareholders to deliver consistent financial returns, which can complicate the integration of ESG considerations into decision-

making processes (Eccles et al., 2019; Baker et al., 2022). This pressure can lead to a short-term focus that prioritizes immediate financial gains over long-term sustainability goals (Smith & Patel, 2023; Jones et al., 2023). As a result, organizations may struggle to develop a cohesive strategy that aligns their financial objectives with their ESG commitments.

To address these challenges, firms must cultivate a corporate culture that recognizes the long-term value of sustainability investments (Eccles et al., 2019; Sullivan & Mackenzie, 2024). Aligning executive compensation and performance metrics with sustainability goals can help reinforce the importance of ESG initiatives within the organization (Smith & Patel, 2023; Baker et al., 2022). By fostering a mindset that prioritizes both profitability and responsibility, firms can enhance their ability to navigate the complexities of ESG implementation and drive meaningful change.

### **2.3.14 Technological Challenges**

Implementing new technologies for data collection and analysis related to ESG initiatives can be resource-intensive and require significant investment in training and infrastructure (Fries & Tschape, 2023; Smith & Patel, 2023). Many organizations may lack the necessary technological capabilities to effectively gather and analyze ESG data, which can hinder their ability to monitor and report on sustainability efforts (Jones et al., 2023; Baker et al., 2022). This technological gap can create barriers to effective ESG implementation and limit the potential benefits of sustainability initiatives.

Moreover, the rapid pace of technological change can create challenges for firms attempting to keep up with emerging tools and solutions (Fries & Tschape, 2023; Sullivan & Mackenzie, 2024). As new technologies are developed, organizations may struggle to adapt their existing systems and processes to incorporate these innovations, leading to inefficiencies and missed opportunities (Smith & Patel, 2023; Khan et al., 2022). This difficulty in adapting to technological advancements can hinder firms' ability to leverage data for informed decision-making regarding ESG initiatives.

Additionally, the integration of new technologies into existing workflows may encounter resistance from employees who are accustomed to traditional practices (Fries & Tschape, 2023; Baker et al., 2022). Training and change management efforts are essential to ensure that employees understand the benefits of new technologies and are equipped to utilize them effectively (Smith &

Patel, 2023; Jones et al., 2023). Without adequate support and training, firms may struggle to realize the full potential of technological investments in their ESG initiatives.

To overcome these technological challenges, firms must prioritize investments in training and development to build internal capacity for utilizing new technologies (Fries & Tschape, 2023; Sullivan & Mackenzie, 2024). Establishing partnerships with technology providers or consultants can also enhance firms' ability to implement effective data collection and analysis systems (Smith & Patel, 2023; Khan et al., 2022). By fostering a culture of innovation and continuous improvement, organizations can better navigate the complexities of technological implementation and enhance their overall ESG performance.

## **2.4 Strategies on how Environmental, Social and Governance (ESG) initiatives could be enhanced for better profitability.**

The growing emphasis on Environmental, Social, and Governance (ESG) factors has prompted organizations to integrate these principles into their core operations. A robust ESG strategy is not only essential for ethical considerations but also correlates positively with profitability. This literature review synthesizes recent scholarly recommendations on enhancing ESG initiatives to improve profitability.

### **2.4.1 Integration of ESG into Corporate Strategy**

One of the foremost strategies for leveraging ESG initiatives to enhance profitability is their integration into corporate strategy. Eccles et al. (2019) argue that firms aligning ESG goals with business strategies tend to achieve superior financial results. By embedding sustainability into their operational frameworks, companies can identify new growth opportunities, reduce costs, and mitigate risks associated with environmental and social issues (Hahn et al., 2022; Smith & Patel, 2023). This alignment not only enhances operational efficiency but also fosters innovation, leading to improved competitive advantage in the marketplace.

A strategic integration approach necessitates top management's commitment to championing ESG initiatives, ensuring they are prioritized at all organizational levels (Hahn et al., 2022; Baker et al., 2022). When leadership actively supports and communicates the importance of ESG, it creates a

culture that values sustainability and responsibility across the organization (Jones et al., 2023; Sullivan & Mackenzie, 2024). This cultural shift can lead to increased employee engagement and motivation, further contributing to the successful implementation of ESG initiatives.

Moreover, integrating ESG into corporate strategy allows firms to set measurable targets and track progress, facilitating accountability and transparency (Eccles et al., 2019; Smith & Patel, 2023). By establishing clear performance indicators related to ESG objectives, organizations can better assess their relationship and make informed decisions that align with their sustainability goals (Hahn et al., 2022; Khan et al., 2022). This data-driven approach not only enhances operational performance but also attracts socially conscious investors who prioritize transparency in corporate practices.

Finally, the integration of ESG into corporate strategy can drive long-term value creation, positioning firms for sustainable growth (Baker et al., 2022; Jones et al., 2023). As organizations increasingly recognize the financial benefits of ESG initiatives, they are more likely to invest in innovative solutions that enhance their sustainability efforts, ultimately leading to improved profitability (Sullivan & Mackenzie, 2024; Smith & Patel, 2023).

#### **2.4.2 Stakeholder Engagement and Communication**

Effective stakeholder engagement is crucial for the successful implementation of ESG initiatives. Bennett and James (2023) emphasize that organizations actively engaging with stakeholders including employees, customers, and investors can foster trust and enhance their reputational capital. By understanding stakeholder expectations and aligning ESG initiatives accordingly, firms can increase customer loyalty and potentially drive higher sales (Hahn et al., 2022; Smith & Patel, 2023). This engagement also allows companies to gather valuable feedback that can inform their sustainability strategies.

Moreover, transparent communication regarding ESG performance can attract socially conscious investors. (Friede, et al., 2015) found that companies disclosing ESG-related information tend to experience higher stock performance, as investors increasingly favor transparency and accountability in corporate practices (Khan, et al., 2022). This openness not only enhances investor

confidence but also positions firms as leaders in sustainability, further solidifying their market presence.

In addition, engaging stakeholders in meaningful dialogue can lead to collaborative initiatives that enhance ESG performance. By involving customers and communities in sustainability efforts, firms can co-create solutions that address pressing social and environmental issues (Bennett & James, 2023; Sullivan & Mackenzie, 2024). This collaborative approach not only strengthens relationships with stakeholders but also enhances the overall effectiveness of ESG initiatives.

Lastly, firms should leverage digital platforms to facilitate stakeholder engagement and communication (Hahn et al., 2022; Smith & Patel, 2023). Utilizing social media, webinars, and other online tools can help organizations reach a broader audience and foster a sense of community around their sustainability efforts. By actively engaging stakeholders through these channels, firms can build a strong support network that enhances their ESG initiatives and contributes to improved profitability.

### **2.4.3 Investment in Sustainable Technologies**

Investing in sustainable technologies is an effective strategy for enhancing ESG performance and financial returns. Chen et al. (2022) highlighted that firms investing in green technologies not only reduce their environmental footprint but also unlock new revenue streams. For instance, transitioning to renewable energy sources can lead to substantial cost savings over time, positively impacting the bottom line (Baker et al., 2022; Smith & Patel, 2023). This strategic investment not only aligns with sustainability goals but also enhances operational efficiency.

Moreover, embracing innovation in product development, such as eco-friendly products, can differentiate companies in competitive markets (Hahn et al., 2022; Jones et al., 2023). As consumers increasingly prioritize sustainability in their purchasing decisions, companies that offer environmentally friendly products can capture a growing segment of the market (Chen et al., 2022; Sullivan & Mackenzie, 2024). This differentiation can drive sales and improve market share, ultimately contributing to better profitability.

Additionally, investing in sustainable technologies can enhance a company's resilience to regulatory changes and market fluctuations (Baker et al., 2022; Smith & Patel, 2023). By proactively adopting green technologies, firms can mitigate risks associated with environmental regulations and shifting consumer preferences, positioning themselves as leaders in sustainability (Khan et al., 2022; Hahn et al., 2022). This forward-thinking approach not only enhances ESG performance but also secures a competitive advantage in the marketplace.

Finally, organizations should foster a culture of innovation that encourages employees to explore sustainable technologies and practices (Chen et al., 2022; Sullivan & Mackenzie, 2024). By providing resources and support for research and development in sustainability, firms can cultivate a workforce that is committed to advancing ESG initiatives and driving long-term profitability (Baker et al., 2022; Smith & Patel, 2023).

#### **2.4.4 Enhancing Supply Chain Sustainability**

Sustainability within the supply chain is critical for overall ESG performance. Chiarini (2022) emphasizes that firms should evaluate and improve the sustainability practices of their suppliers. By collaborating with suppliers to promote ethical practices and reduce environmental relationships, companies can mitigate risks associated with supply chain disruptions and enhance operational efficiency (Hahn et al., 2022; Smith & Patel, 2023). This collaborative approach not only strengthens supplier relationships but also contributes to the overall sustainability of the supply chain.

Furthermore, sustainable supply chain practices can lead to significant cost reductions through resource efficiency and waste minimization (Baker et al., 2022; Sullivan & Mackenzie, 2024). By implementing practices such as lean manufacturing and circular economy principles, firms can optimize their supply chain operations, resulting in lower operational costs and improved profitability (Chiarini, 2022; Khan et al., 2022). This focus on sustainability can also enhance brand reputation, attracting customers who prioritize ethical practices.

Additionally, companies that establish sustainable procurement policies often see long-term benefits that enhance both their ESG standing and profitability (Hahn et al., 2022; Smith & Patel, 2023). By sourcing materials from suppliers committed to sustainable practices, firms can reduce

their environmental relationship and demonstrate their commitment to corporate responsibility (Baker et al., 2022; Jones et al., 2023). This alignment with sustainability goals can enhance stakeholder trust and loyalty, leading to improved profitability.

Finally, enhancing supply chain sustainability requires continuous monitoring and assessment of supplier performance (Chiarini, 2022; Sullivan & Mackenzie, 2024). Organizations should implement robust evaluation frameworks to track supplier compliance with ESG standards, enabling them to identify areas for improvement and drive positive change throughout the supply chain (Khan et al., 2022; Smith & Patel, 2023). By fostering a culture of sustainability within the supply chain, firms can enhance their overall ESG performance and achieve better financial results.

#### **2.4.5 Creating a Strong Governance Framework**

Effective governance is foundational to successful ESG initiatives. Firms should develop clear governance structures that promote accountability and ethical decision-making (Aguilera et al., 2021; Smith & Patel, 2023). A strong governance framework ensures that ESG issues are addressed at the highest levels of management, leading to better alignment of ESG objectives with corporate goals (Baker et al., 2022; Jones et al., 2023). This alignment not only enhances the effectiveness of ESG initiatives but also boosts investor confidence in the organization's commitment to sustainability.

Moreover, establishing diverse boards that include members with ESG expertise can enhance a company's ability to navigate complex sustainability challenges (Aguilera et al., 2021; Sullivan & Mackenzie, 2024). Diverse perspectives foster innovative solutions and informed decision-making, ultimately improving the effectiveness of ESG initiatives (Smith & Patel, 2023; Khan et al., 2022). This diversity can also enhance the organization's reputation, attracting socially conscious investors and customers.

Additionally, firms should implement robust risk management processes to identify and address potential ESG-related risks (Baker et al., 2022; Jones et al., 2023). By proactively assessing and mitigating these risks, organizations can safeguard their profitability and ensure compliance with evolving regulatory requirements (Aguilera et al., 2021; Sullivan & Mackenzie, 2024). This

proactive approach not only protects the organization from potential liabilities but also enhances its overall resilience in the face of sustainability challenges.

Finally, fostering a culture of accountability and transparency within the governance framework is essential for building trust with stakeholders (Smith & Patel, 2023; Khan et al., 2022). By openly communicating ESG goals, progress, and challenges, firms can engage stakeholders and demonstrate their commitment to sustainability. This transparency can enhance the organization's reputation and ultimately lead to improved profitability as stakeholders recognize the value of responsible business practices.

#### **2.4.6 Adopting Innovative Financing Models**

Innovative financing models, such as green bonds and sustainability-linked loans, can facilitate ESG investments (Zeng et al., 2021; Smith & Patel, 2023). These financial instruments attract environmentally conscious investors, often leading to lower capital costs for firms (Baker et al., 2022; Sullivan & Mackenzie, 2024). By leveraging such models, organizations can finance their sustainability initiatives more effectively, translating into better profitability and enhanced ESG performance.

Moreover, adopting innovative financing models enables firms to diversify their funding sources and reduce reliance on traditional financing methods (Zeng et al., 2021; Khan et al., 2022). This diversification can enhance financial stability and provide organizations with the flexibility to pursue ambitious sustainability goals (Baker et al., 2022; Smith & Patel, 2023). By strategically aligning financing options with ESG objectives, firms can enhance their capacity to implement meaningful sustainability initiatives.

Additionally, companies should explore partnerships with financial institutions that prioritize ESG investments (Zeng et al., 2021; Sullivan & Mackenzie, 2024). Collaborating with banks and investors committed to sustainability can provide access to specialized funding opportunities and expertise, further supporting the implementation of ESG initiatives (Baker et al., 2022; Smith & Patel, 2023). These partnerships can also enhance the organization's credibility in the sustainability space, attracting additional investment and support.

Finally, organizations must communicate the benefits of innovative financing models to stakeholders, emphasizing their alignment with long-term sustainability goals (Khan et al., 2022; Zeng et al., 2021). By demonstrating the financial and environmental advantages of these models, firms can build trust with investors and stakeholders, ultimately enhancing their overall ESG performance and profitability.

#### **2.4.7 Leveraging Technology for ESG Performance**

Technological advancements play a pivotal role in enhancing ESG performance. Research by Luthra et al. (2020) pointed out that digital tools optimize resource management and improve data collection for ESG metrics. By adopting technologies like artificial intelligence (AI) and the Internet of Things (IoT), companies can monitor their environmental relationship in real-time and make data-driven decisions that enhance sustainability efforts (Fries & Tschape, 2023; Smith & Patel, 2023). This proactive approach can lead to cost savings and operational efficiencies, ultimately benefiting profitability.

Moreover, leveraging technology can facilitate better stakeholder engagement and communication regarding ESG initiatives (Luthra et al., 2020; Sullivan & Mackenzie, 2024). Digital platforms can enable organizations to share their sustainability efforts transparently and interactively, fostering trust and collaboration with stakeholders (Khan et al., 2022; Baker et al., 2022). This enhanced communication can also attract socially conscious investors who prioritize transparency in corporate practices.

Additionally, technology can streamline ESG reporting processes, making it easier for firms to track and disclose their performance (Fries & Tschape, 2023; Smith & Patel, 2023). Automated data collection and analysis can reduce the burden of manual reporting, allowing organizations to focus on strategic decision-making and continuous improvement (Luthra et al., 2020; Sullivan & Mackenzie, 2024). This efficiency can enhance the overall effectiveness of ESG initiatives and contribute to better profitability.

Finally, organizations should foster a culture of innovation that encourages employees to explore new technologies and solutions for enhancing ESG performance (Fries & Tschape, 2023; Baker et al., 2022). By investing in training and development, firms can empower their workforce to

leverage technology effectively, driving continuous improvement and long-term sustainability (Smith & Patel, 2023; Khan et al., 2022).

#### **2.4.8 Conducting Regular ESG Assessments**

Regular ESG assessments and audits are essential for organizations to identify areas for improvement and measure the effectiveness of their initiatives. Goyal et al. (2022) emphasize that continuous monitoring enables firms to adapt their strategies in response to changing market conditions and stakeholder expectations (Sullivan & Mackenzie, 2024; Smith & Patel, 2023). By implementing a framework for periodic reviews of their ESG performance, companies can ensure alignment with their goals and benchmarks.

Moreover, conducting regular assessments can enhance accountability within the organization (Goyal et al., 2022; Baker et al., 2022). By establishing clear performance metrics and regularly evaluating progress, firms can hold themselves accountable for their ESG commitments (Khan et al., 2022; Smith & Patel, 2023). This accountability can foster a culture of transparency and responsibility, further enhancing the effectiveness of ESG initiatives.

In addition, ESG assessments can provide valuable insights for decision-making and strategic planning (Goyal et al., 2022; Sullivan & Mackenzie, 2024). By analyzing data collected during assessments, organizations can identify trends, strengths, and weaknesses in their sustainability efforts, informing future initiatives and resource allocation (Baker et al., 2022; Smith & Patel, 2023). This data-driven approach can enhance the overall effectiveness of ESG strategies and contribute to improved profitability.

Finally, firms should engage stakeholders in the assessment process to gather diverse perspectives and feedback (Goyal et al., 2022; Khan et al., 2022). Involving stakeholders in evaluating ESG performance can strengthen relationships and foster collaboration, ultimately leading to more effective sustainability initiatives (Sullivan & Mackenzie, 2024; Smith & Patel, 2023). By prioritizing regular ESG assessments, organizations can enhance their commitment to sustainability and drive better profitability.

#### **2.4.9 Implementing Customer-Centric ESG Strategies**

Customer engagement is critical for the success of ESG initiatives. Firms that involve customers in sustainability efforts, such as through feedback mechanisms or collaborative projects, often see improved brand loyalty and sales (Naderi & Van Gorp, 2021; Smith & Patel, 2023). Engaging customers in ESG initiatives not only fosters a sense of community but also enhances the overall effectiveness of sustainability efforts (Baker et al., 2022; Sullivan & Mackenzie, 2024). This engagement can lead to increased customer satisfaction and retention, ultimately boosting profitability.

