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Why Firms Diverge on ESG: Governance Reinforcement and Divergent Strategic Trajectories

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Abstract

Why do firms exposed to similar institutional environmental, social, and governance (ESG) pressures develop divergent strategic trajectories? Existing research explains why ESG becomes organizationally salient and how firms can develop sustainability-related capabilities, but provides a less developed account of how competing ESG interpretations become sufficiently durable to shape organisational commitments over time. This paper develops a governance-centred process explanation of ESG strategic heterogeneity. The paper develops an integrative conceptual framework drawing on institutional theory, managerial cognition, corporate governance and dynamic capabilities. It conceptualizes governance reinforcement as the recursive stabilization of strategic interpretations through repeated and aligned governance attention, incentive structures, strategic oversight and resource commitments across successive governance cycles. The framework proposes that governance reinforcement increases the persistence of particular ESG interpretations, contributing to divergent organisational trajectories. Reinforced compliance- and legitimacy-oriented interpretations are more likely to remain weakly coupled to organisational learning and capability development, whereas reinforced strategic interpretations supported by sustained organisational commitment are more likely to support organisational learning and capability development. These trajectories are path-dependent but revisable as organisational outcomes feed back into subsequent interpretation and governance cycles. The paper contributes a temporal process explanation of ESG strategic heterogeneity by connecting institutional salience and managerial interpretation with sustained organisational commitment. Rather than introducing new governance mechanisms, it explains how the recurrence and alignment of established mechanisms can make particular ESG interpretations organizationally durable.

Keywords: ESG strategy; corporate governance; governance reinforcement; managerial cognition; dynamic capabilities

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1. Introduction

Environmental, social and governance (ESG) considerations have become increasingly prominent in organisational decision-making. Regulatory requirements, investor expectations, stakeholder demands and broader societal concerns have increased pressure on firms to demonstrate how environmental and social issues are incorporated into corporate governance and strategy. Yet the growing institutionalization of ESG has not produced uniform organisational responses. Firms exposed to broadly similar external expectations continue to differ substantially in the depth and strategic character of their ESG engagement. Some integrate ESG into investment decisions, organisational routines and longer-term capability development, while others respond primarily through disclosure, compliance and legitimacy-oriented practices. This persistent heterogeneity raises a fundamental organisational question: why do firms facing similar ESG pressures develop different and enduring ESG strategic trajectories?

Institutional theory provides an important starting point for addressing this question. Organisations respond to coercive, normative and mimetic pressures by adopting structures and practices that conform to prevailing expectations and support organisational legitimacy (DiMaggio & Powell, 1991; Scott, 1995; Suchman, 1995). From this perspective, intensifying ESG regulation, investor scrutiny and stakeholder expectations help explain why ESG has become increasingly salient across firms. Institutional theory also recognizes that organisational responses need not be uniform, particularly where institutional demands are complex or competing (Oliver, 1991; Kostova et al., 2008). What remains less developed, however, is the organisational process through which broadly similar institutional pressures become translated into persistent differences in strategic orientation. Institutional pressure can explain why ESG demands attention without fully explaining why that attention becomes organised around different strategic trajectories.

Dynamic capability perspectives illuminate a different part of the process. They explain how firms develop, coordinate and reconfigure organisational resources and routines in response to changing environments (Teece et al., 1997; Helfat & Peteraf, 2003; Winter, 2003). Applied to sustainability, this perspective helps explain how sustained learning, investment and organisational adaptation can support the development of ESG-related capabilities. Recent ESG scholarship similarly emphasizes that substantive ESG integration depends on multidimensional organisational capabilities rather than formal adoption alone. However, capability perspectives largely begin after an issue has acquired sufficient strategic importance to warrant continuing organisational investment. They therefore provide a less direct explanation of how one interpretation of an ambiguous ESG issue acquires the persistence necessary to sustain such investment in the first place. This problem becomes particularly important when ESG is recognised as an interpretively ambiguous strategic issue. External ESG demands do not arrive within organisations with a single predetermined strategic meaning. Managers may interpret the same ESG pressure as a regulatory obligation, reputational concern, stakeholder expectation, organisational risk or opportunity for longer-term strategic development (Kaplan, 2008; Maitlis & Christianson, 2014). Multiple interpretations may consequently coexist and compete for managerial attention and organisational resources. Managerial cognition and sensemaking research explains how these interpretations are constructed and contested, but the existence of competing frames creates a further theoretical question: why does one interpretation continue to organize organisational attention and commitment while another becomes peripheral or disappears?

Corporate governance is central to this unresolved process. Boards and senior executives influence strategic priorities through agenda setting, executive incentives, oversight and the authorization of organisational resources. Sustainability governance research increasingly demonstrates that understanding board involvement requires attention to actual governance practices rather than board characteristics alone. Yuriev & Boiral (2024), for example, identify recurring meetings, remuneration, prioritization, internal controls, governance structures and risk-management practices among the activities through which boards engage with sustainability. Sustainability committees can similarly facilitate integration between sustainability and corporate strategy, although their influence may remain symbolic when they lack sufficient authority or connection to strategic implementation. These findings indicate that governance matters for ESG integration, but they leave open an important temporal question: how do governance actions operating across successive decision cycles make particular ESG interpretations organizationally durable? This paper addresses that question through the concept of governance reinforcement. Governance reinforcement is defined as the recursive stabilization of a strategic interpretation through repeated and aligned governance attention, incentive structures, strategic oversight and resource commitments across successive governance cycles. The argument is not that these mechanisms are individually new. Attention, incentives, oversight and resource allocation are established features of governance research. Rather, the framework focuses on their temporal configuration: when governance actions repeatedly and coherently privilege a particular interpretation, that interpretation becomes more likely to persist and organize subsequent organisational decisions. Governance reinforcement therefore provides a process link between the emergence of competing managerial interpretations and the sustained organisational commitments from which divergent strategic trajectories can develop.

The framework further argues that reinforcement is not inherently substantive. Governance processes can stabilize different interpretations of ESG. Where recurring governance cycles privilege compliance, disclosure

and legitimacy protection, ESG may develop along a predominantly symbolic trajectory that remains weakly coupled to organisational learning and capability development. Where governance attention, incentives, oversight and resources consistently support a strategic interpretation, ESG is more likely to become connected to organisational learning, investment and capability-development processes. The distinction is therefore not simply between firms with strong and weak ESG governance. It concerns which interpretation governance processes repeatedly reinforce and how consistently that interpretation is connected to organisational commitments over time. This temporal perspective also means that ESG trajectories are neither linear nor irreversible. Decisions made during one governance cycle shape the conditions confronting later cycles. Investments, implementation experiences, stakeholder reactions and organisational outcomes can validate prevailing interpretations or reopen them to contestation. Governance reinforcement can therefore generate path-dependent trajectories without implying deterministic lock-in. Interpretations may be strengthened, modified or displaced as organisational feedback and institutional conditions change.

Against this background, the paper addresses the following research question: How do recurring governance processes stabilize competing ESG interpretations and contribute to divergent ESG strategic trajectories among firms facing similar institutional pressures? The paper makes four interrelated theoretical contributions. First, it contributes to research on ESG strategic heterogeneity by explaining why institutional convergence in ESG expectations need not produce convergence in organisational strategy. Second, it contributes a temporal process perspective to governance research by shifting attention from the presence of individual governance mechanisms to their recurrence and alignment across successive governance cycles. Third, the framework connects managerial cognition and corporate governance by distinguishing the generation of competing strategic interpretations from their subsequent stabilization through recurring governance processes. Fourth, the framework reconceptualizes symbolic and capability-based ESG as path-dependent trajectories rather than static organisational outcomes, showing how repeated patterns of interpretation and governance commitment can progressively reinforce divergent forms of ESG integration over time. The resulting framework develops four propositions concerning interpretive persistence, symbolic ESG trajectories, capability-based integration and the conditions under which governance reinforcement should exert stronger or weaker influence. Although developed in the ESG context, the framework may also inform research on other strategically ambiguous issues for which organisations confront strong external expectations but retain discretion over internal interpretation and implementation.

