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The article discusses the new ESG (Environment, Society, and Governance) trend in business considering its advantages and disadvantages. Despite the challenges associated mainly with measuring ESG data, transformation expenses and a long pay-off period, ESG practices have considerable benefits: the potential market expansion and growth opportunities, more access to investments, improvement of the company's reputation, and stronger relationships with clients, investors, and the public. With the help of case studies and interviews with some company representatives, the authors examine the experience of integrating ESG policy and the influence of ESG approach on investment decisions.

Keywords: ESG strategy, ESG practice, ESG approach, new trends in business, management

In recent years, more and more companies and investors have been paying attention to a new trend called ESG (Environment, Society, and Governance). This strategy has gained significant importance in the business world as companies recognize the need to address environmental and social issues while maintaining strong governance practices.

Also, there is a growing awareness of the need for a more responsible and sustainable approach to business. This article examines the importance of the ESG concept, its advantages and disadvantages, and the prospects for the development of this new trend in the future. By interviewing stakeholders of Whoosh and INK companies using the ESG approach and potential recipients of Fund for the Development of Entrepreneurship in Irkutsk Region, called «My Business», the author collected data and analyzed the impact of the new strategy on business in Irkutsk region.

Literature review

The most frequently discussed ESG aspects in the management literature are the importance of this strategy in business and advantages and disadvantages of the ESG approach. Another common issue is adapting business for people with disabilities and the consequences of such implementation.

Most authors unanimously agree that it is important to integrate ESG practices in business. In particular, Ahmad, Yaqub and Lee write that disclosing ESG indicators related to environmental, economic, and social sustainability can improve business sustainability and performance. Similarly, targeting people with disabilities in business is crucial for promoting inclusivity and diversity [1]. Jiménez-Parra and Alonso-Martinez also believe that sustainability can help companies to achieve better outcomes by using new approaches for vulnerable citizens [2]. Considering environmental and social aspects allows companies to prevent or reduce risks associated with climate change, social conflicts and poor governance. ESG approach can help a company avoid financial losses and maintain its competitiveness in the market. Surveys indicate that

70 % of investors base their investment decisions on criteria related to sustainability, while an additional 14 % take it into consideration [3]. Besides, many governments and international organizations are introducing policies and programs that encourage companies to take into account ESG factors. This may include tax breaks, subsidies, financial support and other measures. According to TASS, guarantee programs for commercial banks could reduce the cost of borrowing loans for green projects [4].

Due to a growing public interest in sustainability and responsible business, many companies and consumers are choosing to do business with ESG companies. This can open up new markets and customer segments for a company and contribute to its growth and development. To illustrate, people with disabilities represent a significant consumer market globally. The ICED facility website provides statistics that one billion people, or 15 % of the world's population, experience some form of disability, and disability prevalence [5]. By targeting this demographic group, businesses can develop products and services tailored to their needs and gain a competitive advantage. Frank also believes that «to invest in disability inclusion is a company's bottom line» [6]. Another advantage of ESG inclusion is a better reputation and a greater trust with their clients, investors and the public. Jones thinks that «ESG is an increasingly important factor driving brand perceptions» [7].

Although companies integrating ESG have a competitive advantage, measuring ESG data is controversial. It has become necessary for companies to provide more meaningful ESG data and clear information about their sustainable practices to better demonstrate their achievements. Kudina believes that despite inadequate voluntary reporting, ESG regulations are on a par with traditional legislative and fiscal measures to regulate the financial sector and investments in Russia [8]. Measuring seems to be a problem not only in Russia, but in countries where ESG strategy has been used for a long time. One of the main challenges in ESG measurement is the lack of a common

set of standards and metrics. Patel thinks that a key problem in the ESG investment world is scant regulations governing what ESG measures and risks companies must disclose [9]. There are many different frameworks and indices that companies can use to measure their sustainability, which can lead to different results and make comparisons between different organizations difficult. Some Russian authors also point out the difficulty of measuring climate factors. For examples, Ivanov considers that installation and testing of a certified system does not guarantee correct measurements [10]. One of the core aspects of ESG is its long-term nature, but measuring long-term impacts can be challenging, especially when it comes to predicting future changes and trends. Jack believes that the disadvantage of the ESG approach is that «implementing an ESG strategy requires a significant investment of time and resources» [11]. Thus, using ESG evidence to attract financing can become a problem for start-ups and small companies.