Moreover, implementing customer-centric ESG strategies allows firms to align their initiatives with consumer preferences and values (Naderi & Van Gorp, 2021; Khan et al., 2022). By understanding customer expectations regarding sustainability, organizations can tailor their products and services to meet these demands, enhancing their market appeal (Smith & Patel, 2023; Baker et al., 2022). This alignment can drive sales and improve brand reputation, contributing to better profitability.

In addition, firms should leverage digital platforms to engage customers in their ESG initiatives (Naderi & Van Gorp, 2021; Sullivan & Mackenzie, 2024). Utilizing social media, surveys, and interactive tools can facilitate meaningful dialogue with customers, allowing organizations to gather valuable feedback and insights (Khan et al., 2022; Smith & Patel, 2023). This proactive engagement can enhance customer loyalty and trust, ultimately benefiting the organization's bottom line.

Finally, companies should communicate their customer-centric ESG strategies effectively to stakeholders (Naderi & Van Gorp, 2021; Baker et al., 2022). By showcasing their commitment to sustainability and highlighting the positive relationship of customer engagement, firms can build trust and credibility with consumers and investors alike (Smith & Patel, 2023; Sullivan & Mackenzie, 2024). This transparency can enhance the organization's reputation and contribute to improved profitability.

#### **2.4.10 Engaging in Policy Advocacy**

Companies can enhance their ESG performance by actively engaging in policy advocacy related to sustainability issues. (Khan, et al., 2022) highlight that firms participating in shaping regulations and standards often find themselves at a competitive advantage. By influencing public policy, companies can create a favorable regulatory environment that supports their sustainability initiatives, leading to long-term financial benefits (Smith & Patel, 2023; Baker et al., 2022). This proactive engagement not only enhances the organization's reputation but also positions it as a leader in sustainability.

Moreover, engaging in policy advocacy allows firms to align their business objectives with broader societal goals (Khan et al., 2022; Sullivan & Mackenzie, 2024). By advocating for policies that promote sustainability, companies can contribute to systemic change while simultaneously benefiting from a more favorable regulatory landscape (Smith & Patel, 2023; Baker et al., 2022). This alignment can enhance the effectiveness of ESG initiatives and drive better profitability.

Additionally, firms should collaborate with industry associations and non-governmental organizations (NGOs) to amplify their advocacy efforts (Khan et al., 2022; Sullivan & Mackenzie, 2024). By joining forces with like-minded organizations, companies can leverage collective resources and expertise to influence policy outcomes more effectively (Smith & Patel, 2023; Baker et al., 2022). This collaborative approach can enhance the organization's credibility and strengthen its position in the sustainability space. Finally, companies must communicate their advocacy efforts transparently to stakeholders (Khan et al., 2022; Sullivan & Mackenzie, 2024).

### **2.5 Research Gaps in Literature**

Based on the literature review, several gaps in existing research have been identified as follows;

#### **2.5.1 Lack of longitudinal studies**

Most empirical studies on ESG and financial performance are cross-sectional, examining data from a single point in time. Longitudinal studies that track ESG practices and financial performance over an extended period are limited, particularly in the Zambian context. Such studies could provide valuable insights into the long-term relationships of ESG initiatives on financial outcomes. For example, the study conducted (Xie, et al., 2018) appears to be cross-sectional in nature,

providing insights into the relationship between ESG disclosure and corporate efficiency at a particular point in time. A longitudinal analysis could offer a more comprehensive understanding of how these variables evolve over time and whether there are dynamic effects or trends. For example, while the study conducted by (Shaikh, 2021) covers a period from 2010 to 2018, there might be a need for more longitudinal analysis to track the evolution of sustainability reporting practices and their relationship on firm performance over an even longer timeframe. This could provide deeper insights into the long-term effects of sustainability strategies. Another example is the study by (Velte, 2017) which covers a specific time frame (2010-2014) for companies listed on the German Prime Standard. A research gap could exist in examining how the relationship between ESG performance and financial performance evolves over time, especially considering any changes in regulations, market dynamics, or corporate strategies. The study conducted by (Chikuta, 2020) appears to be cross-sectional in nature, capturing a snapshot of the relationship between corporate governance and financial performance at a single point in time. Longitudinal studies tracking the changes in corporate governance practices and financial performance over time could provide insights into the dynamics of this relationship and how it evolves.

### **2.5.2 Lack of sector/industry-specific research**

Most existing studies examine ESG-financial performance relationships across multiple industries or focus on specific sectors like man or finance. However, there is a lack of research targeting industries with unique characteristics, such as the beverage manufacturing sector, where Zambian Breweries Plc operates. Industry-specific factors may influence the effectiveness and financial relationships of ESG practices, highlighting the need for more targeted research. The unique characteristics and challenges of the beverage manufacturing sector may influence the nature and effectiveness of ESG practices, necessitating sector-specific research. For example, a study conducted by (Agutu & Githira, 2023) focuses specifically on financial companies listed on the Nairobi Securities Exchange in Kenya. This narrow focus might limit the generalizability of the findings to other sectors or geographic regions. Another example is a study conducted by (Shaikh, 2021) which briefly touches upon differences in sustainability reporting practices across sectors, particularly in the energy and technology sectors. However, a more detailed sector-specific analysis could uncover nuances in the relationship between sustainability reporting and firm performance within each industry. The study by (Koroleva, et al., 2020) does not delve into the potential heterogeneity of the ESG-performance relationship across different industries or sectors.

Conducting sectoral analyses could reveal whether the observed association varies depending on industry characteristics. Further, the study carried out by (Khoury, et al., 2021) focuses on the industrials sector, exploring how the ESG-CFP relationship varies across different industry sectors could provide a more nuanced understanding. Investigating whether certain sectors exhibit stronger or weaker relationships between ESG and CFP could help inform sector-specific ESG investment strategies.

### **2.5.3 Lack of consideration for moderating and mediating factors**

The relationship between ESG practices and financial performance may be influenced by various moderating and mediating factors, such as firm size, industry characteristics, regulatory environments, and stakeholder pressures. Existing research has not fully explored the potential moderating and mediating effects of these factors, particularly in the Zambian context. For example, a study by (Amba, 2014) and many more others in the empirical literature reviewed do not provide any moderating and mediating variables. Amongst many, another example is a study by (Xie, et al., 2018) which did not explore potential moderating factors that influence the relationship between ESG activities and corporate financial performance, such as industry characteristics, firm size, or regulatory environment which provide valuable insights. The study conducted by (Koroleva, et al., 2020) focuses on the direct association between ESG factors and financial performance. The study by (Chikuta, 2020) which investigated the effect of corporate governance on the financial performance of state owned enterprises in zambia found a negative relationship of independent committees, board size, and board composition on financial performance, but did not explore potential mediating or moderating factors that could influence this relationship. Future research could investigate factors such as industry competition, regulatory environment, or organizational culture that may affect the relationship between corporate governance and financial performance. Exploring the mediating mechanisms through which ESG practices relationship performance, such as improved employee morale, enhanced reputation, or reduced risk exposure, could provide a more nuanced understanding of the relationship. Many other studies in the literature reviewed have this gap.

### **2.5.4 Limited scope of time-frame**

For example, the study conducted by (Agutu & Githira, 2023) extracts data from 2015 to 2021. However, the financial landscape and the relevance of ESG reporting may have evolved over time.

There might be a need to examine more recent data to capture any changes in the relationship between sustainability reporting and financial performance. Another example is a study conducted by (Trumpp & Guenther, 2015) which focuses on data from 2008 to 2012. Investigating more recent data could provide insights into how changes in environmental regulations, market dynamics, and corporate strategies have influenced the relationship between corporate environmental performance (CEP) and financial performance.

### **2.5.5 Limited consideration of stakeholder perception and behavior**

The majority of existing research examines the ESG-financial performance relationship from the firm's perspective, with limited consideration of stakeholder perspectives, such as those of employees, customers, or local communities. Incorporating stakeholder perspectives could provide valuable insights into the social and ethical dimensions of ESG practices and their potential relationships on financial outcomes. For example, although the study conducted by (Xie, et al., 2018) investigates the relationship between ESG initiatives and corporate financial performance (CFP), it does not explicitly address how stakeholders perceive or react to firms' sustainability efforts. Understanding how ESG disclosure influences stakeholders' perceptions, investment decisions, and engagement with firms could provide additional insights into the value of corporate sustainability initiatives. Many more studies in the literature reviewed have not addressed this aspect. Furthermore, while the study by (Velte, 2017) acknowledges the importance of stakeholder management, it has not explored how different stakeholders perceive and value ESG performance. Understanding the perspectives of investors, customers, employees, and other stakeholders could shed light on the broader implications of ESG initiatives on corporate performance and reputation.

### **2.5.6 Limited geographical scope**

Many existing studies are conducted in developed countries or specific regional contexts, which may limit the generalizability of findings to other geographic and cultural contexts. The unique institutional, regulatory, and socio-economic environments of African countries, including Zambia, may influence the relationship between ESG practices and financial performance, necessitating more context-specific research. For example, the study conducted by (Koroleva, et al., 2020) focuses specifically on Russian companies. Replicating the analysis in different geographical contexts could help determine the generalizability of the findings and identify

potential contextual factors influencing the ESG-performance relationship. Another study by (Danso, et al., 2019) focuses specifically on SMEs in Ghana. While this provides valuable insights into a specific context, there is a potential research gap in terms of generalizability to SMEs in other regions or countries. While there is a wealth of empirical studies exploring ESG practices globally, findings are mixed, and many studies emphasize developed markets, leaving a significant gap in research focused on emerging markets like Zambia. Specifically, the existing literature lacks comprehensive studies that empirically assess the direct impact of **Zambian Breweries'** ESG initiatives on its profitability. Although some local studies have examined broader environmental and social issues, they do not delve deeply into the specific ESG strategies implemented by **Zambian Breweries** and their measurable financial outcomes. Moreover, the literature indicates that the relationship between ESG initiatives and financial performance can be complex and context-dependent, often influenced by industry characteristics and local economic conditions (Xie et al., 2018; Dzomonda & Fatoki, 2020). However, there is limited exploration of how these dynamics play out specifically within the beverage manufacturing sector in Zambia.

### **2.5.7 Causality and endogeneity gaps**

The majority of existing studies are correlational in nature, making it difficult to establish causality between ESG practices and financial performance. It is possible that the relationship is endogenous, where better financial performance enables firms to invest more in ESG initiatives, rather than ESG practices driving financial outcomes. More rigorous research designs and analytical techniques, such as instrumental variables or longitudinal studies, are needed to address causality and endogeneity concerns. For example, the study by (Velte, 2017) finds a positive relationship of ESG performance on Return on Assets (ROA) but no relationship on Tobin's Q but does not delve into the underlying mechanisms driving these relationships. For example, establishing what specific aspects of governance performance contribute to financial performance, and establishing why environmental or social performance might have less relationship.

### **2.5.8 Theoretical fragmentation**

While various theoretical frameworks have been used to explain the ESG-financial performance relationship, such as stakeholder theory, resource-based view, resource dependency theory and legitimacy theory, there is a lack of a comprehensive and integrated theoretical perspective. A more cohesive and multi-disciplinary theoretical approach could provide a deeper understanding

of the underlying mechanisms and dynamics involved. For example, while the study conducted by (Trumpp & Guenther, 2015) identifies a 'too-little-of-a-good-thing' (TLGT) effect as a potential theoretical framework, it acknowledges the absence of a generally accepted theoretical framework in the field. Further exploration into alternative theoretical perspectives or the development of a comprehensive framework could contribute to a deeper understanding of the CEP-CFP relationship.

### **2.5.9 Other gaps in Literature**

Additionally, while the literature discusses the potential for ESG initiatives to yield long-term financial benefits, it often overlooks the initial challenges and costs associated with implementing these practices (Shaikh, 2021). This oversight is particularly relevant for *Zambian Breweries*, which may face unique obstacles in integrating ESG into its business strategy. The lack of empirical research examining these challenges within the *Zambian* context further underscores the need for this study to address how *Zambian Breweries* can effectively navigate these issues to enhance its financial performance through ESG initiatives.

Finally, there is a notable absence of studies that investigate the interplay between governance practices and ESG initiatives specifically in the *Zambian beverage industry*. While some research has been conducted on corporate governance in *Zambia*, its relationship with ESG initiatives and financial performance remains largely unexplored. This gap presents an opportunity for the current study to contribute valuable insights into how effective governance structures can support the successful implementation of ESG initiatives at *Zambian Breweries*, thereby influencing its financial outcomes.

In conclusion, despite these limitations and critiques, the existing literature provides a valuable foundation for further research and highlights the importance of assessing the relationship between ESG initiatives and financial performance in the *Zambian* context, with a specific focus on *Zambian Breweries Plc* which operates in the beverage manufacturing industry. Addressing the identified gaps and limitations can contribute to a deeper understanding of this relationship and inform businesses, policymakers, and stakeholders in their decision-making processes.

## **2.6 Lessons Learned from Empirical Literature**

The literature review provides several important lessons regarding the relationship between ESG initiatives and profitability, particularly for firms operating in emerging markets like Zambia. First, it is evident that the integration of ESG principles into corporate strategy is crucial for achieving sustainable profitability. Companies that align their ESG goals with business objectives tend to experience superior profitability, as they can identify new growth opportunities and mitigate risks associated with environmental and social issues (Eccles et al., 2019; Hahn et al., 2022). This lesson underscores the importance of *Zambian Breweries* embedding sustainability into its operational framework to drive long-term value creation.

Secondly, effective stakeholder engagement emerges as a critical component of successful ESG implementation. The literature indicates that organizations that actively engage with stakeholders including employees, customers, and investors can enhance their reputational capital and foster trust (Bennett & James, 2023). For *Zambian Breweries*, this means prioritizing transparent communication and collaboration with local communities and other stakeholders to build support for its ESG initiatives, which can ultimately lead to improved profitability.

Thirdly, the importance of investing in sustainable technologies is highlighted as a strategy for enhancing both ESG performance and financial returns. Firms that adopt green technologies not only reduce their environmental relationship but also unlock new revenue streams (Chen et al., 2022; Baker et al., 2022). For *Zambian Breweries*, embracing innovation in product development and operational processes can create a competitive advantage in the beverage market, aligning with consumer preferences for sustainability.

Furthermore, the literature emphasizes the need for robust governance frameworks to support effective ESG initiatives. Establishing clear governance structures that promote accountability and ethical decision-making is foundational to aligning ESG objectives with corporate goals (Aguilera et al., 2021). *Zambian Breweries* can benefit from fostering a culture of accountability and transparency within its governance practices, which can enhance stakeholder trust and ultimately lead to better profitability.

By learning from these insights, the company can strategically position itself to navigate the complexities of ESG implementation and drive meaningful change in its operations and ultimately, profitability.

## **2.7 Chapter Summary**

This chapter has critically reviewed existing literature related to Environmental, Social, and Governance (ESG) initiatives and their relationship with corporate profitability, mostly focusing on the manufacturing sector. The review begins by defining ESG and outlining its three core dimensions which are; environmental, social, and governance practices. It then examines various theoretical frameworks underpinning ESG practices, including stakeholder theory, agency theory, and resource-based view theory, which provide an understanding into how ESG initiatives contribute to a firm's competitive advantage and profitability. Empirical studies have been reviewed and analyzed to highlight global, regional and local perspectives on the relationship between ESG initiatives and profitability, measured through financial indicators such as Return on Assets (ROA). The literature reveals mixed findings, with some studies supporting a positive relationship, while others found neutral or even negative correlations, underscoring the need for more context-specific research. Additionally, the chapter explores the common challenges organizations face in implementing ESG initiatives, such as high costs, lack of expertise, and resistance to change. Lastly, the literature reviews strategies and best practices that have been proposed to enhance ESG implementation and improve a firm's profitability.

Overall, the literature review provides a solid foundation for understanding the key variables and guides the development of the research framework used in this study.

## **CHAPTER THREE - RESEARCH METHODOLOGY**

### **3.0 Introduction**

This chapter outlines the research methodology employed in the study titled "Assessing the Relationship between Environmental, Social, and Governance (ESG) Initiatives and the Profitability of a Beverage manufacturing Firm: A Case Study of Zambian Breweries." It provides a comprehensive overview of the methods applied in conducting the research, including justifications for the chosen methods. The aim is to effectively gather the necessary information to answer the research questions while ensuring the reliability and validity of the findings.

### **3.1 Research Philosophy**

For this study, a pragmatic research philosophy was adopted. Pragmatism emphasizes using the most effective methods to address the research problem and answer the research questions (Creswell & Creswell, 2018). This philosophical stance is particularly suitable given the multidisciplinary nature of ESG initiatives, which require an integration of various perspectives and methodologies. Pragmatism allows for flexibility in research design, enabling the researcher to utilize both quantitative and qualitative approaches. This is crucial for understanding the complex dynamics between ESG initiatives and profitability, as it permits the exploration of numerical data alongside rich qualitative insights. By adopting a pragmatic stance, the study can address both the measurable relationships of ESG initiatives and the subjective experiences of stakeholders involved in their implementation.

### **3.2 Research Approach**

The research employed a mixed-methods approach that combines qualitative and quantitative techniques. The qualitative component provided insights into the optimization of ESG practices and the challenges faced by employees. In contrast, the quantitative component involved collecting and analyzing numerical data to measure variables and test hypotheses related to ESG initiatives and their relationship on profitability. The study used mixed methods approach to effectively address its three (3) objectives. The quantitative method (regression analysis) was appropriate for assessing the relationship between ESG initiatives and profitability using numerical data. In contrast, the qualitative method (thematic analysis) provided broader knowledge into the

challenges of implementing ESG initiatives and strategies to enhance their implementation for improved profitability. Combining both methods allowed for triangulation which improved the credibility, depth and validity of the findings.