2. Theoretical Foundations: ESG Heterogeneity and Governance Reinforcement

Explaining why firms develop divergent ESG trajectories under broadly similar institutional pressures requires connecting several organisational processes that existing literatures illuminate separately. Institutional theory explains how external pressures increase the salience of ESG; managerial cognition and sensemaking explain how actors construct competing interpretations of strategically ambiguous demands; governance research identifies mechanisms through which boards and senior executives shape strategic priorities; and dynamic capability perspectives explain how sustained learning and resource reconfiguration can support organisational adaptation. The theoretical problem lies in connecting these processes over time.
The framework developed here focuses particularly on the transition from interpretation to sustained organisational commitment. ESG pressures may become salient without prescribing a single strategic response, and competing managerial interpretations may emerge without any one interpretation becoming organisationally durable. The sections that follow therefore develop governance reinforcement as the process through which repeated and aligned governance actions can selectively stabilise particular interpretations across successive governance cycles. This provides the foundation for explaining why similar external pressures can become associated with divergent symbolic and capability-based ESG trajectories.

2.1. Institutional Pressures and the Limits of ESG Convergence

Institutional theory provides an important explanation for the diffusion of ESG-related practices across organisations. Foundational institutional scholarship argues that organisations respond to coercive, normative and mimetic pressures by adopting structures and practices that conform to prevailing expectations and enhance organisational legitimacy (DiMaggio & Powell, 1991; Scott, 1995; Suchman, 1995). In the ESG context,

regulatory requirements, investor expectations, professional norms, stakeholder activism and broader societal pressures can therefore increase the organisational salience of environmental and social concerns.

Institutional pressures, however, do not necessarily generate equivalent organisational responses. Organisations may conform formally to similar external expectations while differing substantially in the depth, meaning and strategic consequences of their responses. Oliver (1991), for example, demonstrates that organisational responses to institutional pressures can range from acquiescence to compromise, avoidance, defiance and manipulation. Institutional complexity can further expose organisations to competing expectations, increasing the scope for variation in how external demands are interpreted and enacted. This distinction is particularly relevant to ESG. Firms operating within broadly similar regulatory and stakeholder environments may all adopt ESG disclosures, sustainability policies or governance arrangements while differing in the extent to which ESG becomes connected to strategic planning, investment decisions and organisational routines. Formal convergence in ESG adoption can therefore coexist with considerable heterogeneity in substantive organisational integration.

Recent ESG research reinforces this distinction between institutional adoption and substantive implementation. Mandatory ESG reporting, for example, can reduce ESG decoupling, but regulatory requirements do not eliminate organisational variation in how firms respond to those requirements. Aboud et al. (2024) find that implementation of the European Union's non-financial reporting directive was associated with reduced ESG decoupling, while the strength of this relationship varied across organisational conditions. Evidence on institutional investors similarly suggests that external monitoring does not operate uniformly: long-term institutional ownership can constrain ESG decoupling whereas short-term ownership can have different effects. Institutional theory therefore establishes a critical starting condition for the present framework: external pressures influence whether ESG becomes salient, but they do not fully specify what ESG comes to mean strategically within the organisation. This distinction is especially important where institutional environments are ambiguous, enforcement is uneven or organisations confront multiple stakeholder demands. Under such conditions, institutional pressures establish the issue to which organisations must respond while leaving meaningful discretion concerning the character of that response. Accordingly, the framework treats institutional pressure as an antecedent to ESG salience rather than as a direct determinant of strategic integration. Explaining subsequent divergence requires examining how organisational actors interpret ESG once it has entered managerial and governance attention.

2.2. Managerial Interpretation and Competing ESG Frames

The translation of institutional pressure into organisational action depends partly on how organisational actors interpret the strategic significance of those pressures. Research on managerial cognition and sensemaking emphasises that managers do not respond mechanically to environmental conditions. They selectively attend to information, construct interpretations and use those interpretations to define both the nature of a strategic issue and the range of appropriate organisational responses (Thomas et al., 1993; Kaplan, 2008; Maitlis & Christianson, 2014). ESG is especially conducive to interpretive variation because it combines multiple environmental, social and governance concerns whose strategic consequences may differ across firms and time horizons. The same regulatory requirement or stakeholder demand may therefore be framed as a compliance obligation, reputational threat, legitimacy requirement, operational risk or opportunity for longer-term organisational development. These frames matter because they influence which consequences managers regard as important, which organisational responses appear legitimate and which forms of investment receive strategic consideration. Importantly, managerial interpretations need not be uniform within the same organisation. Different executives, directors and functional groups may construct competing understandings of ESG according to their responsibilities, experiences, incentives and time horizons. Under conditions of institutional ambiguity, such differences can become particularly consequential because external demands provide less guidance concerning how the organisation should respond. ESG strategy may therefore involve continuing contests over whether environmental and social concerns should be treated primarily as matters of compliance, reputation, risk management or strategic development. The attention-based view complements this argument by showing that strategic action depends not only on what managers believe but also on which issues receive sustained organisational attention (Ocasio, 1997). Organisational structures and decision

processes influence how attention is allocated across competing priorities. However, the presence of an issue within managerial attention does not necessarily mean that a particular interpretation of that issue will persist. ESG may receive substantial attention while different actors continue to disagree about what that attention should produce. This distinction is central to the present framework. Managerial cognition explains how competing ESG interpretations emerge, while attention structures help explain where and when those interpretations enter organisational decision-making. Neither process alone fully explains why one interpretation subsequently becomes stabilised across repeated strategic decisions. The unresolved issue is therefore not simply whether managers interpret ESG differently. It is how one among several plausible interpretations becomes sufficiently persistent to shape subsequent incentives, oversight processes, investment decisions and organisational commitments. Addressing this question requires moving from the generation of strategic meaning to the organisational processes through which selected meanings are repeatedly sustained.

2.3. Governance Reinforcement and Interpretive Stabilization

Corporate governance research has traditionally emphasised monitoring, accountability, incentive alignment and resource provision as mechanisms through which boards influence organisational conduct and performance (Jensen & Meckling, 1976; Pfeffer & Salancik, 1978; Hillman & Dalziel, 2003; Aguilera et al., 2008). Behavioural governance scholarship has broadened this perspective by examining how boards participate in strategic decision-making and how boardroom processes influence organisational action (McNulty & Pettigrew, 1999; Huse, 2005). This shift is particularly relevant to ESG because boards increasingly operate not only as monitors of sustainability outcomes but also as organisational actors involved in prioritising issues, shaping strategic responses and overseeing the integration of sustainability into organisational practice.

Recent sustainability research increasingly supports this movement from board attributes toward board activities and processes. Yuriev & Boiral (2024)'s systematic review observes that much previous research has concentrated on board composition or the consequences of board decisions while paying comparatively limited attention to the actual practices through which boards integrate sustainability. Their review identifies recurring meetings, remuneration mechanisms, internal controls, problem prioritisation, governance structures and modifications to routine risk-management practices among the actions associated with substantive sustainability integration. This distinction is theoretically important because the existence of a formally appropriate board structure does not reveal how sustainability priorities are reproduced within organisational decision-making over time. Contemporary ESG research similarly indicates that governance mechanisms do not generate uniform outcomes. Board characteristics, sustainability committees and executive incentive arrangements have been associated with ESG performance and organisational sustainability, but the magnitude and even direction of these relationships vary across institutional and organisational contexts. Menicucci & Paolucci (2026), for instance, report positive relationships between several board characteristics, sustainability committees and ESG performance. Yet Mahran et al. (2026)'s systematic review concludes that the board–ESG literature remains theoretically fragmented and characterised by inconsistent findings, partly because board characteristics are frequently examined in isolation. The sustainability-committee literature illustrates this problem particularly clearly. Tron et al. (2025) show that the effects of sustainability committees vary considerably across sectors and ownership structures. They also note that sustainability committees may support coordination, strategic integration and environmental management but can remain largely symbolic where they lack decision-making authority or are weakly connected to implementation. Similarly, research on ESG-linked compensation demonstrates that formal governance arrangements can produce different substantive consequences. Eliwa et al. (2026) find that ESG-linked compensation and CSR committees can reduce ESG decoupling, but their contextual analyses reveal that ESG-linked compensation may also be associated with greater decoupling in weaker institutional environments, where such arrangements can become primarily symbolic. Taken together, these findings suggest that the presence of a governance mechanism is insufficient to explain ESG strategic integration. The more theoretically important question concerns how governance mechanisms are repeatedly enacted, combined and directed toward particular interpretations of ESG. This paper addresses that question through the concept of governance reinforcement.

Governance reinforcement is conceptualised as the recursive stabilisation of a strategic interpretation through repeated and aligned governance attention, incentive structures, strategic oversight and resource commitments across successive governance cycles. Governance reinforcement is therefore not proposed as an additional governance structure alongside boards, sustainability committees or incentive systems. Rather, it describes a temporal process through which established governance mechanisms repeatedly privilege and reproduce particular interpretations of an ambiguous strategic issue. Four mechanisms constitute this process. Attentional reinforcement occurs when boards and executives repeatedly allocate agenda time and decision-making attention to ESG through a relatively consistent strategic frame. Incentive reinforcement occurs when executive compensation, performance evaluation and related organisational consequences remain aligned with that interpretation across successive review cycles. Oversight reinforcement occurs when committee responsibilities, reporting structures, strategic reviews and accountability routines repeatedly reproduce the same ESG priorities. Resource reinforcement occurs when capital, personnel and organisational investments are repeatedly authorised in ways consistent with the prevailing interpretation. These mechanisms correspond closely to the practical governance activities identified in recent sustainability research. Yuriev & Boiral (2024), for example, identify sustainability-related remuneration, regular board meetings, prioritisation, internal control, organisational mission and governance structures as recurring dimensions of board-level sustainability practice. Annesi et al. (2025) likewise show that effective ESG governance involves ongoing collaboration between boards and top management, iterative analysis of competing pressures and the development of shared strategic responses rather than one-off structural interventions. The distinguishing feature of governance reinforcement is therefore recurrence. A single board discussion, ESG-linked incentive, sustainability committee decision or resource allocation does not constitute reinforcement. Reinforcement arises when governance mechanisms repeatedly support the same interpretation across board meetings, strategic reviews, performance evaluations and resource-allocation decisions. Repetition increases interpretive persistence, while alignment among governance mechanisms reduces contradictory organisational signals. Over successive governance cycles, earlier commitments influence subsequent attention and resource decisions, gradually making some strategic interpretations more organisationally durable than others.

Governance reinforcement therefore operates as a recursive rather than episodic process. It links managerial interpretation to organisational persistence without collapsing the two. Managerial cognition explains how actors construct competing meanings around ambiguous issues (Kaplan, 2008; Maitlis & Christianson, 2014), while the attention-based view explains how organisational structures shape the distribution of attention (Ocasio, 1997). Governance reinforcement addresses a subsequent problem: why do some interpretations continue to organise attention, incentives, oversight and resources across successive decision cycles while competing interpretations gradually recede? This distinction also clarifies why governance reinforcement should not be equated with substantive ESG performance. Governance systems can repeatedly stabilise a compliance-oriented interpretation just as they can reinforce a strategic one. Research on ESG decoupling demonstrates that organisations can respond to institutional expectations through sustainability disclosure while substantive organisational practices remain weakly aligned with those claims. Eliwa et al. (2023), for example, demonstrate that governance characteristics influence ESG decoupling, while Cepêda et al. (2025) show that sustained monitoring by institutional investors can reduce the gap between ESG rhetoric and practice, with effectiveness depending on investment horizons.

Accordingly, the effect of governance reinforcement depends on which interpretation is repeatedly sustained, not merely on whether governance mechanisms are present. Where governance cycles continually prioritise disclosure, minimum conformity and reputational protection, a compliance-oriented ESG trajectory may become increasingly stable. Where governance attention, incentives, oversight and resources consistently support learning, investment and long-term strategic adaptation, a more capability-oriented trajectory may develop. Governance reinforcement therefore explains the durability of strategic meaning, rather than prescribing the normative quality of the resulting ESG orientation. Positioned in this way, governance reinforcement complements rather than replaces established governance and cognitive theories. Agency theory, resource dependence theory, behavioural governance and attention-based perspectives identify important mechanisms of governance influence. The contribution developed here concerns their temporal configuration: how repeated and aligned governance actions transform an initially contestable interpretation into an increasingly durable organisational orientation.

2.4. Governance Reinforcement and ESG Capability Development

The strategic consequences of governance reinforcement become especially important when ESG moves from episodic organisational activity toward capability development. Dynamic capability perspectives emphasise that durable organisational capabilities emerge through repeated processes of learning, coordination, adaptation and resource reconfiguration rather than through isolated investments or discrete managerial decisions (Teece et al., 1997; Helfat & Peteraf, 2003; Winter, 2003). From this perspective, ESG adoption and ESG capability development should be treated as analytically distinct processes. Firms may adopt ESG policies, reporting structures or committees without developing the organisational routines necessary to incorporate ESG systematically into strategic decision-making.

Recent research increasingly supports this distinction. Tsang et al. (2023) emphasise that building ESG capabilities requires organisations to identify priority development areas and establish organisational processes capable of supporting ESG implementation rather than relying solely on performance-measurement frameworks. More recently, Hu & Othman (2026)'s systematic review of 123 studies identifies organisational learning, strategic adaptability, data governance and technological integration as interrelated dimensions of ESG capability. Their analysis further demonstrates that ESG capabilities develop through different organisational configurations and non-linear patterns rather than through a single universal pathway. These findings have important implications for the present framework. If ESG capabilities require persistent learning, integration and adaptation, their development presupposes sustained organisational commitment. Yet institutional pressure alone does not guarantee such commitment. Regulatory mandates may increase ESG disclosure and formal adoption while leaving inconsistencies between reported commitments and underlying practice. Evidence from mandatory ESG reporting illustrates this distinction: although regulation can reduce ESG decoupling, firms may nevertheless respond symbolically where formal disclosure requirements are not matched by substantive organisational change.

Governance reinforcement provides a mechanism connecting strategic interpretation with the sustained commitment required for capability development. When governance cycles repeatedly reinforce a strategic interpretation of ESG, ESG is more likely to remain visible in investment decisions, performance evaluations, strategic reviews and organisational resource commitments. Such persistence creates opportunities for organisational learning and coordination to accumulate across time. Rather than treating ESG as a sequence of independent initiatives, recurring governance commitment can gradually embed ESG considerations into organisational routines, cross-functional relationships and decision processes. This argument is consistent with recent evidence on integrated sustainability governance. Annesi et al. (2025) show that the integration of sustainability into corporate strategy involves continuous interaction between boards and top management, shared analysis of competing pressures and the progressive development of an organisational sustainability strategy. Likewise, Tron et al. (2025) emphasise that sustainability committees can contribute to organisational strategy when their activities are connected to broader governance structures and strategic objectives rather than functioning merely as symbolic structures. Governance reinforcement should therefore be understood as an antecedent process enabling capability accumulation, rather than as a capability itself. Dynamic capability perspectives explain how firms sense changes, seize opportunities and reconfigure resources through organisational processes of learning and adaptation. Governance reinforcement addresses a related antecedent problem, that is, how an ambiguous ESG interpretation acquires sufficient organisational persistence to sustain the repeated investment, coordination and learning through which ESG-related capabilities may develop.

The answer proposed here is temporal. Repeated governance attention keeps an interpretation strategically visible. Incentive reinforcement connects that interpretation to managerial priorities. Oversight routines embed it into recurring organisational review processes. Repeated resource commitments enable experimentation, learning and coordination to continue beyond isolated ESG initiatives. Through successive cycles, these commitments can generate increasing organisational familiarity and cumulative learning, making ESG progressively more embedded within organisational capabilities. However, this process remains contingent on the interpretation being reinforced. Governance reinforcement does not automatically produce capability development. Where governance systems consistently privilege disclosure, external signalling and

minimum compliance, repeated governance activity may instead institutionalise a symbolic ESG trajectory. Such firms may become increasingly proficient at ESG reporting or legitimacy management without integrating ESG into core organisational learning and strategic adaptation. The distinction is therefore between the durability of governance-supported activity and the strategic content of the interpretation being made durable.