### **3.3 Research Design**

Kumar (2013) defines research design as a structured plan and strategy for investigating research questions. It outlines the procedural layout that enables the researcher to obtain accurate and valid answers. This study employed an explanatory sequential research design, as described by (Creswell & Creswell, 2018), which involves collecting and analysing quantitative data first, followed by qualitative data collection to further explain or interpret the initial quantitative results. This design is particularly suitable for research questions that seek to establish patterns or relationships and then explore the underlying reasons or mechanisms behind those findings.

In the first phase of the study, quantitative data were collected through structured questionnaires administered to employees of *Zambian Breweries Plc*, alongside secondary financial data drawn from the company's annual reports from 2021 to 2023. This phase aimed to examine the statistical relationship between ESG initiatives and profitability. In the second phase, qualitative data were gathered using semi-structured interviews with key informants at *Zambian Breweries Plc*. These interviews were designed to provide a deeper understanding of the quantitative findings, particularly regarding challenges faced during ESG implementation and the strategic factors to enhance ESG implementation for improved profitability.

The explanatory sequential design was advantageous for this study as it enabled a structured investigation of the relationship between ESG and profitability, where quantitative patterns could be tested and then meaningfully interpreted through a qualitative inquiry. This approach enhanced the study's validity by allowing the researcher to explore not only what the relationship is but also why it exists, grounded in both statistical evidence and stakeholder perspectives.

#### **3.3.1 Research design matrix**

*Table 3.1: Research design matrix*

<b>RESEARCH QUESTION</b>	<b>RESEARCH OBJECTIVE</b>	<b>SAMPLING TECHNIQUE</b>	<b>DATA COLLECTION TOOLS</b>	<b>DATA ANALYSIS</b>
What is the relationship between Environmental, Social, and Governance (ESG) initiatives and the profitability of Zambian Breweries?	To determine the relationship between ESG initiatives and the profitability of Zambian Breweries.	Simple Random Sampling	Structured Questionnaires Secondary Data	Descriptive and inferential statistics
What challenges does Zambian Breweries face in the implementation of its ESG initiatives?	To explore the challenges that Zambian Breweries experiences in implementing ESG initiatives.	Purposive Sampling	Questionnaires and interviews guides	Thematic analysis and descriptive statistics
What strategies can be used to enhance the implementation of ESG initiatives for improved profitability at Zambian Breweries?	To propose strategies of how ESG initiatives could be enhanced for better profitability of Zambian Breweries.	Purposive sampling	Questionnaires and interview guides	Thematic analysis and descriptive statistics

Source: Researcher’s Own, 2025

**3.4 Study Area or Site**

The study was conducted at Zambian Breweries Plc, specifically focusing on its Lusaka Plant, located in Lusaka, Zambia. Zambian Breweries PLC is the country’s largest brewing company and a subsidiary of AB InBev, a global leader in the brewing industry. The Lusaka Plant serves as the company’s principal hub and houses several key departments. This made it an ideal site for establishing the relationship between ESG initiatives and profitability, exploring the ESG implementation challenges and identifying strategies that enhance the implementation of ESG initiatives for improved financial performance. The choice of the Lusaka Plant was further

motivated by its accessibility, the presence of a diverse professional workforce and its active engagement in ESG related activities as documented in the company's annual reports. According to (Yin, 2018), selecting a single, information-rich case in a complex real-life context enables researchers to investigate phenomena in depth, especially when the boundaries between context and subject are not clear. While the study focusses on a single site, according to (Creswell & Creswell, 2018), the choice of a case or a single plant or company enables a deep contextual analysis that would be less feasible in a multi-site study. The focus on one well chosen case supports analytical generalization and statistical generalization (Yin, 2018). In this context, the findings drawn from the Lusaka Plant can be meaningfully extended to other industrial or manufacturing settings with similar operational, environmental and economic characteristics, particularly with Zambia or other emerging markets.

### **3.5 Target Population**

According to (Komb & Tromp, 2006), the target population refers to the group of individuals that the researcher is interested in studying. In this study, the target population consisted of 266 employees at Zambian Breweries. This was according to Zambian Breweries 2023 Annual Report (Zambian Breweries, 2023) that revealed 266 permanent employees at Zambian Breweries, Lusaka Plant. This full population of 266 employees was considered because it captured comprehensive and diverse knowledge on how ESG initiatives are operationalized within the organization. The target population included employees from various departments, such as Production/Operations (Plant Manager, Packaging Managers, Production Team Leaders, Quality Assurance Staff, etc.) Finance (Financial Analysts, Accountants, etc.), Procurement (Procurement Managers, Procurement Officers, etc.), Corporate Affairs (Corporate Affairs Director/Manager) and Human Resources (Human Resource Officers, Human Resource Business Partners, etc.), Safety, Health and Environment (Environmental Officers, Safety Officers, etc.). This diversity of participants was essential as it provided a comprehensive perspective on the implementation and relationship of ESG initiatives across different functions within the organization. Furthermore, including a wide range of employees ensured that various viewpoints, experiences, and insights were captured, contributing to a richer understanding of the research problem. The findings from this target population were relevant not only to Zambian Breweries but also to other beverage manufacturing firms in similar contexts. By focusing on a specific industry and geographical region, the study

aims to provide insights that can inform best practices in ESG implementation and its relationship with profitability.

### **3.6 Sampling Frame**

A sampling frame is a list of items or individuals forming a population from which a sample is drawn (Kothari, 2014). The sampling frame for this study comprised employees at Zambian Breweries and relevant stakeholders involved in ESG practices. The sampling frame included management personnel responsible for ESG initiatives, employees directly involved in sustainability efforts. This composition ensured that the study captured a diverse range of perspectives and experiences related to ESG practices. To ensure representativeness, the sampling frame was constructed to reflect the organizational structure and functional areas of Zambian Breweries. This facilitated a more accurate representation of the various stakeholders involved in ESG initiatives.

### **3.7 Sample Size**

Since preliminary investigations from the Zambian Breweries 2023 Annual Report (Zambian Breweries, 2023) reveal that there are 266 permanent employees at Zambian Breweries in Lusaka, Yamane (1967) formula was used to calculate the sample size to be used in the study;

$$n = \frac{N}{1 + N(e^2)}$$

Where;

- n signifies the sample size
- N signifies the population under study
- e signifies the margin error

$$n = \frac{266}{1 + 266(0.05)^2}$$

$$n = \frac{266}{1 + 266(0.0025)}$$

$$n = \frac{266}{1 + 0.665}$$

$$n = \frac{266}{1.665}$$

n= 159.7597

Therefore, this study comprised 160 participants for quantitative data collection.

Source of the Online Sample Calculator: Retrieved from <https://www.classgist.com/sample-size-calculator.aspx>

The sample size was evenly distributed among different departments to ensure that all perspectives were represented. This distribution helped to capture a wide range of insights related to ESG practices and their relationships with profitability.

To collect qualitative data, 10 (ten) key informants were selected using purposive sampling. The 10 (ten) key informants were selected based on their direct involvement and expertise in ESG related activities. They consisted of the Managing Director, Corporate Affairs Director, Plant Manager, Human Resources Director, Procurement Manager, Finance Director, Finance Manager, Health and Safety Manager, Environmental and, and the Quality Assurance Manager. This sample size was justified because qualitative interviews prioritize depth over breadth, aiming to obtain rich, detailed knowledge rather than generalize to the wider population (Patton, 2015). The principle of data saturation guided the selection of key informants for qualitative data collection. Data saturation occurs when additional data no longer reveals new themes (Guest, et al., 2012). In this study, qualitative data was collected from 10 (ten) key informants by interviews, and after the fifth interview, no significant new themes emerged, indicating that saturation had been reached. Therefore, expanding the sample size would not have substantially improved the findings.

### **3.8 Sampling Technique**

To select participants, simple random sampling technique was used to collect quantitative data and purposive sampling technique was used to collect qualitative data.

#### **3.8.1 Simple random sampling**

Simple random sampling is a method where every member of a population has an equal chance of being selected. Researchers randomly choose individuals from the entire population without

considering any specific characteristics or subgroups. This approach helps ensure that the sample is representative of the whole population, leading to more reliable results (Kumar, 2020).

In the study assessing the relationship of Environmental, Social, and Governance (ESG) initiatives on *Zambian Breweries'* profitability, simple random sampling was used to select employees as participants. By randomly selecting individuals from the entire employee pool, the study aimed to capture a diverse range of perspectives without focusing on specific departments, job roles, or experience levels. This method allowed for a broad understanding of how ESG initiatives relationship employees' views and experiences. Using simple random sampling enhances the reliability and validity of the findings by reducing potential bias. It provides a more accurate reflection of overall employee sentiments regarding ESG practices, which is essential for drawing meaningful conclusions about their influence on the company's profitability.

### **3.8.2 Purposive Sampling**

Purposive sampling was useful for this study as it allowed the researcher to focus on individuals who had direct experience with ESG initiatives. This technique is essential for gaining deep insights into the challenges and successes of implementing ESG practices within the organization (Saunders, et al., 2019). By targeting specific individuals, the study gathered rich qualitative data that may not be accessible through random sampling methods.

Participants were selected based on their roles and responsibilities related to ESG initiatives. Criteria may include job title, years of experience in sustainability practices, and involvement in financial assessments related to ESG activities. This targeted approach ensured that the data collected was relevant and informative, contributing to a comprehensive understanding of the research problem.

## **3.9 Instruments for Data Collection**

**3.9.1 Quantitative Data:** Structured questionnaires were designed to collect numerical data from employees. These questionnaires included Likert-scale items and multiple-choice questions to assess perceptions of ESG initiatives and their relationship with profitability, as well as the ESG implementation challenges and recommended strategies to enhance ESG implementation for

improved profitability. The structured format ensured consistency in responses, facilitating easier data analysis.

**3.9.2 Qualitative Data:** Interview guides were developed to facilitate interviews with key informants. The guides included open-ended questions to explore insights related to the implementation challenges of ESG initiatives as well as the recommended strategies on how to enhance ESG implementation for improved profitability. This format allowed for flexibility in responses, encouraging participants to share their experiences and perspectives in depth.

### **3.10 Procedure for Data Collection**

The qualitative data collection involved conducting interviews with 10 (ten) key informants, either physically or virtually, depending on their availability. Interviews were recorded with participant consent and subsequently transcribed for thematic analysis. During data collection, after the fifth interview, no new perspectives or themes emerged, suggesting that saturation had been achieved. The responses became repetitive, reinforcing existing patterns regarding the challenges faced during ESG implementation and the recommendations on strategies to enhance ESG implementation for improved profitability. This confirms that the selected sample size was appropriate for addressing the research objectives.

The quantitative data were collected through the distribution of structured questionnaires to the target participants, with follow-ups to ensure a high response rate. Secondary data from the company's annual reports was also used to collect quantitative data regarding the profitability (ROA) of *Zambian Breweries Plc* in the years 2021, 2022 and 2023. Financial statements in the respective years 2021, 2021 and 2023 were reviewed to collect data on the net profit/income and the total assets. The values for net profit/income and total assets were then used to calculate ROA as per the formula provided in table 1.1 (Operationalization of variables).

### **3.11 Pilot and Diagnostic Tests**

Before the main data collection, a pilot study was conducted to refine the data collection instruments. This pilot study involved a small sample of participants' representative of the target population. The pilot study aimed to assess the feasibility of the data collection instruments and procedures. Feedback was gathered to evaluate the clarity and effectiveness of the interview guides

and questionnaires. This step is crucial for identifying potential issues early in the research process, allowing for necessary adjustments before the main study.

### **3.12 Normality Test**

The quantitative data underwent normality testing using statistical tests (Shapiro-Wilk test and the Kolmogorov-Smirnov test) to determine if the data follows a normal distribution, which is essential for many parametric tests.

### **3.13 Reliability Test**

The reliability of the quantitative data was assessed using Cronbach's alpha (Cronbach, 1951) to measure the internal consistency of the items within the questionnaires. A Cronbach's alpha value of 0.7 or higher was considered acceptable for the study. For the qualitative data, external validation from the research supervisor was sought to ensure validity and reliability.

### **3.14 Validity Test**

The validity of the quantitative instruments was established through consultations with subject matter experts and a thorough literature review to ensure that the items accurately represent the constructs being measured. Content validity was assessed by ensuring that the questions cover all relevant aspects of ESG initiatives and profitability. Finally, a pilot study to test if participants interpreted the questions as intended was conducted.

For the qualitative data, external validation from the research supervisor was sought to ensure validity and reliability. Triangulation was also employed in this study to enhance the validity of the findings. This was done by combining qualitative data from key informants with questionnaire responses from the participants, the study cross-verified the information, ensuring a more comprehensive understanding of the challenges associated with implementing ESG initiatives as well as strategies to enhance the implementation of ESG initiatives for improved profitability at **Zambian Breweries Plc.**

### **3.15 Data Preparation and Analysis**

Qualitative data was prepared for analysis by ensuring accuracy, removing identifying information, and organizing the data for coding. Thematic analysis was employed to identify patterns or themes within the qualitative data collected from the key informants.

Quantitative data was prepared by cleaning and screening for errors, missing values, and outliers. Appropriate techniques, such as mean substitution or case deletion, was employed to handle missing data. The quantitative data was analyzed using descriptive statistics in SPSS, such as means, frequencies, and percentages, to summarize the characteristics of the sample and the variables being measured. Subsequently, the quantitative data was analyzed using multiple regression analysis in SPSS version 27 to establish the relationship between ESG initiatives and profitability. These analyses helped to determine the strength and significance of the associations identified in the study.

### **3.16 Chapter Summary**

This chapter outlines the methodology adopted to assess the relationship between ESG initiatives and the profitability of Zambian Breweries PLC. The study employs an explanatory sequential design, beginning with the collection and analysis of quantitative data, followed by qualitative data to help explain and elaborate on the quantitative findings. This design supports a deeper understanding of not only the statistical relationships between ESG initiatives and profitability but also the underlying challenges and strategies related to ESG implementation. The chapter details the use of structured questionnaires administered to a sample of 160 participants selected through simple random sampling across departments. The qualitative phase follows, utilizing purposive sampling to conduct interviews with 10 key informants who provide in-depth insights into ESG practices at the firm. For data analysis, multiple regression analysis is used to examine the relationship between ESG variables and profitability (measured by ROA), while thematic analysis is employed to interpret the qualitative responses. The findings from the qualitative phase are used to provide context and explanation for the results obtained in the quantitative phase.

Overall, this chapter presents a systematic and rigorous research approach that ensures the credibility, reliability, and depth of the study's finding

## CHAPTER FOUR - PRESENTATION OF FINDINGS

### 4.0 Introduction

This chapter presents the study findings, providing a comprehensive overview of the collected data. It begins with a detailed demographic profile of the participants, including critical variables such as gender, age, education level, and other relevant characteristics that contextualize the sample. Following the demographic information, the chapter systematically addresses each research objective, presenting findings related to the specific questions and hypotheses outlined in the study. Each section is structured to highlight key insights, use charts or tables for clarity, and include a narrative that interprets the results. This approach ensures that the findings are not only clearly communicated but also aligned with the overall aims of the research.

### 4.1 Response rate

*Table 4.1: Response rate*

	Frequency	Percentage
Returned questionnaires	146	91.25%
Unreturned questionnaires	14	8.75%
Total	160	100

The findings from the questionnaire reveal a high response rate, with 146 out of 160 distributed questionnaires returned, accounting for 91.25% of the total. This indicates that the majority of participants were engaged and took the time to complete the questionnaire. Conversely, only 14 questionnaires were not returned, representing 8.75% of the total, suggesting that the outreach or engagement strategies may have been effective in encouraging responses. Overall, the data highlight a strong completion rate, reflecting the participants' willingness to contribute feedback.

## 4.2 Demographic information

### 4.2.1 Gender of the participants

Table 4.2: Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	68	46.6	46.6	46.6
Male	78	53.4	53.4	100.0
Total	146	100.0	100.0	

The gender findings indicate that out of a total of 146 participants, there were 68 females, accounting for 46.6% of the sample, and 78 males, representing 53.4%. This reveals a slightly higher number of male participants compared to females. The percentages confirm that the distribution is relatively balanced but tilts more toward males. The valid percent reflects the same proportions, as there are no missing data points, with females comprising 46.6% and males 53.4%. The cumulative percent shows that females account for 46.6%, while males complete the total at 100%. The findings generally show that the data suggests a predominance of male participants in this sample.