Over time, these differences can produce path-dependent ESG trajectories. Early governance commitments shape later decisions by influencing which projects receive resources, which performance indicators matter, which organisational routines develop and what decision-makers subsequently regard as legitimate strategic priorities. Capability development is therefore neither an automatic consequence of ESG adoption nor an instantaneous effect of governance structures. It emerges through repeated interactions among strategic interpretation, governance commitment, organisational learning and resource deployment. This process perspective provides the bridge between ESG governance and dynamic capabilities that the current literature has only partially specified. Whereas institutional theory explains why ESG becomes salient and dynamic capabilities explain how organisations adapt and reconfigure resources, governance reinforcement explains how particular ESG interpretations acquire the organisational persistence necessary for sustained capability development.

2.5. Specifying Governance Reinforcement: Dimensions, Temporal Logic and Level of Analysis

For governance reinforcement to function as a useful process concept, it must be specified independently of the outcomes it is intended to explain. In this paper, governance reinforcement refers to the meso-level, recursive process through which repeated governance attention, incentive alignment, strategic oversight and resource commitment selectively stabilise a particular interpretation of an ambiguous strategic issue across successive governance cycles. The emphasis is therefore not on the existence of individual governance mechanisms, but on their repetition, alignment and persistence over time. This specification is important because recent ESG governance research increasingly shows that formal structures alone do not adequately explain substantive sustainability integration. Yuriev & Boiral (2024), for example, show that board-level sustainability integration depends on the actual practices undertaken by boards, including recurring meetings, remuneration mechanisms, prioritisation, internal controls and modifications to governance routines. Similarly, Tron et al. (2025) demonstrate that sustainability committees may contribute to strategic integration, but their effects vary and may remain symbolic where they lack decision-making authority or are weakly connected to broader organisational strategy. These findings suggest that governance influence cannot be inferred simply from the presence of a board structure, committee or incentive mechanism.

The first dimension is attentional reinforcement. This refers to the recurring allocation of board and executive attention to a particular ESG interpretation across successive governance cycles. Attention becomes reinforcing when ESG is repeatedly revisited through a relatively consistent frame rather than appearing intermittently or only in response to external pressure. The relevant issue is therefore not merely whether ESG appears on a board agenda, but whether it continues to occupy decision-making attention in a way that shapes subsequent strategic deliberation. The second dimension is incentive reinforcement. This refers to the persistence of executive compensation, performance evaluation, promotion criteria or related organisational consequences that remain aligned with a particular ESG interpretation over time. Recent empirical research illustrates why persistence and context matter. Eliwa et al. (2026) show that ESG-linked compensation can reduce ESG decoupling, particularly when combined with complementary governance arrangements such as CSR committees, but that the same mechanism can produce weaker or even counterproductive effects in different institutional environments. Incentive reinforcement therefore concerns not the mere adoption of ESG-linked pay, but its repeated alignment with a relatively stable strategic interpretation. The third dimension is oversight reinforcement. This refers to the routinisation of governance procedures that repeatedly reproduce and evaluate the same ESG priorities. Examples include sustainability committee mandates, recurring reporting structures, standing review processes, escalation procedures and strategic performance discussions. Oversight becomes reinforcing when these procedures move ESG from episodic discussion into recurring governance practice. Annesi et al. (2025) provide a useful illustration by showing that integrated ESG governance involves continuous interaction between boards and top management, shared

analysis of competing pressures and iterative strategy development rather than one-off governance interventions. The fourth dimension is resource reinforcement. This refers to the repeated authorisation of financial, human and organisational resources that are consistent with a particular ESG interpretation. Resource allocation matters because strategic priorities become organisationally consequential only when they are translated into sustained investment. Choi et al. (2026) demonstrate that firms face competing ESG objectives, limited resources and different time horizons, making prioritisation and sequencing central to ESG strategy. Resource reinforcement therefore concerns repeated commitment rather than a single budget allocation or isolated ESG project. These four dimensions are analytically distinct but theoretically interdependent. Governance reinforcement does not require that every mechanism be equally strong at all times, but greater alignment among them should increase the durability of a strategic interpretation. Sustained board attention combined with inconsistent incentives, for example, may generate weaker reinforcement than a configuration in which attention, incentives, oversight and resource allocation point in the same direction. This emphasis on alignment also responds to a limitation in much existing ESG governance research, which often examines board characteristics or governance mechanisms separately rather than as interacting configurations. Mahran et al. (2026) identify this fragmentation as a continuing weakness in the board–ESG literature.

Governance reinforcement is also inherently temporal. A single act of attention, incentive design, oversight or resource authorisation does not constitute reinforcement. Reinforcement arises through recurrence across governance cycles such as board meetings, committee reviews, strategic planning periods, performance evaluations and capital-allocation decisions. Each cycle can strengthen, weaken or redirect the prevailing interpretation. Repetition therefore produces continuity, while inconsistency can reopen interpretive contestation. The concept also requires a clear level of analysis. Governance reinforcement is not an individual-level cognitive process. Managerial sensemaking and framing explain how actors construct and contest interpretations of ESG (Kaplan, 2008; Maitlis & Christianson, 2014). Governance reinforcement instead concerns the organisational process through which some of those interpretations are repeatedly privileged through governance mechanisms. It is also not a dynamic capability in itself. Dynamic capabilities concern the organisational capacity to sense, seize and reconfigure resources, whereas governance reinforcement explains how an ESG issue becomes sufficiently durable and strategically legitimate to justify sustained capability-building activity.

Governance reinforcement is not equivalent to an institutional-level process. Institutional theory explains the external pressures that increase ESG salience and shape the range of legitimate organisational responses. Governance reinforcement operates inside the firm, principally at the board–executive interface, where competing interpretations are repeatedly translated into attention, incentives, oversight and resource commitments. Its role is therefore to connect external institutional salience, managerial interpretation and long-term organisational commitment. Positioned in this way, governance reinforcement is best understood as a meso-level temporal process. It does not replace established governance theories, managerial cognition or dynamic capabilities. Rather, it explains how governance mechanisms are repeatedly configured around an interpretation over time, thereby increasing the likelihood that the interpretation becomes organisationally durable.

3. A Governance Reinforcement Framework of ESG Strategic Divergence

The preceding discussion suggests that ESG strategic heterogeneity cannot be explained solely by differences in institutional exposure, managerial interpretation or organisational capabilities. Firms may experience comparable ESG pressures while developing substantially different responses because the interpretations generated around those pressures are not equally sustained within organisational governance processes. The framework developed here therefore focuses on the process through which particular ESG interpretations acquire persistence and become translated into organisational commitments over time. The framework proceeds through five interconnected stages. First, institutional pressures increase the salience of ESG issues within organisations. Second, managers interpret these pressures through competing strategic frames. Third, governance processes selectively reinforce particular interpretations through recurring attention, incentive alignment, strategic oversight and resource commitment. Fourth, repeated reinforcement contributes to the

stabilisation of particular ESG orientations, increasing the likelihood that ESG develops along either a predominantly symbolic or capability-based trajectory. Finally, the organisational consequences of these trajectories feed back into subsequent governance cycles, where prevailing interpretations may be strengthened, modified or challenged. This sequence is recursive rather than strictly linear. Governance reinforcement occurs across successive decision cycles, and the consequences of earlier decisions alter the organisational conditions within which subsequent governance choices are made. The framework therefore explains ESG strategic divergence as an evolving process of interpretation, reinforcement and organisational commitment rather than as the direct consequence of institutional pressure or static governance characteristics.

3.1. Institutional Salience and Interpretive Variation

Institutional theory suggests that organisations become responsive to ESG as regulatory requirements, investor expectations, professional norms and stakeholder demands increase the legitimacy and visibility of sustainability-related practices (DiMaggio & Powell, 1991; Scott, 1995; Suchman, 1995). Contemporary ESG research similarly shows that institutional conditions influence the adoption and development of sustainability strategies. Annesi et al. (2025), for example, emphasise that organisations face multiple institutional pressures surrounding ESG and that boards and managers must actively interpret and reconcile these demands when developing sustainability strategy. However, institutional pressure does not prescribe a single organisational response. ESG expectations may be internally interpreted as compliance obligations, legitimacy requirements, risk-management concerns or strategic opportunities. The existence of such interpretive flexibility is especially plausible where ESG demands are complex, contested or weakly codified. Institutional pressures therefore establish the salience of the issue, while managerial interpretation influences the meaning assigned to it. This distinction provides a foundational premise for the framework: Institutional ESG pressures increase organisational salience but do not independently determine the depth or direction of ESG strategic integration.

3.2. Governance Reinforcement and Interpretive Persistence

Managerial interpretation alone does not explain why one ESG frame persists while another disappears. Strategic issues can support competing interpretations, particularly where causal relationships are uncertain and actors possess different interests, experiences and time horizons (Kaplan, 2008; Maitlis & Christianson, 2014). For an interpretation to become organisationally consequential, it must therefore survive beyond the episode in which it initially emerges. Governance reinforcement provides the mechanism through which this persistence can occur. When board and executive attention repeatedly returns to ESG through the same interpretive frame, when incentive systems remain aligned with that frame, when oversight routines reproduce its priorities and when organisational resources continue to support it, the interpretation receives increasingly consistent organisational signals. The interpretation consequently becomes more difficult to displace because successive decisions begin to build upon commitments generated during earlier governance cycles. The importance of recurrence is consistent with recent sustainability governance research. Yuriev & Boiral (2024) identify regular board meetings, remuneration mechanisms, internal controls, problem prioritisation and governance routines among the practical processes through which boards can integrate sustainability into organisational activity. Similarly, Annesi et al. (2025) describe ESG integration as involving continuing interaction between boards and top management rather than a single governance intervention. The theoretical implication is that consistency and repetition, rather than isolated governance interventions, should increase interpretive persistence.

Proposition 1: The greater the consistency and repetition of governance attention, incentive alignment, strategic oversight and resource commitment around a particular ESG interpretation across successive governance cycles, the more likely that interpretation is to become organisationally durable and influential in subsequent strategic decisions.

3.3. Governance Reinforcement and the Symbolic ESG Pathway

Governance reinforcement does not necessarily produce substantive ESG integration. The process stabilises interpretations; it does not determine whether the interpretation being stabilised is strategically substantive. A compliance-oriented interpretation frames ESG primarily in terms of meeting regulatory requirements, protecting organisational legitimacy, responding to stakeholder scrutiny or maintaining external reputation. Where governance processes repeatedly sustain this interpretation, organisational attention and resources may become concentrated on disclosure, reporting, certification and conformity rather than on changes to core organisational routines. This possibility is consistent with the distinction between symbolic and substantive organisational responses to institutional pressures (Meyer & Rowan, 1977; Oliver, 1991). Contemporary ESG research provides further evidence that formal sustainability structures do not necessarily imply substantive integration. Tron et al. (2025), for example, note that sustainability committees can function symbolically where their role is largely advisory and they lack sufficient authority to influence implementation. Yuriev and Boiral (2024) similarly observe that sustainability initiatives can remain superficial despite increasing organisational and board-level attention to sustainability. ESG decoupling provides an especially relevant manifestation of this pathway. Firms may develop increasingly sophisticated ESG disclosure and governance arrangements while substantive organisational practices remain less developed. The distinction therefore lies not between the presence and absence of governance but between what organisational objective governance processes repeatedly reinforce. Repeated governance reinforcement of a legitimacy-oriented frame may consequently produce a stable ESG orientation without producing extensive organisational learning or capability development. Indeed, the organisation may become increasingly capable at disclosure and legitimacy management while ESG remains weakly coupled to core strategic processes.

Proposition 2: When recurring governance cycles consistently reinforce compliance- and legitimacy-oriented ESG interpretations, ESG activities are more likely to remain weakly coupled to core organisational learning, strategic resource allocation and capability-development processes.

3.4. Governance Reinforcement and the Capability-Based ESG Pathway

A different trajectory is expected when governance processes repeatedly reinforce a strategic interpretation of ESG. Under this interpretation, ESG is treated not primarily as an external reporting obligation but as an issue connected to organisational risk, investment, innovation, stakeholder relationships, strategic adaptation and long-term organisational development. Recent research provides growing evidence that substantive sustainability integration requires more than formal adoption. Yuriev & Boiral (2024) emphasise that boards play an important role in ensuring that sustainability is integrated into corporate strategy and translated into organisational operations rather than adopted merely symbolically. Tron et al. (2025) similarly find that genuinely implemented sustainability strategy can contribute to organisational performance and emphasise the relationship between governance structures, sustainability strategy and strategic decision-making. Capability development, however, requires persistence. Organisational learning, coordination and resource reconfiguration cannot normally emerge from isolated ESG projects. They develop as organisations repeatedly invest in relevant knowledge, routines, relationships and decision processes. Governance reinforcement can provide the organisational continuity required for these activities by maintaining ESG visibility, connecting strategic objectives to managerial incentives, institutionalising oversight and sustaining resource commitments across successive periods. This reasoning establishes an important distinction between governance reinforcement and dynamic capabilities. Governance reinforcement is not itself a dynamic capability. Rather, it is theorised as an antecedent process that can create the sustained organisational commitment under which ESG-related capabilities are more likely to accumulate. The dynamic capability perspective explains how organisations learn, adapt and reconfigure resources; governance reinforcement explains why an ESG interpretation continues to receive sufficient strategic commitment for these processes to persist.

Proposition 3: When recurring governance cycles consistently reinforce strategic ESG interpretations through aligned attention, incentives, oversight and sustained resource commitment, ESG is more likely to become integrated into organisational learning and capability-development processes over time.

3.5. Boundary Conditions of Governance Reinforcement

Governance reinforcement should not exert equivalent influence under all organisational and institutional conditions. Its effects depend partly on the degree of interpretive discretion available to organisational actors.

3.5.1. Institutional Ambiguity and Regulatory Enforcement

Governance reinforcement should become particularly consequential when external ESG expectations permit multiple plausible interpretations. Where institutional demands are ambiguous, stakeholder expectations conflict or regulatory enforcement is comparatively weak, organisations possess greater discretion in determining what ESG means strategically. Annesi et al. (2025) illustrate the complexity of this environment by showing that boards must navigate economic, environmental and social pressures that operate simultaneously and can generate competing strategic demands. Under such circumstances, internal governance processes should play a stronger role in determining which interpretations become organisationally durable. Where ESG expectations are highly codified and strongly enforced, however, the range of acceptable organisational responses narrows. Governance still matters, but its relative influence over interpretation should diminish because external institutions specify more clearly what firms are expected to do.

3.5.2. Governance Cohesion

Reinforcement also requires a sufficient degree of consistency among governance mechanisms. Persistent board attention is unlikely to generate a durable strategic orientation if executive incentives reward contradictory objectives or resource-allocation decisions repeatedly undermine stated ESG priorities. Governance cohesion therefore concerns the extent to which attention, incentives, oversight and resource commitments provide mutually compatible organisational signals. Greater cohesion should strengthen reinforcement; fragmentation should weaken it.

3.5.3. Managerial Discretion

Finally, managerial discretion affects the ability of executives to translate governance signals into organisational action. Where managers possess substantial discretion over investment, organisational routines and implementation, governance-supported interpretations can more readily shape subsequent organisational commitments. Where discretion is highly constrained, reinforcement at the governance level may translate less directly into organisational practice. Together, these arguments lead to the fourth proposition:

Proposition 4: The influence of governance reinforcement on ESG strategic trajectories will be stronger where organisational actors possess greater interpretive discretion and governance mechanisms provide more coherent signals across successive governance cycles.