### 4.2.2 Age of the participants

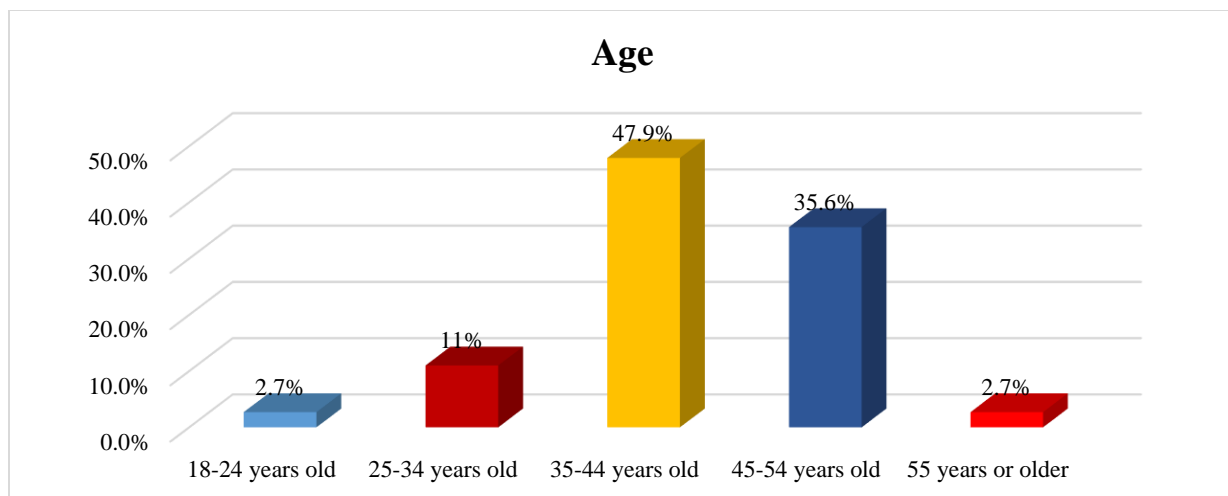


Figure 4.1: Participants' age groups.

The age distribution presented in the figure highlights that the majority of participants fall within the 35-44 years age group, comprising 47.9% of the total sample. This is followed by the 45-54 years age group, which accounts for 35.6%. In contrast, the younger age groups, specifically those aged 18-24 and 25-34, represent only 2.7% and 11%, respectively. Notably, participants aged 55 or older also make up 2.7% of the sample. These findings suggest that the study predominantly reflects the perspectives and experiences of middle-aged individuals, which may influence the outcomes and interpretations of the research. The implications are significant, as the results may not fully capture the viewpoints of younger populations, potentially limiting the generalizability of the findings. Understanding this age bias is crucial for future research, as it highlights the need for additional studies that include a more diverse age representation to better understand the nuances of the research topic across different life stages.

#### 4.2.3 Level of education of the participants

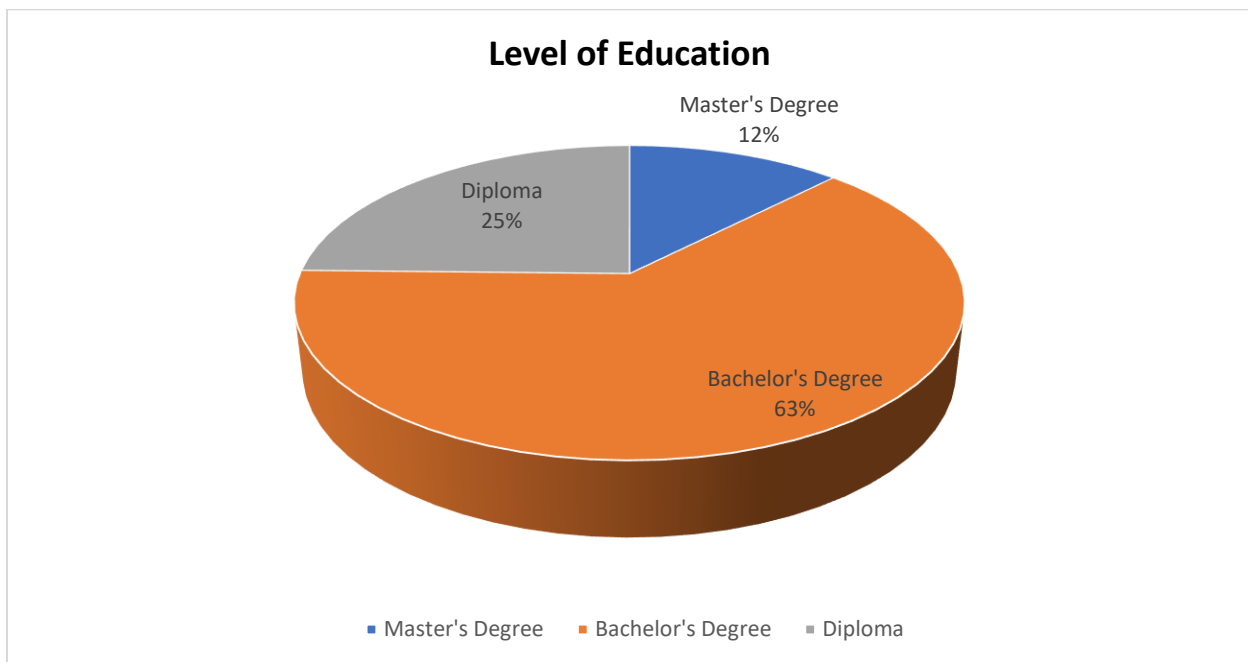


Figure 4.2: Participants' levels of education

The figure illustrating the highest level of education among participants reveals a nearly even split between those with Diplomas, Bachelor's degree and those holding a Master's degree. Specifically, 25% of participants have completed a Diploma, 63% have completed a Bachelor's Degree while 12% possess a Master's degree. This close distribution indicates that the sample includes a balanced representation of individuals at different educational levels, suggesting that the findings

may reflect diverse perspectives rooted in varying educational experiences. The implication of this balance is significant for the study, as it allows for a comprehensive analysis that can incorporate insights from both groups. The findings suggest that the data could provide valuable information on how educational attainment influences the topics being examined, ultimately enriching the research outcomes.

#### 4.2.4 Roles of the participants in the organization

*Table 4.3 Participants' roles in the organization*

	Frequency	Percent	Valid Percent	Cumulative Percent
Board of Directors/Executive Board	16	11	11	11
Middle Management	80	55	55	66
Upper Management	50	34	34	100.0
Total	146	100.0	100.0	

The findings regarding the role in the organization indicate a significant concentration of participants in upper management, with 34% (50 individuals) occupying this position. In contrast, middle management comprises 55% (80 participants), while only 11% (16 individuals) are members of the Board of Directors or Executive Board. This distribution suggests that the study primarily reflects the perspectives of individuals in middle management, highlighting their dominant presence in the sample. The implications of this concentration are noteworthy, as it may skew the findings toward the viewpoints and experiences of management, potentially overlooking the insights of those in lower positions. Consequently, the research may benefit from a broader representation of roles within the organization to ensure a more balanced and comprehensive understanding of the organizational dynamics being investigated.

#### 4.2.5 Number of years worked at Zambian breweries

*Table 4.4: Number of years worked at Zambian Breweries*

	Frequency	Percent	Valid Percent	Cumulative Percent

1-5 years	38	26.0	26.0	26.0
10 years and above	66	45.2	45.2	71.2
6-10 years	42	28.8	28.8	100.0
Total	146	100.0	100.0	

The findings on the number of years worked at **Zambian Breweries** reveal a diverse distribution among participants regarding their tenure. A significant portion, 45.2% (66 individuals), has worked at the organization for ten years or more, indicating a strong presence of experienced employees. This is followed by those in the 6-10 years category, making up 28.8% (42 participants), and those with a tenure of 1-5 years, comprising 26.0% (38 participants). Notably, the cumulative percentages indicate that a majority, 71.2%, of the sample have been with the company for six years or more. This trend of longer tenures suggests that **Zambian Breweries** retains a substantial number of seasoned employees, which could positively influence organizational knowledge and stability. However, the relatively smaller percentage of newer employees may indicate challenges in integrating fresh perspectives or innovative ideas into the workplace. These findings highlight the importance of considering both the experience of long-term employees and the potential need to foster an environment that attracts and retains newer talent for a balanced workforce.

**4.3 Inferential statistics**

**4.3.1 Objective 1: The relationship between Environmental, Social and Governance (ESG) initiatives and profitability at **Zambian Breweries Plc.****

**4.3.1.1 Model summary**

*Table 4.5: Model summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.406 <sup>a</sup>	0.165	0.147	1.687

a. Predictors: (Constant), environmental initiatives, social initiatives, governance initiatives

The values in the table indicate the model's ability to explain the variance in profitability based on environmental, social, and governance initiatives. The R value of 0.406 suggests a moderate positive correlation between the predictors and profitability. The R Square value of 0.165 implies that approximately 16.5% of the variability in profitability can be explained by the combined effects of the environmental, social, and governance initiatives. The Adjusted R Square value of 0.147 is slightly lower, reflecting the adjustment for the number of predictors in the model, which can indicate a reasonable fit but also suggests that a significant portion of the variance remains unexplained. The Std. Error of the Estimate of 1.687 indicates the average distance that the observed values fall from the regression line, denoting some level of prediction error inherent in the model.

#### 4.3.1.2 Analysis of Variances (ANOVA)

*Table 4.6: Analysis of Variances*

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	79.665	3	26.555	9.326	0.000 <sup>b</sup>
	Residual	404.335	142	2.847		
	Total	484.000	145			

a. Dependent Variable: Profitability; b. Predictors: (Constant), Environmental initiatives, Social initiatives, Governance initiatives

The results display the analysis of variance for the regression model. The Sum of Squares for Regression is 79.665, while the Residual Sum of Squares is 404.335, leading to a Total Sum of Squares of 484.000. The F-value of 9.326 with a significance level (p-value) of 0.000 indicates that the regression model is statistically significant. This means that the environmental, social, and governance initiatives combined provide a significant improvement in predicting profitability compared to a model without these predictors. The significant result suggests that at least one of the independent variables (initiatives) has a meaningful relationship on profitability.

#### 4.3.1.3 Regression coefficients

*Table 4.7: Regression coefficients*

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.393	0.909		1.532	0.128
	Environmental initiative	0.018	0.123	0.011	0.147	0.883
	Social initiative	0.722	0.157	0.362	4.590	0.000
	Governance initiative	0.271	0.146	0.144	1.861	0.065

a. Dependent Variable: Profitability

The coefficients reflect the individual contributions of each initiative toward predicting profitability. The constant (intercept) is 1.393, indicating the expected profitability when all independent variables are zero, although this scenario might not be realistic. The coefficient for Environmental Initiatives is 0.018, with a t-value of 0.147 and a significance level of 0.883, indicating that environmental initiatives do not significantly contribute to predicting profitability (as the p-value is much greater than 0.05). In contrast, Social Initiatives have a coefficient of 0.722, with a t-value of 4.590 and a significance level of 0.000. This finding strongly suggests that social initiatives significantly improve profitability, demonstrating the highest relationship among the three initiatives analyzed. Lastly, the coefficient for Governance Initiatives is 0.271, showing a t-value of 1.861 and a significance level of 0.065. While this indicates some positive influence on profitability, it is not statistically significant at the 0.05 level but could be considered suggestive of a possible relationship that warrants further investigation.

From the findings, it can be argued that the regression analysis indicates that while social initiatives play a critical role in enhancing profitability, environmental initiatives appear to have negligible effects. Governance initiatives present a potential positively significant relationship, but further scrutiny is necessary to ascertain their significance. These findings highlight the importance of prioritizing social initiatives in corporate strategies aiming to enhance profitability.

**4.4 Hypothesis testing**

*Table 4.8: Hypothesis testing*

Hypothesis	Coefficient (B)	p-value (Sig.)	Decision
H01	0.018	0.883	Fail to Reject Null Hypothesis
H02	0.722	0.000	Reject Null Hypothesis
H03	0.271	0.065	Fail to Reject Null Hypothesis (marginally)

**1. H01: Environmental initiatives do not have a strong positive and significant relationship with the profitability of a firm**

*Decision: Fail to Reject Null Hypothesis*

Explanation: The coefficient for environmental initiatives is 0.018 with a p-value of 0.883, which is significantly higher than the conventional alpha level of 0.05. This indicates that the environmental initiatives do not have a statistically significant positive relationship with the profitability of the firm.

**2. H02: Social initiatives do not have a strong positive and significant relationship with the profitability of a firm**

*Decision: Reject Null Hypothesis*

Explanation: The coefficient for social initiatives is 0.722 with a p-value of 0.000, which is well below the alpha level of 0.05. This strong statistical significance suggests that social initiatives do have a significant positive relationship with the profitability of the firm.

**3. H03: Governance initiatives do not have a strong positive and significant relationship with the profitability of a firm**

*Decision: Fail to Reject Null Hypothesis (marginally)*

Explanation: The coefficient for governance initiatives is 0.271 with a p-value of 0.065. While this p-value is above the 0.05 threshold, it is close enough to suggest a potential positive relationship. However, it does not meet the conventional threshold for statistical significance, indicating that further investigation may be warranted to confirm the relationship.

In conclusion, it can be argued that the analysis indicates that social initiatives significantly enhance profitability, while environmental initiatives do not show a significant positive relationship. Governance initiatives are on the verge of significance, suggesting that more research may be needed to fully understand their relationship.

#### 4.5 Reliability statistics

Table 4.9: Cronbach's Alpha

Reliability Statistics	
Cronbach's Alpha	N of Items
0.789	3

The reliability statistics for the study, as indicated by a Cronbach's Alpha of 0.789 for the three items assessed, demonstrates a strong internal consistency among the measures used to evaluate the Environmental, Social, and Governance (ESG) initiatives in relation to profitability. This value exceeds the commonly accepted threshold of 0.7, suggesting that the items are effectively capturing the underlying constructs of ESG initiatives. Such reliability enhances the credibility of the findings, indicating that the relationship between these initiatives and the profitability of Zambian Breweries is likely to be robust and meaningful. Consequently, the study's conclusions regarding the positive relationship of ESG initiatives on profitability can be considered more reliable and trustworthy, providing a solid foundation for further research and practical implications in the beverage manufacturing sector.

#### 4.6 Tests of normality

Table 4.10: Tests of normality (Environmental initiatives – profitability)

Tests of Normality							
	Environmental Initiative	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
		Statistic	Df	Sig.	Statistic	Df	Sig.
Profitability	Very Low Extent	.	4	.	.	4	.
	Low Extent	.	12	.	.	12	.
	Moderately Low Extent	0.417	12	0.000	0.608	12	0.000
	Slightly Low Extent	0.242	20	0.003	0.822	20	0.002

	Moderate Extent	0.370	52	0.00 0	0.706	52	0.00 0
	Slightly High Extent	0.443	14	0.00 0	0.576	14	0.00 0
	Moderately High Extent	0.335	20	0.00 0	0.641	20	0.00 0
	Slightly Very High Extent	.	6	.	.	6	.
	Moderately Very High Extent	.	6	.	.	6	.

a. Lilliefors Significance Correction

The results of the normality tests for the Environmental Initiative indicate significant deviations from normality across various extents of profitability. The Kolmogorov-Smirnov and Shapiro-Wilk tests yielded p-values of 0.000 for multiple categories, suggesting that the distribution of profitability data is not normally distributed. Specifically, the "Moderately Low Extent" and "Moderately High Extent" categories show strong evidence of non-normality, with statistics of 0.417 and 0.335, respectively. This non-normality may relationship the reliability of parametric tests and suggests that the relationship between environmental initiatives and profitability could be influenced by outliers or skewed data distributions. Therefore, non-parametric methods may be more appropriate for further analysis in this context.

Table 4.11: Tests of normality (Social initiatives – profitability)

Tests of Normality							
	Social Initiative	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
		Statistic	Df	Sig.	Statistic	Df	Sig.
Profitability	Low Extent	.	4	.	.	4	.
	Moderately Low Extent	.	4	.	.	4	.
	Slightly Low Extent	0.253	66	0.000	.845	66	0.00 0
	Moderate Extent	0.299	28	0.000	.762	28	0.00 0
	Slightly High Extent	0.270	28	0.000	.784	28	0.00 0
	Moderately High Extent	.	16	.	.	16	.

a. Lilliefors Significance Correction

For the Social Initiative, the normality tests also reveal significant departures from normality, particularly in the "Slightly Low Extent" and "Moderate Extent" categories, where the Kolmogorov-Smirnov statistics are 0.253 and 0.299, respectively, both yielding p-values of 0.000. The Shapiro-Wilk test corroborates these findings, with p-values below 0.05, indicating that the profitability data does not conform to a normal distribution. This suggests that the effects of social initiatives on profitability may be subject to variability that is not captured by traditional parametric analysis. As a result, researchers should consider alternative statistical approaches to accurately assess the relationship of social initiatives on profitability.

Table 4.12: Tests of normality (Governance initiatives – profitability)

Tests of Normality							
	Governance Initiative	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
		Statistic	Df	Sig.	Statistic	Df	Sig.
Profitability	Very Low Extent	0.462	16	0.000	0.546	16	0.000
	Low Extent	0.155	20	0.200*	0.896	20	0.035
	Moderately Low Extent	0.264	26	0.000	0.757	26	0.000
	Slightly Low Extent	0.452	36	0.000	0.562	36	0.000
	Moderate Extent	0.417	12	0.000	0.608	12	0.000
	Slightly High Extent	0.357	32	0.000	0.639	32	0.000
	Moderately High Extent	.	4	.	.	4	.

\*. This is a lower bound of the true significance; a. Lilliefors Significance Correction

The normality tests for the Governance Initiative present a mixed picture. While the "Very Low Extent," "Moderately Low Extent," and "Slightly Low Extent" categories show significant non-normality with p-values of 0.000, the "Low Extent" category presents a p-value of 0.200, indicating a potential normal distribution for that specific range. However, the Shapiro-Wilk test for the same category shows a p-value of 0.035, suggesting some level of deviation. Overall, the consistent non-normality in the majority of categories implies that the profitability data related to governance

initiatives may also be affected by skewness or outliers. This further emphasizes the importance of employing non-parametric methods to analyze the relationship between governance initiatives and profitability, as the assumptions of normality are not met in most cases.

**4.7 Extent to which ESG themes were implemented from 2021 to 2023**

**Environmental**

*Table 4.13: Extent of implementation of Environmental initiatives (2021-2023)*

Initiatives	VLE	LE	MLE	SLE	ME	SHE	MHE	SVHE	MVHE	VHE	Mean	Standard Deviation
To what extent do you think energy efficiency/conservation initiatives were from 2021 to 2023	0	1	2	4	32	40	38	20	8	1	6.60	1.38
To what extent do you think water conservation initiatives were implemented from 2021 to 2023	4	0	4	66	28	28	16	0	0	0	4.79	1.26
To what extent do you think carbon emission reduction initiatives were implemented from 2021 to 2023	16	20	26	36	12	32	0	0	0	4	3.90	1.91

The data indicates a generally positive perception of energy efficiency initiatives implemented from 2021 to 2023. The highest responses are noted for "Slightly High Extent" (40, mean: 6.38, SD: 1.38) and "Moderately High Extent" (38), suggesting a recognition of these initiatives' effectiveness. In contrast, water conservation initiatives show a pronounced tendency towards slight below average, especially in the "Slightly Low Extent" category (66, mean: 4.79, SD: 1.26), indicating a need for improvement as the mean score is below average and variability indicates difference in scores. However, carbon emission reduction initiatives reveal a more mixed response, particularly "Slightly Low Extent" category (36, mean: 3.06, SD: 1.77), suggesting room for improvement. While there are encouraging signs regarding energy efficiency, water conservation and carbon emission reduction strategies may need to be revisited to enhance their effectiveness.

**Social**

*Table 4.14: Extent of implementation of social initiatives (2021-2023)*

Initiatives	VLE	LE	MLE	SLE	ME	SHE	MHE	SVHE	MVHE	VHE	Mean	Standard Deviation
To what extent do you think employee training and initiatives were implemented from 2021 to 2023	0	0	4	16	8	16	44	12	46	0	7.52	1.76
To what extent do you think community engagement initiatives (e.g., Manja Pamodzi) were implemented from 2021 to 2023	0	4	16	34	16	20	44	4	4	4	5.69	1.82
To what extent do you think responsible marketing initiatives (e.g., smart drinking or responsible drinking campaigns) were implemented from 2021 to 2023	4	8	4	50	20	26	14	16	4	0	5.28	1.86

The results reflect a strong commitment to social initiatives over the same period. Particularly noteworthy are employee training and development initiatives, which received substantial support with 46 responses in the "Moderately Very High Extent" category (mean: 7.52, SD: 1.76), suggesting that participants perceive considerable progress. Community engagement initiatives show a positive trend, with significant agreement noted in the "Moderately High Extent" categories (44, mean: 5.28, SD: 1.82), indicating active involvement with the community. Responsible marketing initiatives reveal a more varied response, particularly in the "Slightly Low Extent" category (50, mean: 5.28, SD: 1.86), suggesting ongoing efforts to improve. However, there is also need for further clarity on their relationship. Overall, these social initiatives are viewed favorable, particularly regarding employee training and development.

**Governance**

*Table 4.15: Extent of implementation of Governance initiatives (2021-2023)*

Initiatives	VLE	LE	MLE	SLE	ME	SHE	MHE	SVHE	MVHE	VHE	Mean	Standard Deviation
To what extent do you think board diversity and inclusion initiatives	0	0	4	16	8	16	44	12	46	0	7.05	1.76

were implemented from 2021 to 2023												
To what extent do you think independent board committees were implemented from 2021 to 2023	18	4	20	24	24	40	8	4	4	0	4.21	1.93
To what extent do you think ethical business practices were implemented from 2021 to 2023	4	12	16	12	0	16	32	14	32	8	6.32	2.71

The governance initiatives table shows varied levels of implementation and perception. Board diversity and inclusion initiatives received strong support, especially with significant responses in the "Moderately High Extent" (44, mean: 7.05, SD: 1.76) and "Moderately Very High Extent" (46) categories. The effectiveness of independent board committees appears more challenging, with a considerable number indicating "Very Low Extent" to "Moderately Low Extent", (mean: 4.21, SD: 1.93), revealing potential concerns about governance structures. Meanwhile, ethical business practices enjoy a moderately positive perception, with significant agreement in the "Moderately High Extent (32)" and "Moderately Very High Extent" (32) categories, (mean: 6.32, SD: 2.71) yet still indicating a need for ongoing vigilance. This highlights areas of strength in governance, specifically in board diversity and inclusion as well as ethical business practices, while also pointing out challenges that require attention to enhance overall governance effectiveness

**4.7 Trend analysis on the extent of ESG implementation and the profitability of Zambian Breweries Plc (2021 – 2023)**

*Table 4.16: The Extent of implementation of ESG initiatives and profitability (2021-2023)*

Year	Total Assets	Total Income	ROA (%)	Environmental Initiatives	Social Initiatives	Governance Initiatives
2021	3,578,033	147,952	4.13	Low	Moderate	Low

2022	4,798,734	99,248	2.07	Moderate	Low	Moderate
2023	5,977,857	535,601	- 8.95	High	High	Moderate

This table illustrates the relationship between financial performance, as measured by Return on Assets (ROA), and the varying levels of Environmental, Social, and Governance (ESG) initiatives over the years for Zambian Breweries. Notably, the ROA shows a declining trend from 2021 to 2022, dropping from 4.13% to 2.07%. This decline coincides with moderate environmental initiatives and low social initiatives during this period. However, in 2023, there is a significant shift as the ROA turns negative at -8.95%, despite the company implementing high levels of environmental and social initiatives. This unexpected downturn in financial performance raises questions about the effectiveness of these initiatives in that year. The negative ROA in 2023 suggests that while robust ESG practices are generally associated with improved financial outcomes, other factors may have adversely affected the company's performance during that period. This pattern indicates that while effective ESG initiatives can enhance financial performance, they may not always guarantee positive results, particularly if external challenges or operational issues arise. Further investigation is needed to understand the underlying causes of the negative ROA despite strong ESG commitments.

**Environmental initiatives**

*Table 4.17: Environmental initiatives*

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation
The company effectively manages its waste to minimize environmental degradation.	4	22	12	50	58	3.74	1.12
The company actively implements resource conservation practices in its operations.	0	12	60	42	32	3.16	1.03

The company has initiatives in place to reduce pollution from its manufacturing processes.	0	36	40	54	16	2.44	1.33
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The company demonstrates a generally positive perception regarding its environmental initiatives, particularly in waste management and compliance with environmental regulations. A significant majority agree or strongly agree that the company effectively manages its waste to minimize environmental degradation (50 Agree, 58 Strongly Agree, mean: 3.74, SD: 1.12). However, there are concerns regarding the implementation of resource conservation practices, as a substantial portion of participants remain neutral (60 Neutral, mean: 3.16, SD: 1.03), indicating a potential need for improved communication or visibility around these efforts. Additionally, the company’s initiatives to reduce pollution from manufacturing processes received lower overall support (54 Agree, 16 Strongly Agree, mean: 2.44, SD: 1.33). These results suggest that while environmental initiatives positively affect perceptions of corporate social responsibility, there are areas requiring attention to enhance clarity and effectiveness.

**Social initiatives**

*Table 4.18: Social initiatives*

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation
The company actively engages with local communities to address their needs and concerns.	12	22	32	48	32	3.24	0.97
The company prioritizes employee welfare and satisfaction in its policies.	8	16	36	60	26	3.28	0.92
The company promotes diversity and inclusion within its workforce.	0	12	10	48	76	4.38	0.79

The company ensures a safe and healthy working environment for all employees.	6	8	20	82	30	3.58	0.84
The company contributes to social causes and charitable initiatives.	6	6	20	46	68	3.76	0.91

The social initiatives are generally perceived favorably, with substantial agreement on employee welfare and community engagement. Most participants reacted positively regarding the company’s engagement with local communities (48 Agree, 32 Strongly Agree, mean: 3.24, SD: 0.97) and employee welfare (60 Agree, 26 Strongly Agree, mean: 3.28, SD: 0.92), indicating strong alignment between the company’s policies and employee satisfaction. The promotion of diversity and inclusion within the workforce receives overwhelming support (48 Agree, 76 Strongly Agree, mean: 4.38, SD: 0.79), showcasing a strong commitment to inclusivity. Despite this positive outlook, there are notably high "Neutral" responses for community engagement and workforce initiatives, suggesting areas where further engagement and clarity may be necessary. Notably, these social initiatives significantly contribute to perceived employee and community relations.

**Governance initiatives**

*Table 4.19: Governance initiatives*

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation
The company operates with high ethical standards in its business practices.	0	28	20	66	32	3.76	0.97
The company maintains transparency in its financial reporting and governance practices.	0	0	42	88	16	4.10	0.64

The company has a diverse board that reflects different perspectives and experiences.	6	6	38	56	40	3.74	0.88
The company actively engages stakeholders in decision-making processes.	12	12	64	34	24	2.92	0.92
The company complies with all relevant laws and regulations governing its operations.	0	14	42	78	12	3.56	0.84

The governance initiatives reflect varying levels of confidence among participants. Transparency in financial reporting is viewed very positively, with a majority agreeing (88 Agree, mean: 4.10, SD: 0.64) that the company maintains strong practices in this area. There is also a favorable perception of the company’s ethical standards, with 66 participants agreeing that it operates ethically (mean: 3.76, SD: 0.97). However, there is ambivalence regarding stakeholder engagement, as evidenced by 64 participants expressing neutrality (mean: 2.92, SD: 0.92). While the diverse board is rated positively, with 56 participants agreeing (mean: 3.74, SD: 0.88), there remains room for improvement in enhancing stakeholder involvement in decision-making processes. Overall, these findings highlight strengths in governance practices, particularly in transparency and ethics, while indicating areas for further development.

**4.8 Objective 2: The challenges that Zambia Breweries Plc experiences in implementing Environmental, Social and Governance (ESG) initiatives.**

*Table 4.20: Challenges in implementing ESG Initiatives at Zambia Breweries Plc.*

Category	Challenge	Frequency	Percent
Environmental	Insufficient knowledge or expertise	56	38.4

	Limited access to sustainable materials	30	20.5
	Resistance from employees or management	16	11.0
	Resistance to change	44	30.1
Social	Difficulty measuring social relationship	12	8.2
	Inadequate stakeholder engagement	90	61.6
	Insufficient knowledge or expertise	40	27.4
	Resistance to change	4	2.7
Governance	Insufficient knowledge or expertise	32	21.9
	Regulatory compliance issues	62	42.5
	Resistance from employees or management	52	35.6

**Environmental Challenges**

The most significant challenge in implementing environmental initiatives is insufficient knowledge or expertise, cited by 56 participants (38.4%). This suggests that a lack of understanding or specialized skills regarding environmental practices may hinder the organization's ability to effectively execute initiatives. Another notable challenge is resistance to change, reported by 44 participants (30.1%) indicating that ingrained habits or organizational culture might resist new environmental practices. Additionally, limited access to sustainable materials affects 30 participants (20.5%), suggesting logistical or supply issues that prevent the integration of sustainable resources. Lastly, resistance from employees or management, while lower at 16 participants (11.0%), still highlights the necessity of fostering support from all levels of the organization for successful implementation. These challenges imply that addressing knowledge gaps and encouraging a culture more open to change could substantially enhance the effectiveness of environmental initiatives.

**Social Challenges**

In terms of social initiatives, the prevalent challenge is inadequate stakeholder engagement, identified by a striking 90 participants (61.6%). This underscores the importance of actively involving stakeholders in decision-making, as the lack of engagement can hinder the effectiveness

of social initiatives and diminish their relationship. Another concern is insufficient knowledge or expertise, reported by 40 participants (27.4%), which points to a need for greater understanding of social relationship assessment and stakeholder dynamics. The challenge of difficulty measuring social relationship is cited by 12 participants (8.2%), reflecting the complexities involved in quantifying the effectiveness of social initiatives. Finally, only 4 participants (2.7%) indicated resistance to change as a challenge, suggesting that while resistance exists, it may not be as significant as engagement deficiencies. Overall, these findings highlight the critical need for improved stakeholder engagement practices and methodologies to measure social relationship, thereby ensuring that social initiatives can be effectively implemented.

### **Governance Challenges**

The findings for governance initiatives reveal that regulatory compliance issues present a considerable challenge, indicated by 62 participants (42.5%). This concern emphasizes the complexities associated with navigating compliance requirements, which can be resource-intensive and may deter effective governance practices. Additionally, resistance from employees or management is also significant, as it was noted by 52 participants (35.6%). This suggests that overcoming organizational inertia and securing buy-in from stakeholders is essential for successful governance implementation. Moreover, insufficient knowledge or expertise is a challenge for 32 participants (21.9%), indicating a need for capacity building in governance practices. Together, these findings suggest that addressing regulatory compliance effectively and fostering a culture of support and understanding among employees could enhance the success of governance initiatives within the organization.

## **4.9 Thematic Analysis of the challenges in Implementing ESG Initiatives at Zambian Breweries Plc.**

Given the exploratory nature of the second objective of this study, thematic analysis was conducted on data collected from five (5) key informants with extensive experience in ESG implementation at Zambian Breweries Plc. While the sample size is small, these informants provide deep knowledge, complementing the broader quantitative findings from the larger questionnaire sample.

### **4.9.1 Knowledge and Expertise Gaps**

A prominent theme emerging from the data is insufficient knowledge or expertise, which impedes the effective implementation of ESG initiatives across all three categories. In the environmental sphere, 38.4% of participants cited this as a significant challenge. One key informant stated that, *"There is a clear need for specialized training; without it, our environmental strategies feel half-baked."* (KI-1). In the social context, 27.4% acknowledged a lack of understanding regarding social relationship assessment, emphasizing the need to strengthen capabilities: for instance, another key informant stated that, *"We don't fully grasp our social metrics, making it difficult to convey our relationship to stakeholders."*(KI-3). Similarly, in governance, 21.9% highlighted insufficient knowledge. One of the key informants stated that *"without a solid grasp of governance issues, we risk non-compliance and inefficiency."* (KI-5)

#### **4.9.2 Resistance to Change**

Resistance to change is another critical theme, particularly damaging as it can stall progress towards implementing necessary initiatives. In environmental efforts, 30.1% of participants expressed that change is often met with skepticism: One key informant stated that *"Many team members prefer the status quo; we need a shift in mindset to move forward."* (KI-2). In the social domain, although only 2.7% reported resistance, its presence still suggests that even minimal opposition can significantly relationship initiative adoption. In governance, 35.6% of participants highlighted similar sentiments. Related to these sentiments, one of the key informants stated that *"Executive buy-in is crucial; without it, new governance strategies falter."*(KI-1). This resistance underscores the necessity of cultivating a culture that embraces change and innovation.

#### **4.9.3 Stakeholder Engagement Deficiencies**

The lack of adequate stakeholder engagement emerges as a considerable hurdle, particularly in the social context, where 61.6% of participants noted it as a challenge. In line with this, one key informant lamented, *"We're not involving stakeholders early enough; their input is vital for the success of our social initiatives."* (KI-3). This sentiment reflects a broader recognition that effective engagement leads to more relationship outcomes. Addressing this issue is critical, as stakeholders often hold valuable insights and resources that can enhance initiative effectiveness.

#### **4.9.4 Access to Sustainable Resources**

Furthermore, the theme of limited access to sustainable materials is relevant in environmental initiatives, cited by 20.5% of participants. In line with this, one key informant stated that, "*Sourcing sustainable materials has been a logistical nightmare; we need more reliable suppliers.*" (KI-4). This limitation suggests systemic issues within supply chains that could obstruct the implementation of sustainable practices, highlighting the need for strategic partnerships and better resource management.

#### 4.9.5 Regulatory Compliance Challenges

Finally, regulatory compliance issues stand out in the governance category, with 42.5% of participants reflecting on the difficulties navigating complex compliance requirements. A key informant stated, "*Keeping up with regulatory changes is resource-intensive; we often feel overwhelmed.*" (KI-5). This concern illustrates the need for robust frameworks and support systems that can help organizations stay compliant while pursuing their ESG goals.

#### 4.10 Objective 3: Proposal of strategies on how Environmental, Social and Governance (ESG) initiatives could be enhanced for improved profitability of **Zambian Breweries Plc.**

*Table 4.21: Proposal of strategies to enhance ESG implementation for improved profitability at Zambian Breweries Plc.*

Category	Recommendation	Frequency	Percent
Environmental	Enhance staff training on environmental practices	62	42.5
	Improve waste management practices	28	19.2
	Increase investment in sustainable technologies	32	21.9
	Implement regular environmental audits	12	8.2
	Strengthen partnerships with environmental organizations	12	8.2
Social	Increase community engagement efforts	52	35.6
	Promote diversity and inclusion training	50	34.2

	Collaborate with other stakeholders and organizations	16	11.0
	Enhance employee welfare programs	16	11.0
	Improve health and safety standards	8	5.5
	Foster partnerships with local NGOs	4	2.7
Governance	Increase transparency in decision-making	56	38.4
	Strengthen ethical guidelines and practices	32	21.9
	Conduct deliberate training programs for Board Directors	28	19.2
	Enhance stakeholder engagement processes	8	5.5
	Implement regular governance reviews	8	5.5
	Diversify the board of directors	6	4.1

According to the findings in the table above, the following interpretations can be noted;

The most significant recommendation is to enhance staff training on environmental practices (42.5%). This indicates a strong belief that increasing knowledge and skills in this area will directly relationship implementation success. Other key recommendations include improving waste management practices (19.2%) and increasing investment in sustainable technologies (21.9%). Together, these recommendations demonstrate a desire for both operational improvements and strategic investments to bolster environmental initiatives.