3.6. Feedback, Path Dependence and Recursive Change

Governance reinforcement generates persistence, but it should not be understood as producing irreversible organisational trajectories. The consequences of ESG-related decisions provide new information that can influence subsequent managerial interpretation and governance attention. Organisational outcomes therefore create feedback into later governance cycles. Consider a firm that initially interprets ESG primarily through a compliance frame. If disclosure-oriented activities satisfy regulators, protect legitimacy and reduce stakeholder scrutiny at relatively low organisational cost, these outcomes may validate the prevailing interpretation. Subsequent governance cycles may therefore continue to prioritise reporting and conformity, strengthening the existing trajectory. Conversely, a firm that commits resources to strategically oriented ESG initiatives may generate organisational learning, operational improvements, stakeholder trust or enhanced adaptive capacity. When governance actors interpret these outcomes positively, they may authorise further resources, strengthen ESG-linked incentives or increase strategic oversight. The resulting feedback reinforces the strategic interpretation and contributes to further capability accumulation. Feedback can also destabilise

an established trajectory. Compliance failures, reputational crises, regulatory changes, disappointing strategic outcomes or shifts in leadership may challenge the assumptions supporting the prevailing interpretation. Such events can reopen interpretive contestation and permit alternative ESG frames to gain governance attention. Governance reinforcement therefore produces path dependence rather than determinism. Earlier decisions influence the probability and cost of subsequent choices, but trajectories remain capable of change when organisational feedback or external shocks alter the basis on which existing interpretations are evaluated. This recursive logic distinguishes the framework from a simple sequence in which institutional pressure produces interpretation, governance produces action and action produces outcomes. Instead, organisational outcomes return to the governance process and influence subsequent interpretation, attention and commitment.

3.7. Integrated Conceptual Framework

The framework proposes that institutional pressures increase ESG salience but permit competing managerial interpretations. Across successive governance cycles, sustained attention, incentive alignment, strategic oversight and resource commitment selectively reinforce particular interpretations, increasing their organisational persistence. Reinforced compliance-oriented interpretations are more likely to produce symbolic ESG trajectories, whereas reinforced strategic interpretations supported by aligned governance attention, incentives, oversight and sustained resource commitment are more likely to support organisational learning and capability-based integration. Organisational outcomes subsequently feed back into later interpretation and governance cycles, allowing trajectories to become reinforced, modified or destabilised. The strength of these processes varies with institutional ambiguity, regulatory enforcement, governance cohesion and managerial discretion.

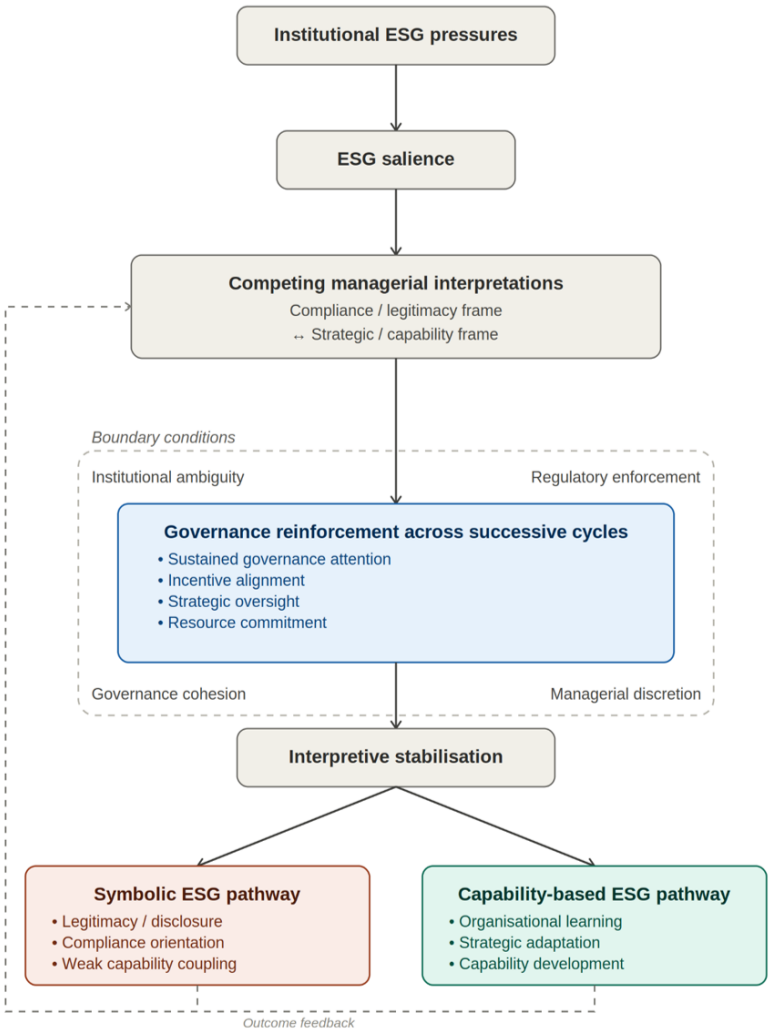


Figure 1. Governance reinforcement and recursive ESG strategic divergence.

4. Contributions and Implications

4.1. Theoretical Contributions

This paper develops a governance-centred process explanation for why firms exposed to similar institutional ESG pressures can develop divergent strategic trajectories. Its central argument is that institutional pressures make ESG salient and managerial actors construct competing interpretations of those pressures, but neither process alone explains why a particular interpretation becomes sufficiently durable to organize repeated strategic decisions. The framework identifies recurring governance processes as an important link between interpretation and organisational commitment. Specifically, governance reinforcement explains how repeated and aligned governance attention, incentive structures, strategic oversight and resource commitments can stabilize particular ESG interpretations across successive governance cycles.

The first contribution is to research on ESG strategy and organisational responses to institutional pressures. Institutional perspectives provide powerful explanations for why organisations respond to regulatory, normative and stakeholder expectations, but organisational conformity at the level of adoption can coexist with considerable variation in the depth and strategic character of implementation (DiMaggio & Powell, 1991; Oliver, 1991; Scott, 1995). Recent sustainability research similarly shows that external pressures have increased the prominence of ESG while firms continue to differ substantially in how sustainability becomes incorporated into corporate strategy. Annesi et al. (2025), for example, demonstrate that boards and managers must actively interpret and navigate multiple ESG-related institutional pressures when developing integrated sustainability strategies. The framework extends this discussion by locating the source of strategic divergence partly within the organisational processes occurring after institutional pressures become salient. Firms may experience similar external demands while constructing different interpretations of what those demands mean strategically. More importantly, those interpretations do not possess equivalent organisational durability. Some receive recurring governance attention, become connected to incentives and oversight structures, and attract sustained resource commitments, whereas others remain temporary or peripheral. The framework therefore explains why institutional convergence need not produce strategic convergence. Strategic heterogeneity can persist not only because firms face different environments or possess different resources, but because governance processes repeatedly stabilize different interpretations of broadly similar institutional demands. The framework further advances this explanation by treating symbolic and capability-based ESG not simply as static categories or endpoints, but as path-dependent trajectories that can become progressively reinforced through recurring patterns of interpretation and governance commitment. Much ESG research distinguishes symbolic organisational responses from substantive implementation. However, these categories are frequently treated as outcomes or organisational states. The present framework reconceptualizes them as trajectories that can become progressively reinforced over time. This is important because symbolic ESG need not reflect the absence of governance. Organisations can possess sustainability committees, reporting structures, board oversight and ESG-linked incentives while continuing to prioritize legitimacy and disclosure rather than capability development. Tron et al. (2025), for instance, discuss evidence that sustainability committees can remain symbolic when they possess insufficient decision-making authority. Yuriev & Boiral (2024) likewise distinguish between substantial sustainability integration and superficial adoption despite growing board-level engagement with sustainability. The framework therefore suggests that symbolic ESG can itself become organizationally institutionalized when governance cycles repeatedly reward disclosure, conformity and legitimacy management. Conversely, substantive ESG integration develops when recurring governance commitments support learning, investment, coordination and strategic adaptation. Symbolic and capability-based ESG are consequently not treated simply as opposite endpoints. They represent path-dependent organisational trajectories produced through repeated patterns of interpretation and governance commitment.