For social initiatives, a focus on increasing community engagement efforts is paramount (35.6%) suggesting that actively connecting with communities can lead to better profitability. Additionally, promoting diversity and inclusion training (34.2%) reflects the importance placed on creating equitable workplaces. Collaborative efforts with stakeholders (11.0%) and enhancing employee welfare programs (11.0%,) are also recognized as valuable strategies.

In governance, increasing transparency in decision-making (38.4%) is highlighted as a critical recommendation, indicating that clarity and openness can lead to stronger governance frameworks and better performance outcomes. Furthermore, strengthening ethical guidelines (21.9%) and conducting training for board directors (19.2%) demonstrate the need for a solid ethical foundation and informed leadership to navigate governance challenges effectively.

#### **4.11 Thematic Analysis of the proposal of strategies for enhancing the implementation of ESG Initiatives for improved profitability at *Zambian Breweries Plc.***

##### **4.11.1 Continuous Staff Development and Training**

A central theme in the environmental recommendations is the importance of staff training, particularly in environmental practices, which garnered 42.5% of responses. In line with this finding, one key informant emphasized by stating; "*Enhancing our team's understanding of environmental issues is crucial; without proper training, our initiatives will lack coherence and effectiveness.*" (KI-1). This focus on education suggests that developing employees' expertise is regarded as foundational for successful implementation of environmental initiatives.

##### **4.11.2 Enhanced Community and Stakeholder Engagement**

In the social initiatives category, the emphasis on community engagement is a notable theme, with 35.6% advocating for increased efforts in this area. One participant highlighted, "Actively engaging with our community allows us to understand their needs better, ultimately driving our performance." This perspective underscores the belief that strong community ties can lead to improvements in profitability. The recommendation to promote diversity and inclusion training (34.2%) also reflects a commitment towards equitable workplace practices, with one key informant asserting, "*Creating a diverse workforce will not only bring different perspectives but also strengthen our brand image.*" (KI-3). On the same premise, another key informant stated "*Actively engaging with our community allows us to understand their needs better, ultimately driving our performance.*" (KI-4). The call for collaboration with other stakeholders (11.0%) and enhancing employee welfare programs (11.0%) indicates a holistic approach to social responsibility. A key informant stated, "*Our employees are our greatest asset; investing in their well-being directly translates to improved productivity and company performance.*"(KI-2)

### **4.11.3 Governance through Transparency and Ethics**

The governance recommendations reveal a clear trend towards transparency and ethical practices, with 38.4% advocating for increased transparency in decision-making processes. A key informant articulated, *"When decisions are made transparently, it builds trust among employees and stakeholders, leading to more robust governance."* (KI-5). This focus on transparency is essential for building a trustworthy environment that fosters collaboration and integrity. Strengthening ethical guidelines (21.9%) and conducting deliberate training programs for board directors (19.2%) further emphasizes the necessity of solid ethical foundations for governance. As one key informant pointed out, *"Ethical leadership is paramount; without it, our governance structures lack credibility."* (KI-1) Additionally, the need to enhance stakeholder engagement processes (5.5%) and implement regular governance reviews (5.5%) indicates a recognition of the importance of ongoing dialogue and assessment in governance practices. A key informant summarized this sentiment by stating, *"Regular reviews of our governance practices will help us stay aligned with our goals and ethical commitments."*(KI-3).

### **4.11.4 Increasing Investments in Sustainable Technology**

Complementary recommendations include increasing investments in sustainable technologies (21.9%). In tandem with this, key informants remarked on this stating, *"Investing in green technologies not only improves our practices but also presents us with a competitive edge in the market."* (KI-2).

## **4.12 Chapter Summary**

The chapter has presented the findings of the research according to the research objectives. This chapter has presented findings which provide a strong foundation for the discussion in the next chapter, which will interpret these results in relation to existing literature.

## **CHAPTER FIVE - DISCUSSION OF FINDINGS**

### **5.0 Introduction**

This chapter presents a comprehensive discussion of the findings from Chapter Four with a focus on assessing the relationship between ESG initiatives and the profitability of Zambia Breweries Plc, identifying challenges in the implementation of ESG, and proposing strategies to enhance ESG implementation for improved profitability. The data reveals critical insights into the obstacles encountered in executing these initiatives, underscoring the importance of knowledge, stakeholder engagement, and resistance to change. Additionally, the chapter explores various recommendations aimed at enhancing ESG practices to foster better profitability. By analyzing the findings, we aim to identify strategic pathways for Zambia Breweries to improve its operational effectiveness. This discussion not only reflects the current state of ESG initiatives but also sets the stage for future enhancements within the organization. Ultimately, the insights gleaned from this analysis can inform effective strategies for sustainable growth in the competitive beverage industry.

### **5.1 Objective 1: The relationship between ESG Initiatives and the Profitability of Zambia Breweries Plc**

#### **Model Summary Interpretation**

The model summary revealed an R value of 0.406, indicating a moderate positive relationship between ESG initiatives and profitability. The R-Square value of 0.165 suggests that 16.5% of the variation in profitability can be explained by ESG initiatives, implying that other factors beyond ESG also contribute significantly to profitability. The adjusted R-Square of 0.147 further refines this estimate, reinforcing the moderate explanatory power of the model.

#### **ANOVA (Analysis of Variances) results interpretation.**

The ANOVA analysis generated an F-value of 9.326 with a p-value of 0.000, indicating that the relationship between ESG initiatives and profitability is statistically significant. This suggests that ESG initiatives, when considered together, have a meaningful relationship with profitability. The

significant p-value confirms that the model provides a reliable basis for understanding how ESG initiatives relate to profitability.

### **Regression coefficients analysis Interpretation**

The regression analysis provided insights into the specific relationships between Environmental, Social, and Governance initiatives and profitability:

Environmental Initiatives recorded a Beta coefficient of 0.011 and a p-value of 0.883, indicating an extremely weak, positive but statistically insignificant relationship with profitability. This could be attributed to high implementation costs, longer return-on-investment periods, or the early-stage development of environmental policies at *Zambian Breweries Plc*.

Social Initiatives exhibited the strongest positive and statistically significant relationship with profitability, with a Beta coefficient of 0.362 and a p-value of 0.000. This finding suggests that companies that actively engage in social initiatives, such as employee training and development, responsible marketing, and community engagement, tend to experience better profitability.

Governance Initiatives had a Beta coefficient of 0.144 and a p-value of 0.065, indicating a moderate positive relationship with profitability, though not statistically significant at the 5% level. This suggests that strong governance structures may contribute to financial stability and investor confidence, though their impact on profitability is less direct.

### **Comparison with previous studies**

The findings of this study align with and diverge from existing literature on the relationship between ESG initiatives and profitability.

A study conducted by (Zahid, et al., 2022) established that ESG has a significantly negative effect on a firm's financial performance as measured by the return on assets (ROA), supporting the trade-off hypothesis in which investing in ESG activities increases the cost of business. The findings by (Zahid, et al., 2022) are inconsistent with the findings in this study on the relationship between ESG and profitability.

A study conducted by (Botchwey, et al., 2022) found that environmental initiatives and return on assets (ROA) as a measure of financial performance did not establish any significant positive relationship between the two variables. Similarly, in a study conducted by (Mwanza & Chinyonga, 2024) from Zambia, the findings indicated that there was a weak association between the dependent variable (ROA) and the independent variables (social and environmental sustainability). The findings by (Botchwey, et al., 2022) and (Mwanza & Chinyonga, 2024) on the relationship between environmental performance and profitability (ROA) are consistent with the findings in this study.

However, (Trumpp & Guenther, 2015), (Song, et al., 2017), (Shaikh, 2021), and (Khoury, et al., 2021) reported in their findings that environmental activities relate negatively on financial performance (ROA). Their findings are inconsistent with the findings in this study. It's evident that when companies decide to practice sustainability, they need to employ more financial resources in terms of non-monetary assets, which results in an increased amount of capital expenditure (CAPEX) and a considerable amount of operational overhead (Shaikh, 2021). During the initial fiscal years of sustainability practice, the undertaking's profitability shrinks due to increased overheads (Shaikh, 2021). In Greece, (Triantafyllidou, 2021) investigated the relationship between the ESG criterion and the financial performance of a company and found a negative correlation between the environmental pillar and financial performance. The findings by (Triantafyllidou, 2021) are inconsistent with the findings in this study.

Additionally, In Zambia, a study by (Mwanza & Chinyonga, 2024) concluded that there is an increase in environmental sustainability activities of listed companies which has a positive and significant effect on the firm value (ROA). The results in the study conducted by (Mwanza & Chinyonga, 2024) are inconsistent with the findings in this study.

In Kenya, (Agutu & Githira, 2023) investigated the relationship between sustainability reporting and financial performance of listed firms. The results in this study show that social sustainability reporting has a positive and significant influence on the financial performance of listed firms in Kenya. Further, (Agutu & Githira, 2023) pointed out that institutions should focus on social sustainability to improve financial performance through improved reputation and legitimacy, increased employee and customer's loyalty, and enhanced brand value. Similar to the findings of (Agutu & Githira, 2023), the results in a study conducted by (Botchwey, et al., 2022) indicate that

the social sustainability has a significant favorable influence on financial performance and firm value. The findings by (Agutu & Githira, 2023) and (Botchwey, et al., 2022) are consistent with the findings in this study.

However, In Greece, (Triantafyllidou, 2021) investigated the relationship between the ESG criterion and financial performance of a company and found no relation between the social pillar and financial performance. Similarly, in a study conducted by (Mwanza & Chinyonga, 2024) from Zambia, the findings indicated that there was a weak association between the dependent variable (ROA) and the independent variables (social sustainability). The findings by (Mwanza & Chinyonga, 2024) and (Triantafyllidou, 2021) are inconsistent with the findings in this study.

Additionally, in a study conducted by (Jordi, et al., 2018), the results suggest that corporate governance with its variables of interest (i.e., ownership dispersion, board members, and dividend) has no significant relationship with financial performance. This finding is in line with the findings in this study.

In Canada, (Kim & Li, 2021) studied the relationship of ESG practices in corporate finance and found that corporate governance has the most significant and positive influence on financial performance. These findings by (Kim & Li, 2021) is contrary to the findings in this study.

## **5.2 Objective 2: The challenges in Implementing ESG Initiatives at Zambian Breweries Plc**

The findings indicate that the most significant challenge in implementing environmental initiatives at Zambian Breweries is insufficient knowledge or expertise, cited by 56 participants (38.4%). This lack of specialized understanding can severely hinder the organization's ability to execute effective environmental strategies. Many employees may not be fully aware of best practices in sustainability, which can lead to poorly designed initiatives that fail to meet their objectives. Training programs focused on environmental management, sustainability practices, and regulatory compliance are crucial to bridging this knowledge gap. As noted by (Bennett & James, 2023), organizations that invest in employee education on environmental issues are more likely to achieve their sustainability goals.

In addition to knowledge deficits, resistance to change is a significant barrier, reported by 44 participants (30.1%). This resistance often stems from an ingrained organizational culture that

favors the status quo. Employees and management may be apprehensive about adopting new practices due to fear of the unknown or perceived threats to job security. (Atan, et al., 2018) emphasizes that cultural inertia can stall progress and that effective change management requires a concerted effort to shift mindsets. To address this, *Zambian Breweries* could implement change management strategies that involve clear communication about the benefits of environmental initiatives, showcasing successful case studies, and involving employees in the decision-making process to foster a sense of ownership.

Furthermore, limited access to sustainable materials is highlighted 30 participants (20.5%), indicating logistical challenges in sourcing sustainable resources. This issue may arise from a lack of reliable suppliers or higher costs associated with sustainable materials. The findings suggest that *Zambian Breweries* may need to collaborate with local suppliers or invest in developing sustainable supply chains to overcome this obstacle. (Trumpf & Guenther, 2015) highlight that organizations often face systemic issues within their supply chains that obstruct the implementation of sustainable practices. By establishing partnerships with suppliers committed to sustainability, *Zambian Breweries Plc* can enhance its ability to source eco-friendly materials and improve its overall environmental performance.

In the context of social initiatives, the most pressing challenge is inadequate stakeholder engagement, identified by 90 participants (61.6%). This finding underscores the critical importance of actively involving stakeholders in decision-making processes. Without their input, social initiatives may lack relevance and effectiveness, leading to diminished relationship. (Aguilera, et al., 2021) argue that stakeholder engagement is essential for ensuring that initiatives align with community needs and expectations. *Zambian Breweries* could benefit from developing structured engagement strategies, such as regular consultations with community members and stakeholders, to gather insights and promote collaboration.

Another notable concern is the insufficient knowledge or expertise regarding social relationship assessment, reported by 40 participants (27.4%). This gap indicates that employees may lack the skills necessary to measure and evaluate the effectiveness of social initiatives. Strengthening capabilities in social relationship assessment is crucial for accurately conveying the company's contributions to stakeholders. (Khoury, et al., 2021) highlight that organizations must establish

clear metrics to assess social performance effectively. By investing in training programs focused on social relationship measurement, *Zambian Breweries* can enhance its ability to communicate its social contributions and improve stakeholder relationships.

Additionally, the challenge of difficulty measuring social relationship (8.2%) reflects the complexities involved in quantifying the effectiveness of social initiatives. Many organizations struggle to establish clear metrics for success, which can lead to ambiguity in evaluating outcomes. This complexity can be compounded by the diverse nature of social initiatives, which may have both quantitative and qualitative relationships. Developing a comprehensive framework for measuring social relationship, as suggested by (Khoury, et al., 2021), can provide *Zambian Breweries* with the tools needed to assess its initiatives effectively. By implementing robust measurement methodologies, the company can better demonstrate its social value and enhance its reputation among stakeholders.

The governance challenges identified in the findings reveal that regulatory compliance issues present a considerable barrier, cited by 62 participants (42.5%). Navigating the complexities of compliance requirements can be resource-intensive and may detract from the organization's ability to focus on effective governance practices. Companies often face challenges in keeping up with changing regulations, which can lead to unintentional non-compliance and associated penalties. (Kim & Li, 2021) emphasize that organizations must develop robust compliance frameworks to ensure adherence to regulatory standards. *Zambian Breweries* could benefit from establishing dedicated compliance teams that monitor regulatory developments and ensure that all governance practices align with current requirements.

Moreover, resistance from employees or management is a significant challenge, reported by 52 participants (35.6%). This resistance can stem from a lack of understanding of governance practices and their importance to the organization's success. Engaging employees in discussions about governance and its implications for the company can help mitigate this resistance. (Eccles, et al., 2019) suggest that fostering a culture of transparency and accountability is essential for successful governance implementation. *Zambian Breweries* should prioritize communication and education around governance practices, emphasizing their role in enhancing organizational performance and stakeholder trust.

Furthermore, insufficient knowledge or expertise in governance practices, cited by 32 participants (21.9%), indicates a need for capacity building within the organization. Employees may lack the necessary skills to navigate governance challenges effectively, which can lead to inefficiencies and compliance risks. Investing in training programs focused on governance best practices can empower employees to take ownership of governance initiatives and contribute to the organization's overall success. By enhancing knowledge and expertise in governance, Zambian Breweries can improve its compliance efforts and strengthen its governance framework, ultimately leading to better profitability and stakeholder satisfaction.

A prominent theme emerging from the data is the lack of knowledge and expertise, which impedes the effective implementation of ESG initiatives across all categories. As three (3) key informants stated, *"There is a clear need for specialized training; without it, our environmental strategies feel half-baked."* (KI-1); *"Most employees do not fully understand ESG initiatives, making it difficult to implement them or integrate them into daily operations."* (KI-6); *"We struggle to find professionals with the right mix of sustainability knowledge to drive ESG initiatives."* (KI-10). This sentiment reflects findings from (Kotsantonis, et al., 2024), which indicate that organizations lacking expertise struggle to implement sustainable practices successfully. Addressing these gaps through targeted training programs can significantly enhance the effectiveness of ESG initiatives and ensure that employees are equipped to contribute meaningfully. Resistance to change is another critical theme, particularly damaging as it can stall progress toward implementing necessary initiatives. In environmental efforts, 30.1% of participants expressed that change is often met with skepticism: Three (3) of the key informants stated *"Many team members prefer the status quo; we need a shift in mindset to move forward."* (KI-2); *"Some long-serving employees resist new sustainability policies, preferring to stick to traditional ways of doing business."* (KI-7); *"People are used to old ways of doing things, and they don't see why ESG should be a priority now."* (KI-8). This resistance underscores the necessity of cultivating a culture that embraces change and innovation. (Eccles & Klimenko, 2023) emphasizes that effective change management requires a strategic approach to overcome resistance, such as involving employees in the change process and demonstrating the benefits of new practices.

The lack of adequate stakeholder engagement emerges as a considerable hurdle, particularly in the social context, where 61.6% of participants noted it as a challenge. Three (3) key informants lamented, *"We're not involving stakeholders early enough; their input is vital for the success of our social initiatives."* (KI-3); *"There is minimal communication with suppliers and customers about our ESG initiatives, making collaboration difficult."* (KI-9); *"Stakeholders are not actively involved in ESG discussions, so decisions are made without their inputs."* (KI-5). This sentiment reflects a broader recognition that effective stakeholder engagement leads to more meaningful outcomes. Addressing this issue is critical, as stakeholders often hold valuable insights and resources that can enhance initiative effectiveness. By prioritizing stakeholder engagement practices, *Zambian Breweries* can foster stronger relationships and improve the overall success of its social initiatives. Furthermore, the theme of limited access to sustainable materials is relevant in environmental initiatives, cited by 20.5% of participants. As one key informant pointed out, *"Sourcing sustainable materials has been a logistical nightmare; we need more reliable suppliers."* (KI-4); *"Finding reliable suppliers that provide sustainable raw materials is a major challenge."* (KI-1); *"Many sustainable alternatives are still in the early stages of development and not yet widely available for commercial use."* (KI-2). This limitation suggests systemic issues within supply chains that could obstruct the implementation of sustainable practices, highlighting the need for strategic partnerships and investment in sustainable sourcing. By addressing these supply chain challenges, *Zambian Breweries* can enhance its ability to implement effective environmental initiatives and contribute positively to sustainability goals.

Another prominent theme identified in the findings reveals that regulatory compliance issues present a considerable challenge in the implementation of ESG initiatives, cited by 62 participants (42.5%). Four key informants stated *"Keeping up with regulatory changes is resource-intensive; we often feel overwhelmed."* (KI-5); *"There is a lack of clear guidelines from regulatory bodies on how to implement and report ESG requirements effectively."* (KI-6; KI-3; KI-8). This limitation may lead to issues such as increased compliance costs, risk of penalties and reputational damage. This challenge suggests that *Zambian Breweries Plc* must strengthen its regulatory compliance framework, allocate more resources to ESG compliance and entrench systems to manage legal and environmental requirements.

In summary, Zambian Breweries Plc faces several challenges in implementing ESG initiatives, including insufficient knowledge and expertise, resistance to change, inadequate stakeholder engagement, and regulatory compliance issues. Addressing these challenges is essential for enhancing the effectiveness of ESG initiatives. By investing in training, fostering a culture of openness to change, improving stakeholder engagement practices, and navigating regulatory complexities, Zambian Breweries can strengthen its ESG initiatives and ultimately achieve better profitability and stakeholder satisfaction.

### **5.3 Objective 3: Proposal of strategies on how ESG Initiatives can be enhanced for improved profitability at Zambian Breweries Plc**

The findings reveal that the most significant recommendation for improving environmental initiatives is to enhance staff training on environmental practices, cited by 62 participants (42.5%). This underscores the belief that increasing knowledge and skills in this area will directly lead to successful implementation of ESG initiatives. A well-informed workforce can better grasp the importance of sustainability and the specific actions required to achieve it. As four (4) key informants noted, *"Enhancing our team's understanding of environmental issues is crucial; without proper training, our initiatives will lack coherence and effectiveness."* (KI-1); *"Conducting regular ESG training programs would help employees understand how sustainability impacts profitability."* (KI-7); *"Without on-going training programs, staff will struggle to keep up with evolving ESG regulations and best practices (KI-9); "We need more workshops and hands-on training to integrate ESG initiatives into daily operations effectively."* (KI-6). This highlights the need for systematic training programs that not only cover environmental regulations but also innovative practices in sustainability. Research by (Bennett & James, 2023) supports this notion, emphasizing that organizations that prioritize employee education in sustainability are more likely to achieve their environmental goals, and most likely leading to improved profitability.

In addition to training, the recommendation to improve waste management practices (19.2%) emphasizes operational efficiency and resource optimization. Effective waste management not only reduces environmental degradation but also can lead to significant cost savings. Implementing best practices in waste reduction, recycling, and resource recovery can enhance the company's sustainability profile while improving profitability. Studies by (Batae, et al., 2020) and (Susilawati,

et al., 2023) indicate that companies with robust waste management systems often see improved operational efficiencies and reduced costs. Moreover, increasing investment in sustainable technologies (21.9%) reflects a strategic approach to environmental initiatives. As five (5) key informants remarked, *"Investing in green technologies not only improves our practices but also presents us with a competitive edge in the market."* (KI-2; KI-7; KI-8; KI-9); *"The initial costs of adopting sustainable high technology are high, but the long-term benefits will be more than the short-term capital expenses."* (KI-6). This suggests that adopting advanced technologies can lead to operational efficiencies and position *Zambian Breweries* as a leader in sustainable practices within the industry. This coincides with the assertions by (Chen, et al., 2022) that firms investing in green technologies not only reduce their environmental footprint but also unlock new revenue streams. For instance, transitioning to renewable energy sources can lead to substantial cost savings over time, positively impacting the bottom line (Baker, et al., 2022) and (Smith & Patel, 2023).

Additionally, implementing regular environmental audits (8.2%) and strengthening partnerships with environmental organizations (8.2%) can further enhance the effectiveness of environmental initiatives. Regular audits provide a framework for assessing the effectiveness of current practices and identifying areas for improvement. Collaborating with environmental organizations can also provide valuable insights and resources, enabling *Zambian Breweries* to stay updated on best practices and innovations in sustainability. (Eccles, et al., 2019) emphasize that such collaborations can enhance a company's ability to implement effective environmental strategies. Together, these recommendations form a comprehensive strategy that empowers employees, optimizes operations, and fosters external collaborations to enhance environmental performance.

For social initiatives, the focus on increasing community engagement efforts is paramount, with 52 participants (35.6%) advocating for this approach. Actively connecting with communities allows *Zambian Breweries* to better understand their needs and expectations, ultimately driving performance. One key informant highlighted, *"Actively engaging with our community allows us to understand their needs better, ultimately driving our performance."* (KI-4); *"Stronger collaboration with local communities will help us align ESG initiatives with real societal needs."* (KI-8); *"We need more opens communication with stakeholders to ensure our ESG efforts are both*

*impactful and transparent.*" (KI-7). This statement underscores the belief that strong community ties can lead to improvements in profitability, as positive community relations can enhance brand loyalty and customer trust. Research by (Aguilera, et al., 2021) supports this perspective, demonstrating that organizations that engage actively with their communities tend to experience enhanced profitability.

The recommendation to promote diversity and inclusion training (34.2%) reflects a commitment to creating equitable workplace practices. A diverse workforce brings different perspectives, fostering innovation and creativity while strengthening the company's brand image. Three (3) key informants asserted, *"Creating a diverse workforce will not only bring different perspectives but also strengthen our brand image."* (KI-3); *"Employees from different backgrounds should have equal opportunities for leadership roles and career growth."* (KI-10); *"Inclusion and diversity efforts should be a continuous process, and not just a one-time effort."* (KI-2). This aligns with research indicating that diverse teams tend to outperform their peers in terms of profitability and problem-solving capabilities, as noted by (Khoury, et al., 2021). By investing in diversity and inclusion initiatives, *Zambian Breweries* can enhance its reputation and attract a broader customer base.

Additionally, collaborative efforts with stakeholders (11.0%) and enhancing employee welfare programs (11.0%) are recognized as valuable strategies. Collaboration with other organizations can amplify the relationship of social initiatives, while improving employee welfare directly correlates with productivity and morale. As key informant stated, *"Our employees are our greatest asset; investing in their well-being directly translates to improved productivity and company performance."* (KI-3; KI-4; KI-8; KI-7). This holistic approach to social responsibility not only enhances the company's image but also contributes to long-term financial sustainability, as pointed out by (Kotsantonis, et al., 2024), who emphasizes the importance of employee welfare in driving organizational success.

In the governance category, the recommendation to increase transparency in decision-making is highlighted as a critical step, with 56 participants (38.4%) supporting this approach. Transparency fosters trust among stakeholders and can lead to stronger governance frameworks. Clear communication regarding decisions and their rationale can mitigate risks and enhance

accountability. As one key informant noted, *"When stakeholders understand our decision-making processes, they are more likely to support our initiatives."* (KI-4); *"Clear communication about ESG goals and performance builds trust among stakeholders."* (KI-1); *"Accountability at all levels of management is key to ensuring that ESG initiatives are actioned."* (KI-5). This aligns with findings from (Eccles, et al., 2019), which emphasize the importance of transparency in building stakeholder trust and improving governance outcomes.

Furthermore, strengthening ethical guidelines and practices (21.9%) is essential for establishing a solid ethical foundation within the organization. A strong ethical framework not only guides decision-making but also enhances the company's reputation. Conducting deliberate training programs for Board Directors (19.2%) ensures that leadership is well-equipped to navigate governance challenges effectively. As a key informant pointed out, *"Informed leadership is crucial for steering the organization towards ethical and sustainable practices."*(KI-5; KI-1; KI-7; KI-9; KI-6). This training can empower directors to make decisions that align with both ethical standards and business objectives, reinforcing the findings of (Kim & Li, 2021), who highlight the importance of ethical leadership in fostering organizational integrity.

Lastly, enhancing stakeholder engagement processes (5.5%) and implementing regular governance reviews (5.5%) can further strengthen governance practices. Engaging stakeholders in governance discussions ensures that their voices are heard and their concerns addressed, fostering a sense of ownership and commitment. Regular governance reviews provide an opportunity to assess the effectiveness of governance practices and make necessary adjustments. By diversifying the board of directors (4.1%), Zambian Breweries can also bring in varied perspectives that enhance decision-making and reflect the diverse interests of stakeholders. Collectively, these governance recommendations create a robust framework that promotes ethical leadership and stakeholder engagement, ultimately contributing to better profitability.

A central theme in the environmental recommendations is the importance of staff training, particularly in environmental practices, which garnered 42.5% of responses. One key informant emphasized, *"Enhancing our team's understanding of environmental issues is crucial; without proper training, our initiatives will lack coherence and effectiveness."* (KI-1); *"Conducting regular ESG training programs would help employees understand how sustainability impacts*

*profitability." (KI-7); "Without on-going training programs, staff will struggle to keep up with evolving ESG regulations and best practices." (KI-9); "We need more workshops and hands-on training to integrate." (KI-6). ESG initiatives into daily operations effectively."* This focus on education suggests that developing employees' expertise is regarded as foundational for the successful implementation of environmental initiatives. Complementary recommendations include improving waste management practices (19.2%) and increasing investments in sustainable technologies (21.9%). Together, these insights highlight a clear strategy: empowering staff through education and investment can significantly bolster environmental outcomes, leading to improved operational efficiencies and reduced costs.

In the social initiatives category, the emphasis on community engagement is a notable theme, with 35.6% advocating for increased efforts in this area. One key informant highlighted, "Actively engaging with our community allows us to understand their needs better, ultimately driving our performance." This perspective underscores the belief that strong community ties can lead to improvements in profitability. The recommendation to promote diversity and inclusion training (34.2%) also reflects a commitment to equitable workplace practices, with one key informant asserting, "*Creating a diverse workforce will not only bring different perspectives but also strengthen our brand image." (KI-3); "Employees from different backgrounds should have equal opportunities for leadership roles and career growth." (KI-10); "Inclusion and diversity efforts should be a continuous process, and not just a one-time effort." (KI-2).* This holistic approach to social responsibility indicates that *Zambian Breweries* recognizes the intrinsic link between social initiatives and profitability, suggesting that investments in community relations and employee welfare yield substantial returns.

The governance recommendations reinforce the importance of transparency and ethical practices, with 38.4% supporting increased transparency in decision-making. One key informant noted, "*When stakeholders understand our decision-making processes, they are more likely to support our initiatives." (KI-4); "Clear communication about ESG goals and performance builds trust among stakeholders."; (KI-1); "Accountability at all levels of management is key to ensuring that ESG initiatives are actioned."; (KI-5).* This sentiment aligns with the belief that clarity and openness can lead to stronger governance frameworks and better performance outcomes.

Strengthening ethical guidelines (21.9%) and conducting training for board directors (19.2%) further highlight the need for a solid ethical foundation and informed leadership. By prioritizing ethical governance and stakeholder engagement, Zambian Breweries can enhance its reputation and drive financial success.

From the above, it can be noted that Zambian Breweries can enhance its ESG initiatives and improve profitability by focusing on staff training and development, community and stakeholder engagement, and governance transparency, diversity and inclusion, and increased investment in sustainable technology. By investing in these strategies, the company can create a sustainable framework that supports both operational efficiency and stakeholder trust. These strategic recommendations not only align with best practices in ESG implementation but also position Zambian Breweries for long-term financial success and resilience in an increasingly competitive market.

#### **5.4 Theoretical perspectives on findings**

The findings in this research support or contradict the following relevant theories;

##### **5.4.1 Agency Theory**

The positive relationship between governance initiatives and profitability supports agency theory, which emphasizes the role of governance in reducing conflicts between managers and shareholders. However, the weak positive relationship and the lack of a strong statistical significance between governance initiatives and profitability contradicts the agency theory's expectation that governance improvements should have a strong impact on profitability.

##### **5.4.2 Stakeholder Theory**

The strong and statistically significant relationship between social initiatives and profitability aligns with stakeholder theory, which argues that firms prioritizing stakeholder interests benefit financially. However, the weak relationship between environmental initiatives and profitability contrasts with this theory's assertion that sustainability efforts should yield financial benefits.

### **5.4.3 Resource-Based View (RBV) Theory**

The strong link between social initiatives and profitability supports RBV, which suggests that firms leveraging unique resources such as employee engagement and social responsibility gain a competitive advantage. However, the weak relationship between environmental initiatives and profitability challenges RBV's claim that sustainability can be a key strategic resource, possibly due to high costs and delayed financial returns in the initial years of investment.

### **5.5 Implications of the Findings**

The findings suggest that ESG initiatives collectively exhibit a moderately positive relationship with profitability, with social initiatives being the most strongly associated factor. This aligns with prior research indicating that companies prioritizing social responsibility tend to gain consumer trust, enhance brand reputation, and improve employee satisfaction, leading to better profitability.

The weak and positive relationship between environmental initiatives and profitability suggests that sustainability efforts may not yield immediate financial benefits but could contribute to long-term profitability and regulatory compliance. Governance initiatives, while moderately related to profitability, may require further improvements to strengthen their contribution. The results confirm that ESG initiatives have a positive relationship with profitability, with social initiatives showing the strongest association. Companies aiming to improve profitability should enhance their social responsibility programs while also refining governance structures and improving environmental sustainability strategies to strengthen their overall ESG framework.

### **5.6 Limitations and Future Research Areas**

Despite the significant findings, this study has several limitations that provide opportunities for future research;

#### **5.6.1 Limited Scope**

This study focused solely on *Zambian Breweries Plc*, which may limit the generalizability of the findings to other industries or regions. Future studies should consider a wider range of firms across different sectors such as banking, mining, education, etc.

### **5.6.2 Measurement of Profitability**

Profitability was assessed using return on assets (ROA) as the profitability metric. Future research should explore other profitability metrics such as return on equity (ROE), market value, etc.

### **5.6.3 Moderating and Mediating Variables not considered**

This study did not account for the role of moderating or mediating variables. Future research should incorporate variables such as firm size, regulatory environment, corporate reputation, and operational efficiency to better understand the relationship between ESG and profitability.

### **5.6.4 Exploration of more variables beyond ESG initiatives**

Future studies could explore additional variables influencing profitability beyond ESG initiatives to provide a more comprehensive understanding of corporate profitability drivers.

## **5.7 Chapter Summary**

This chapter discusses the key findings of the study in relation to the research objectives and existing literature. It interprets the results from both the quantitative and qualitative perspectives, highlighting how ESG initiatives relate to the profitability of *Zambian Breweries PLC*. The discussion confirms that certain ESG initiatives, particularly social initiatives demonstrate a strong positive and significant relationship with profitability, as measured by Return on Assets (ROA). Both environmental and governance initiatives show a weak positive relationship with profitability, aligning with mixed evidence in prior studies. The chapter further explores the challenges faced in implementing ESG initiatives, including limited resources, lack of awareness, and insufficient internal capacity. These findings are consistent with local, regional and international studies, reinforcing the complexity of ESG integration in manufacturing firms. Additionally, the chapter proposes practical strategies for enhancing ESG implementation, such as staff training, leadership involvement, and stronger regulatory support. By linking the findings to relevant theories such as the stakeholder theory, agency theory, and the resource-based view, the chapter demonstrates how ESG initiatives can serve as strategic assets when effectively managed.

Overall, the discussion provides a comprehensive interpretation of the results and establishes a solid foundation for the conclusions and recommendations presented in the final chapter

## CHAPTER SIX - CONCLUSIONS AND RECOMMENDATIONS

### 6.0 Introduction

Chapter Six serves as the final chapter of this study, providing a conclusive overview and essential recommendations based on the findings presented in the previous chapters. This chapter synthesizes the key aspects related to the implementation of Environmental, Social, and Governance (ESG) initiatives at Zambian Breweries, highlighting their significance for organizational profitability. In addition, it emphasizes the critical challenges faced during ESG implementation and the strategies proposed to enhance ESG implementation for improved profitability, underscoring the importance of alignment between ESG efforts and financial success. By integrating lessons learned throughout the research, this chapter aims to offer recommendations for Zambian Breweries and similar organizations seeking to enhance their ESG practices. Ultimately, it presents a roadmap for future directions and encourages ongoing commitment to sustainability in the beverage industry.