The second contribution is to process-oriented corporate governance research. Conventional governance perspectives have generated extensive understanding of monitoring, incentive alignment, resource provision, board composition and strategic oversight. More recent research has increasingly recognised that understanding sustainability governance requires examining what boards actually do, rather than relying exclusively on structural characteristics. This distinction is supported particularly strongly by Yuriev & Boiral

(2024). Their systematic review observes that much board–sustainability research concentrates on board composition or organisational outcomes while paying less attention to actual board practices. Their analysis identifies activities including regular meetings, remuneration mechanisms, prioritization, internal controls, governance structures and modifications to routine risk-management practices as relevant to sustainability integration. The present framework advances this process orientation by adding a temporal dimension. Its theoretical focus is not simply whether boards attend to ESG, establish sustainability committees, introduce incentives or allocate resources. Rather, it asks what happens when these governance activities are repeated and aligned around a particular interpretation across successive governance cycles. This distinction matters because isolated governance actions may have limited organisational persistence. A board may discuss ESG once, establish a sustainability committee or approve an ESG investment without substantially altering subsequent strategic decisions. Governance reinforcement occurs when such actions become recurrent and mutually supportive. Repetition sustains attention, while alignment across incentives, oversight and resource commitments reduces contradictory organisational signals. The contribution therefore does not depend on claiming that attention, incentives, oversight or resource allocation are newly discovered governance mechanisms. They are not. The contribution lies in theorizing their temporal configuration: Repeated and aligned governance mechanisms can transform an initially contestable strategic interpretation into an increasingly durable organisational orientation. This moves the analysis from governance structures toward governance processes, and from isolated governance decisions toward the accumulation of commitments across time.

The third contribution concerns the relationship between managerial cognition and governance. Managerial cognition and sensemaking research explains how organisational actors construct meaning when confronted with ambiguous strategic issues (Kaplan, 2008; Maitlis & Christianson, 2014). ESG provides fertile conditions for such interpretive variation because the same external demand can be framed as a compliance obligation, legitimacy requirement, organisational risk or strategic opportunity. Yet identifying competing frames does not fully explain why one interpretation eventually acquires greater organisational persistence. Governance reinforcement provides a bridge between interpretive emergence and interpretive persistence. The framework proposes that governance does not simply act on an already settled organisational objective. Through recurring attention, incentive alignment, oversight and resource commitment, governance processes can influence which interpretation continues to organize subsequent decision-making. Governance therefore operates not only downstream through monitoring implementation but also within the process through which strategic meaning becomes organizationally durable. This does not mean that governance independently creates managerial interpretations. Interpretations emerge through managerial cognition, sensemaking and framing processes. Governance reinforcement instead operates selectively: it repeatedly connects some interpretations to organisational consequences while allowing others to lose attention and resources. This distinction clarifies the relationship among three processes: sensemaking generates interpretations, governance reinforcement stabilizes selected interpretations and organisational action enacts those interpretations. The resulting separation between the generation, stabilization, and enactment of strategic meaning provides a more precise explanation of how ambiguous institutional pressures become translated into persistent organisational orientations.

The fourth contribution concerns the relationship between governance and dynamic capabilities. Dynamic capability theory explains how firms develop the capacity to sense changes, seize opportunities and reconfigure organisational resources in response to changing environments (Teece et al., 1997; Helfat & Peteraf, 2003). However, capability development requires sustained investment, organisational learning and coordination. An unresolved antecedent question is why an ambiguous strategic issue receives sufficient organisational commitment for those processes to continue over time. Governance reinforcement addresses this antecedent process. When governance cycles repeatedly reinforce a strategic interpretation of ESG, sustained attention keeps the issue visible, incentive alignment connects it to managerial priorities, oversight incorporates it into recurring decision processes, and repeated resource commitments enable learning and experimentation to continue. Governance reinforcement can therefore create organisational conditions under which ESG-related capabilities are more likely to accumulate. Recent ESG scholarship supports the importance of distinguishing ESG adoption from capability development. Research increasingly identifies learning, adaptability and integration as important components of substantive ESG capability rather than treating

formal ESG adoption as sufficient. Similarly, sustainability committees appear most consequential when they are connected to broader strategic processes rather than existing merely as formal governance structures. Tron et al. (2025) show that sustainability strategy and governance structures interact in shaping organisational outcomes and that the effects of sustainability committees vary across organisational contexts. Governance reinforcement is therefore conceptually distinct from a dynamic capability. The proposed sequence is that governance reinforcement sustains strategic commitment, which supports continued organisational learning and resource deployment and, under appropriate conditions, may contribute to capability accumulation.

Taken together, these contributions develop a process explanation connecting institutional pressure, managerial interpretation, governance and capability development without collapsing these perspectives into a single theory. Institutional theory explains why ESG becomes organizationally salient; managerial cognition explains how competing interpretations emerge; governance reinforcement explains how particular interpretations acquire persistence through recurring organisational commitments; and dynamic capability theory explains how sustained learning and resource reconfiguration can subsequently support organisational adaptation. The framework therefore addresses the theoretical space between interpretation and sustained organisational commitment. Its central contribution is not the identification of previously unknown governance mechanisms, but an explanation of how established mechanisms become consequential when they operate repeatedly and coherently across time. By introducing recurrence, alignment and feedback into the relationship between ESG interpretation and organisational action, the framework explains how similar institutional pressures can generate persistent yet divergent strategic trajectories.

4.2. Implications for Managers and Boards

The framework has several implications for managers and corporate boards seeking to move ESG beyond episodic or symbolic organisational responses. First, boards should evaluate ESG integration not simply by asking whether sustainability structures exist, but by examining whether governance mechanisms remain consistent across successive decision cycles. The existence of an ESG committee, sustainability target or board discussion provides limited evidence of strategic integration if subsequent incentive systems, investment decisions and oversight processes point in different directions. Yuriev and Boiral's (2024) review similarly demonstrates that substantive board involvement in sustainability extends across remuneration, recurring meetings, prioritization, internal controls, organisational mission and governance routines. Second, boards should pay particular attention to alignment among governance mechanisms. Strategic ESG integration is less likely to persist where ESG receives substantial board attention but executive incentives continue to prioritize contradictory objectives, or where ambitious ESG commitments are announced without corresponding resources. Governance coherence therefore requires alignment among what boards discuss, what managers are rewarded for, what oversight systems evaluate and what organisational investments are repeatedly authorized. Third, boards should distinguish governance intensity from substantive integration. More ESG governance does not necessarily imply deeper ESG integration. Sustainability committees and formal oversight arrangements can remain symbolic when they lack sufficient authority or connection to strategic implementation. Boards should therefore assess not merely whether ESG is governed, but what interpretation of ESG their governance practices repeatedly reproduce. Finally, boards should monitor feedback from ESG-related decisions. Evidence of organisational learning, stakeholder responses, operational improvements, regulatory developments or implementation failures should inform subsequent governance cycles. Governance reinforcement should not become organisational rigidity. Its value lies in sustaining strategic commitment while preserving the capacity to reconsider prevailing interpretations when new evidence challenges them.

4.3. Implications for Policy and Institutional Actors

The framework also has implications for regulators, standard setters, investors and other institutional actors seeking to encourage substantive ESG integration. Institutional interventions can increase ESG salience by establishing disclosure requirements, reporting standards and expectations concerning corporate sustainability. However, greater external pressure does not necessarily determine how ESG is interpreted or integrated within organisations. Firms may comply with similar institutional requirements while developing

substantially different internal responses, ranging from disclosure-oriented conformity to deeper integration within organisational strategy and capabilities. This distinction is particularly important because regulation can reduce organisational discretion without eliminating it. Even where ESG disclosure is mandatory, firms retain choices regarding how ESG objectives are prioritized, connected to managerial incentives, incorporated into governance routines and supported through resource allocation. Institutional interventions should therefore be evaluated not only according to whether they increase formal ESG adoption, but also according to whether they encourage internal governance arrangements capable of connecting external expectations to sustained organisational action. The framework further suggests that institutional ambiguity affects the relative importance of internal governance processes. Where ESG expectations are weakly codified, competing or inconsistently enforced, firms possess greater interpretive discretion. Under these conditions, internal governance processes are likely to exert greater influence over whether ESG is framed primarily as a compliance requirement or as a strategic organisational priority. Conversely, clearer standards and stronger enforcement can narrow the range of legitimate organisational interpretations, reducing opportunities for firms to satisfy institutional demands predominantly through symbolic responses.