### 6.1 Conclusion

The study assessed the relationship between ESG initiatives and the profitability at Zambian Breweries Plc, focusing on three (3) key objectives: (1) Establishing the relationship between environmental , social and governance (ESG) initiatives and the profitability of Zambian Breweries Plc, (2) Exploring the challenges that Zambian Breweries experiences in implementing ESG initiatives and (3) Proposing strategies to enhance the implementation of ESG initiatives for improved profitability at Zambian Breweries Plc.

The findings provide valuable lessons on the role that ESG plays in enhancing profitability.

#### **Objective 1: Establishing the relationship between environmental, social and governance (ESG) initiatives and the profitability of Zambian Breweries Plc.**

The study found a moderate positive relationship ( $R=0.406$ ) between ESG initiatives and profitability indicating that ESG implementation contributes to profitability, although not as a dominant factor. However, when ESG was disaggregated, its relationship with profitability varied across the ESG components;

- Environmental Initiatives e.g., water conservation initiatives, carbon emission reduction initiatives, and energy efficiency initiatives showed a positive but weak relationship with profitability (Beta coefficient of 0.011 and a p-value of 0.883), possibly due to high initial investment costs and delayed financial returns. This result is in line with the findings and assertions by (Shaikh, 2021).
- Social Initiatives, particularly employee training and development, responsible marketing initiatives, and community engagements demonstrated the strongest positive and statistically significant relationship with profitability (Beta coefficient of 0.362 and a p-value of 0.000). This result supports prior research findings by (Agutu & Githira, 2023) and (Botchwey, et al., 2022).
- Governance initiatives e.g., board diversity and inclusion, ethical business practices and independent board committees indicated a moderately positive relationship with profitability (Beta coefficient of 0.144 and a p-value of 0.065) though not statistically significant. These findings are consistent with the findings by (Jordi, et al., 2018) but inconsistent with the findings by (Kim & Li, 2021).

These findings suggest that while ESG, in general, has a positive relationship with profitability, social initiatives play a more immediate role in profitability, whereas environmental and governance initiatives may require longer time horizons before yielding tangible financial returns.

## **Objective 2: Exploring the challenges that Zambian Breweries experiences in implementing ESG initiatives**

The study identified several challenges that Zambian Breweries faces in implementing ESG initiatives effectively;

- Insufficient knowledge or expertise: Findings suggest that there is a clear need for specialized trainings as a results of knowledge gaps. This goes in line with the findings by (Bennett & James, 2023) that organizations that invest in employee education on environmental issues are more likely to achieve their sustainability goals.
- Resistance to Change: The findings suggest that many team members prefer the status quo, without considering a shift in mindset to move forward and adopt ESG initiatives. (Atan, et al., 2018) emphasizes that cultural inertia can stall progress and that effective change management requires a concerted effort to shift mindsets.

- **Lack of Stakeholder Engagement:** From the findings, the most pressing challenge is inadequate stakeholder engagement. (Aguilera, et al., 2021) argue that stakeholder engagement is essential for ensuring that an organization’s efforts and initiatives align with community needs and expectations.
- **Limited Access to Sustainable Resources:** The findings suggest that sourcing sustainable materials is a challenge and that more reliable suppliers are needed. (Trumpp & Guenther, 2015) highlight that organizations often face systemic issues within their supply chains that obstruct the implementation of sustainable practices.
- **Regulatory Compliance Challenges:** The findings suggest that keeping up with regulatory changes is often a challenge. (Kim & Li, 2021) emphasize that organizations must develop robust compliance frameworks to ensure adherence to regulatory standards.

These challenges highlight the need for strategies that enhance ESG implementation for improved profitability at **Zambian Breweries Plc.**

**Objective 3: Proposing strategies for enhancing the implementation of ESG initiatives for improved profitability at Zambian Breweries Plc.**

- **Continuous Staff Development and Training:** The findings suggest that without proper training, ESG initiatives will lack coherence and effectiveness. “Bennett & James (2023) supports this notion, emphasizing that organizations that prioritize employee education in sustainability are more likely to achieve their environmental goals, and most likely leading to improved profitability.
- **Enhanced Community and Stakeholder Engagement:** The findings suggest that actively engaging with the community and stakeholders leads to understanding their needs better, ultimately driving our performance. Research by (Aguilera, et al., 2021) supports this perspective, demonstrating that organizations that engage actively with their communities tend to experience enhanced profitability.
- **Governance through Transparency and Ethics:** Findings suggest that when decisions are made transparently, it builds trust among employees and stakeholders, leading to more robust governance. This aligns with findings from (Eccles, et al., 2019), which emphasize the importance of transparency in building stakeholder trust and improving governance outcomes.

- **Increasing Investments in Sustainable Technology:** The findings suggest that investing in green technologies not only improves ESG practices but also presents the company with a competitive edge in the market. This coincides with the assertions by (Chen, et al., 2022) that firms investing in green technologies not only reduce their environmental footprint but also unlock new revenue streams.

Implementing these strategies will enable **Zambian Breweries Plc** and similar firms to maximize ESG's financial benefits while mitigating potential risks and challenges.

## **6.2 Recommendations**

With reference to the inferential analysis which found that social initiatives had a strong positive and significant relationship with profitability, while environmental and governance initiatives had a weak and insignificant relationship with profitability, the following are the recommendations made;

### **6.2.1 Environmental Recommendations**

1. **Strengthen Waste Management Practices:** Develop and implement best practices in waste reduction, recycling, and resource recovery. This will not only reduce environmental relationship but also optimize operational efficiency and yield cost savings.
2. **Enhance Staff Training on Environmental Practices:** **Zambian Breweries Plc** should implement regular training programs to educate employees on sustainable practices, waste management, and energy efficiency. This will foster a culture of environmental responsibility, leading to better implementation of sustainability initiatives and potential cost savings.
3. **Increase Investment in Sustainable Technologies:** Allocate resources towards adopting advanced technologies that promote sustainability. This strategic investment can enhance operational efficiencies and position **Zambian Breweries** as a leader in sustainable practices within the beverage industry.

4. **Implement Regular Environmental Audits:** Establish a framework for conducting regular audits to assess the effectiveness of environmental initiatives. This will help identify areas for improvement and ensure that the company remains aligned with best practices in sustainability.

### **6.2.2 Social Recommendations**

1. **Promote Diversity and Inclusion Initiatives:** Invest in training programs that focus on diversity and inclusion to create a more equitable workplace. A diverse workforce can foster innovation and strengthen the company's brand image.
2. **Enhance Staff Training and Development:** Implement systematic training programs focused on environmental management, sustainability practices, and social relationship assessment. By investing in employee education, **Zambian Breweries** can bridge the knowledge gap and empower staff to contribute effectively to ESG initiatives.
3. **Enhance Employee Welfare Programs:** Investing in employee well-being through competitive salaries, healthcare benefits, work-life balance initiatives, and mental health support will boost job satisfaction, productivity, and retention. A motivated workforce contributes to operational efficiency and improved financial performance.
4. **Increase Community Engagement Efforts:** Strengthening community involvement through social responsibility initiatives, partnerships, and outreach programs will enhance the company's reputation, build customer loyalty, and contribute to long-term profitability. Direct engagement with local communities can also provide valuable insights into social needs and opportunities for impactful ESG initiatives.

### **6.2.3 Governance Recommendations**

1. **Enhance Transparency and Ethical Governance Practices:** Prioritize transparency in decision-making and strengthen ethical guidelines within the organization. Conducting training for board directors and engaging employees in governance discussions can enhance organizational integrity and stakeholder trust.

2. Increase Transparency in Decision-Making: Strengthening governance through open communication, ethical leadership, and regular stakeholder updates will build investor confidence and trust. Transparent decision-making processes ensure accountability, reduce risks, and enhance the company's reputation in both financial and ESG performance.

3. Conduct deliberate training programs for board of directors: *Zambian Breweries Plc* should implement targeted training programs for its Board of Directors on ESG governance, ethical leadership, and sustainable business strategies. Equipping board members with ESG knowledge will enhance decision-making, ensure compliance with global sustainability standards, and strengthen corporate governance, ultimately improving long-term profitability and stakeholder trust.

### **6.3 Limitations and suggestions for future studies**

While this study provides clear perspectives into the relationship between ESG initiatives and profitability, certain limitations should be acknowledged. As discussed in the previous chapter, factors such as the study's focus on a single company (*Zambian Breweries Plc*) and the use of ROA as the primary financial metric for the dependent variable (profitability) may affect generalizability. Future research should expand the scope by assessing multiple firms, incorporating alternative profitability indicators, and conducting much longer longitudinal analyses to assess the relationship between ESG and profitability.

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## APPENDICES

### Appendix I: Timeline

S/N	Activity	Unit Cost	Units	Days	Amount
1	<i>Fieldwork</i>				
	Researcher	300	1	20	6000
	Ethical Clearance Fee	500	1	14	500
	Data Analysis	150	1	10	1500
2	<i>Stationary</i>				
	Reams of paper	350	3		1050
	Pens	6	5		30
	Pencils	1	3		3
	Photocopying	700	2		1400
	10% Contingency				1703.3
				<i>Total</i>	ZMW 12,186.30

### Appendix II: Budget

ACTIVITY	WEEK									
	1	2	3	4	5	6	7	8	9	10
Proposal development										
Proposal presentation										
Proposal feedback and correction										

Field Visits (Data Collection)										
Data Analysis										
Compilation of research report										
Finalizing the report										

### Appendix III: Instruments for Data Collection

#### Survey Questionnaire

ASSESSING THE RELATIONSHIP BETWEEN ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INITIATIVES AND THE PROFITABILITY OF A FIRM: A CASE OF ZAMBIAN BREWERIES PLC, LUSAKA PLANT.

Dear Respondent,

My name is Eddie Mwenya, I am a Master of Science student in Operations, Projects and Supply Chain Management at the University of Zambia, Graduate School of Business. I am now collecting data on my research titled “Assessing the relationship between Environmental, Social and Governance Initiatives (ESG) and the profitability of a firm: A case study of Zambian Breweries.”

This questionnaire is for the company employees.

It should take not more than 15 minutes of your time. Your response is of the utmost importance to me.

Please do not enter your name or your contact details on the questionnaire should you decide to participate in this survey. It remains anonymous. The information gathered was kept strictly confidential and will only be used for the research and not for any other reason.

Should you have any queries or comments regarding this survey, you are welcome to contact me or email me at [mwenyaeddie@gmail.com](mailto:mwenyaeddie@gmail.com)

PLEASE ANSWER THE QUESTIONNAIRE WITH ALL HONEST

Thank you in anticipation.

**SECTION A: DEMOGRAPHIC INFORMATION (TICK THE SELECTED ANSWER/OPTION)**

1. Gender:

- a) Male [ ]
- b) Female [ ]

2. Age:

- i. 18-24 years old [ ]
- ii. 25-34 years old [ ]
- iii. 35-44 years old [ ]
- iv. 45-54 years old [ ]
- v. 55 years or older [ ]

3. Highest level of education:

- a) Diploma [ ]
- b) Bachelor's degree [ ]
- c) Master's degree [ ]
- d) Doctorate degree [ ]

4. Role in the organization:

- a) Executive management [ ]
- b) Middle management [ ]
- c) Operational staff [ ]

5. Length of service at *Zambian Breweries Plc*:

- i. Less than 1 year [ ]
- ii. 1-5 years [ ]
- iii. 6-10 years [ ]
- iv. More than 10 years [ ]

## SECTION B: ESG INITIATIVES AND PROFITABILITY

6. In your opinion, on a scale of 1 to 10, where 1 means "Very Low Extent" and 10 means "Very High Extent" to what extent do you think the following ESG themes were implemented in each of the respective years 2021, 2022 and 2023

Pillars	Categories	Themes	RATING	
Environmental	Reducing Emissions	Emissions		
		Waste		
		Biodiversity		
		Environmental management systems		
	Innovation	Product innovation		
		Green revenues, R&D and Capital Expenditure		
		Resource use	Water	
			Energy	
		Sustainable packaging		
		Environmental supply chain		
Social	Community	Community engagements		
	Human rights	Human rights policies		
	Product responsibility	Responsible marketing		
		Product quality improvements		
		Data privacy		
	Workforce	Diversity and inclusion		
		Career development and training		
		Working Conditions		
		Health and Safety		
	Governance	CSR Strategy	CSR strategy	
ESG reporting and transparency				
Management		Structure (independence, diversity, committees)		
		Compensation		
Shareholders		Shareholder rights		
		Takeover defenses		

7. Use the Likert scale (Strongly, Disagree, Disagree, Neutral, Agree and Strongly Agree) to answer the following statements on the effects of ESG initiatives on profitability.

### A. Environmental Initiatives

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The company effectively manages its waste to minimize environmental degradation.					
The company actively implements resource conservation practices in its operations.					
The company has initiatives in place to reduce pollution from its manufacturing processes.					
The company adheres to all relevant environmental regulations and standards.					
The company sources materials sustainably to minimize environmental degradation.					

B. Social Initiatives

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The company actively engages with local communities to address their needs and concerns.					
The company prioritizes employee welfare and satisfaction in its policies.					
The company promotes diversity and inclusion within its workforce.					
The company ensures a safe and healthy working environment for all employees.					
The company contributes to social causes and charitable initiatives.					

C. Governance Initiatives

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

The company operates with high ethical standards in its business practices.					
The company maintains transparency in its financial reporting and governance practices.					
The company has a diverse board that reflects different perspectives and experiences.					
The company actively engages stakeholders in decision-making processes.					
The company complies with all relevant laws and regulations governing its operations.					

8. What are the main challenges your company experiences in implementing Environmental, Social, and Governance (ESG) initiatives? (Select all that apply)

- 1. Lack of financial resources
- 2. Insufficient knowledge or expertise
- 3. Regulatory compliance issues
- 4. Resistance from employees or management
- 5. Inadequate stakeholder engagement
- 6. Limited access to sustainable materials
- 7. Difficulty measuring ESG performance

9. What challenges does your company experience in implementing the following initiatives? (Select all that apply):

A. Environmental initiatives

- a) Lack of financial resources
- b) Insufficient knowledge or expertise
- c) Regulatory compliance issues
- d) Resistance from employees or management
- e) Limited access to sustainable materials
- f) Difficulty measuring environmental performance

B. Social Initiatives

- a) Lack of financial resources
- b) Insufficient knowledge or expertise

- c) Resistance from employees or management
- d) Inadequate stakeholder engagement
- e) Difficulty measuring social relationship

C. Governance Initiatives

- a) Lack of financial resources
- b) Insufficient knowledge or expertise
- c) Regulatory compliance issues
- d) Resistance from employees or management
- e) Difficulty maintaining transparency

10. What recommendations do you believe would improve the implementation of the following initiatives for better profitability? (Select all that apply)

A. Environmental Initiatives

- i. Increase investment in sustainable technologies
- ii. Enhance staff training on environmental practices
- iii. Strengthen partnerships with environmental organizations
- iv. Implement regular environmental audits
- v. Improve waste management practices

B. Social Initiatives

- i. Increase community engagement efforts
- ii. Enhance employee welfare programs
- iii. Promote diversity and inclusion training
- iv. Improve health and safety standards
- v. Foster partnerships with local NGOs

C. Governance Initiatives

- i. Strengthen ethical guidelines and practices
- ii. Increase transparency in decision-making
- iii. Enhance stakeholder engagement processes
- iv. Implement regular governance reviews
- v. Diversify the board of directors

Thank you for your participation

## Interview Guide

I am a Master of Science student in Operations, Projects and Supply Chain Management at the University of Zambia, Graduate School of Business. I am now collecting data on my research titled “Assessing the relationship between ESG (Environmental, Social and Governance) and the profitability of a firm: A case of Zambian Breweries Plc, Lusaka Plant.”

This interview should take not more than 15 minutes of your time. Your responses are of the utmost importance to me.

The information gathered will be kept strictly confidential and will only be used for the research and not for any other reason.

Should you have any queries or comments regarding this interview guide, you are welcome to contact me or email me at [mwenyaeddie@gmail.com](mailto:mwenyaeddie@gmail.com)

Yours Sincerely,

Eddie Mwenya.

### Section A: Demographic Information

#### 6. Gender:

- Male
- Female

#### 7. Age:

- 18-24 years old
- 25-34 years old
- 35-44 years old
- 45-54 years old

- 55 years or older
8. Highest level of education:
- Diploma
  - Bachelor's degree
  - Master's degree
  - Doctorate degree
9. Role in the organization:
- Executive management
  - Middle management
  - Operational staff
10. Length of service at **Zambian Breweries Plc**:
- Less than 1 year
  - 1-5 years
  - 6-10 years
  - More than 10 years
- 

### Section C: Challenges in Implementing ESG Initiatives

The following questions aim to explore the challenges in implementing ESG initiatives at **Zambian Breweries Plc**.

1. What challenges has **Zambian Breweries** faced in implementing environmental initiatives?

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2. What challenges has Zambia Breweries faced in implementing social initiatives?

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3. What challenges has Zambia Breweries faced in implementing governance initiatives?

\_\_\_\_\_

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Section D: Recommendations of strategies for enhancing ESG Initiatives for improved profitability

The following questions aim to gather recommendations of strategies for enhancing the company's ESG initiatives for improved profitability.

1. What strategies can be recommended to enhance environmental initiatives for improved profitability?

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2. What strategies can be recommended to enhance social initiatives for improved profitability?

\_\_\_\_\_

3. What strategies can be recommended to enhance governance initiatives for improved profitability?

\_\_\_\_\_

Thank you very much for your participation.