Recent research illustrates the importance of this institutional context. Evidence on ESG-linked executive compensation shows that governance mechanisms can have different effects across institutional environments. Eliwa et al. (2026), for example, find that ESG-linked compensation is associated with lower ESG decoupling in some settings but can be associated with greater decoupling in weaker institutional contexts, suggesting that formally similar governance arrangements may operate substantively or symbolically depending on their surrounding institutional conditions. For regulators and standard setters, the implication is not that internal governance should be prescribed uniformly. Rather, regulatory approaches should recognise that formal disclosure requirements and governance structures constitute only part of the process through which ESG becomes organizationally embedded. Greater attention to the connection between board accountability, managerial incentives, strategic oversight and implementation may help distinguish substantive integration from formal conformity. For investors and other external monitors, the framework similarly suggests caution in interpreting the existence of ESG governance structures as evidence of strategic integration. Sustainability committees, ESG-linked remuneration and board-level ESG responsibilities provide useful signals, but their substantive significance depends on whether they are repeatedly connected to strategic decisions and resource commitments. Assessing the consistency of governance actions over time may therefore provide a more informative indication of ESG integration than observing governance structures at a single point in time.

4.4. Directions for Future Research

The framework generates several opportunities for empirical research. The most immediate priority is to examine governance reinforcement as a longitudinal process. Because reinforcement is defined by repetition and alignment across successive governance cycles, cross-sectional observations of board characteristics or governance structures cannot fully capture the process proposed here. Longitudinal designs are therefore particularly appropriate for examining whether ESG interpretations persist, how governance mechanisms reproduce them and under what conditions established trajectories change. One approach would be to trace governance attention across successive board and committee meetings. Board agendas, minutes, sustainability reports and committee documentation could be analysed to determine whether ESG receives recurring attention and whether the framing of ESG remains consistent or changes over time. Attentional reinforcement could therefore be operationalised through measures such as the frequency, persistence and strategic framing of ESG-related board discussions. Incentive reinforcement could be examined through longitudinal changes in executive compensation and performance-evaluation systems. Researchers could investigate whether ESG-linked performance measures persist across multiple compensation cycles, whether the measures remain connected to the same strategic objectives and whether incentive arrangements are accompanied by complementary oversight and resource commitments. Existing evidence that ESG-linked compensation can influence ESG decoupling provides a useful starting point, while also demonstrating the need to consider institutional context and complementary governance arrangements. Oversight reinforcement could be investigated through sustainability committee mandates, reporting relationships, board review procedures and accountability mechanisms. Rather than coding only whether a sustainability committee exists, future

research could examine how frequently the committee meets, whether its responsibilities change over time, how its recommendations enter board-level decisions and whether it possesses sufficient authority to influence implementation. This would respond to evidence that sustainability committees can contribute substantively to sustainability strategy in some contexts while functioning more symbolically in others. Resource reinforcement could be operationalised through repeated capital allocations, ESG-related operating expenditure, staffing commitments, investment approvals and the incorporation of ESG criteria into strategic budgeting. This dimension is particularly important because sustained resource allocation provides a visible link between governance interpretation and organisational commitment. Researchers could investigate whether persistent ESG-related resource commitments predict subsequent organisational learning, strategic adaptation or capability accumulation. Future studies should also examine alignment among the four reinforcement mechanisms. The framework does not assume that attention, incentives, oversight and resources will always move together. A board may repeatedly discuss ESG while executive incentives remain dominated by short-term financial objectives. Alternatively, substantial ESG resources may be authorized while oversight remains fragmented. Such configurations offer opportunities to test whether governance reinforcement requires strong alignment among all four dimensions, whether some mechanisms substitute for others, or whether particular combinations are sufficient to stabilize an ESG interpretation.

A second research priority concerns temporality and feedback. Longitudinal case studies and process research could examine how organisational outcomes influence subsequent governance cycles. Researchers could investigate whether positive ESG outcomes strengthen the interpretation that initially justified investment, whether disappointing outcomes reopen framing contests, and whether external shocks such as regulatory changes, leadership transitions or stakeholder crises redirect established trajectories. Such research would help distinguish governance reinforcement from organisational inertia by identifying the conditions under which reinforced interpretations persist or change. A third priority concerns the proposed boundary conditions. Comparative research could examine whether governance reinforcement has stronger effects under high institutional ambiguity and weaker regulatory enforcement, as proposed in the framework. Cross-country and cross-industry studies would be particularly valuable because institutional environments differ substantially in the specificity and enforceability of ESG expectations. Governance cohesion and managerial discretion could likewise be examined as firm-level moderators. A fourth research opportunity concerns the distinction between symbolic and capability-based trajectories. Rather than measuring ESG performance at a single point in time, researchers could examine how firms move toward, remain within or shift between these trajectories. This would require measures capable of distinguishing disclosure and legitimacy-oriented activity from the integration of ESG into organisational learning, strategic investment and adaptive routines. Research on ESG decoupling provides one possible empirical foundation for investigating the symbolic pathway, while emerging research on ESG capabilities provides a basis for operationalizing capability-based integration. Finally, the process theorized here may extend beyond ESG. Governance actors regularly confront strategically ambiguous issues for which external expectations are evolving and organisational consequences remain uncertain. Digital transformation, artificial intelligence, climate adaptation, corporate purpose and emerging technologies may present similar conditions. Future research could therefore investigate whether recurring governance reinforcement provides a more general explanation of how organisations stabilize strategic interpretations under conditions of institutional and technological uncertainty.

5. Conclusion

Firms increasingly encounter similar regulatory, investor and stakeholder pressures to address ESG concerns, yet their responses remain markedly heterogeneous. Some organisations incorporate ESG into strategic decision-making, organisational learning and resource allocation, while others respond primarily through disclosure, compliance and legitimacy-oriented practices. Existing perspectives provide important explanations for institutional pressure, managerial interpretation and organisational capability, but leave less developed the process through which particular ESG interpretations acquire sufficient organisational persistence to shape strategic trajectories over time. This paper develops a governance-centred process explanation of this divergence. It argues that institutional pressures increase the salience of ESG without prescribing a uniform strategic response. Managers interpret these pressures through competing frames, but the emergence of an interpretation does not ensure its persistence. The framework identifies governance

reinforcement as the recursive process through which repeated and aligned governance attention, incentive structures, strategic oversight and resource commitments selectively stabilize particular interpretations across successive governance cycles.

The central implication is that governance structures should not be assumed to produce substantive ESG integration merely because they exist. Recent research demonstrates that boards play an important role in integrating sustainability into corporate strategy, while also showing that formal sustainability arrangements can remain superficial or symbolic. Sustainability committees similarly vary in their strategic consequences and may have limited substantive influence where they lack sufficient authority or connection to implementation. The framework developed here explains such variation by directing attention from the presence of governance mechanisms to their recurrence, alignment and strategic orientation over time. Governance reinforcement can therefore sustain different organisational trajectories. When recurring governance processes privilege compliance, disclosure and legitimacy protection, ESG may remain weakly coupled to organisational learning and capability development. When governance attention, incentives, oversight and resources repeatedly support a strategic interpretation of ESG, sustained organisational commitment can create conditions more conducive to learning, adaptation and capability accumulation. These pathways are neither automatic nor irreversible. Organisational outcomes feed back into subsequent governance cycles, potentially reinforcing, modifying or destabilizing prevailing interpretations.

The paper consequently contributes a temporal process perspective to understanding ESG strategic heterogeneity. Its contribution lies not in proposing that attention, incentives, oversight or resource allocation are previously unidentified governance mechanisms, but in explaining how their repeated and aligned operation can make particular strategic interpretations organizationally durable. This process links institutional salience and managerial interpretation to sustained organisational commitment while maintaining a conceptual distinction between governance reinforcement and the capabilities that may subsequently develop.

More broadly, the framework suggests that understanding ESG divergence requires examining governance as an unfolding organisational process rather than as a static configuration of board attributes or formal structures. Future empirical research can test this argument by tracing governance attention, incentives, oversight and resource commitments across successive decision cycles and examining whether their alignment predicts the persistence, modification or displacement of ESG interpretations. In doing so, research can move beyond asking whether firms possess ESG governance mechanisms towards examining how governance processes shape the strategic trajectories those mechanisms sustain.

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