To sum up, most authors agree that ESG policies have significant business benefits, but there are some disadvantages as well. On the other hand, ESG allows companies to be more competitive in the market and attract more investment, and the introduction of infrastructure for people with disabilities opens up a new consumer segment. On the other hand, an ESG strategy requires a complete reorganization of the business and significant financing, which increases the implementation period. Also, it is difficult to measure ESG indicators and make prognostications due to constantly changing trends. Since the environment is not stable, companies need to quickly respond to changes and adapt to maintain their competitiveness in the market.

Methods and Context

As the paper uses three companies (Whoosh, INK and Entrepreneurship Development Fund) to collect data, it is necessary to provide some background information about them.

The first company under study is Whoosh. It is an innovative technology company focused on developing and implementing advanced urban micro mobility management solutions. Its uniqueness is in the adaptive approach which goes beyond traditional sharing models and encompasses a wide range of mobility options from robots to air taxis. The company's primary objective is to establish and enhance micro mobility services with a strong emphasis on safety, technology, and time optimization. By effectively reducing traffic congestion and improving environmental conditions, Whoosh makes a significant impact on urban infrastructure. Their efficient logistics system also enables users to enhance work productivity by minimizing the time and resources used in traffic jams [12].

Another company used for data collection is Irkutsk Oil Company (INK). It is a Russian oil and gas company engaged in the extraction, processing, and sale of hydrocarbons. The company specializes in the development of oil and gas fields in Eastern Siberia.

INK actively implements modern technologies for extraction and environmentally responsible use of resources. The company also pays attention to socio-economic aspects of regional development by collaborating with local communities and authorities [13].

The third company that helped obtain data is My Business Fund, which is a non-profit organization aimed at supporting entrepreneurship and the development of small and medium-sized enterprises. The main goal of the fund is to provide financial and advisory assistance to entrepreneurs, as well as to promote principles of sustainable business development [14].

As ESG factors are difficult to measure, collecting and analyzing quantitative data is hardly possible. Therefore, to assess the impact of ESG strategy on business, an interview was chosen as the predominant research method. Since this method is qualitative, its use helped ensure more depth. For more objectivity, there were two target audiences: stakeholders of Whoosh and INK companies, using the ESG approach, and potential recipients of support from the Fund for the Development of Entrepreneurship in Irkutsk Region, called «My Business».

The interview with the stakeholders of Whoosh and INK companies concerned two research areas. The first area focused on the reasons and consequences of ESG implementation, the effect on the investments in the company after implementation, ESG indicators, the most important ESG factors for the company and measurement methods. The main ESG indicators chosen for the assessment and analysis of companies were the carbon footprint, the level of investment in non-profit organizations, and the transparency of financial reporting. The second part of the interview discussed the employment of people with disabilities (whether such people work in the company, what kind of work they do, and whether the company is considering this cooperation in the future). This data collection method helped understand the company's ESG strategy, its impact on investments, real experience of ESG implementation, and the company's performance as a whole.

Besides, in order to obtain data on the influence of ESG factors on investment decisions, the interview was conducted with potential recipients of support from the Fund for the Development of Entrepreneurship in Irkutsk Region, Center «My Business». The discussion covered such topics as the position of the fund and banks on taking into account ESG factors when financing businesses, ways to measure ESG indicators, and the number of ESG companies on the market. Also, one of the goals of the interview was to find out the opinion on the ESG trend in Irkutsk Region and its further development.

The methods described above helped obtain accurate and balanced information about ESG trend in Irkutsk Region.

Results

This section discusses the data collected with the help of interviews with representatives of Whoosh and Irkutsk Oil Company, and also with potential recipients of support from the Fund for development of entrepreneurship in the Irkutsk region, called «My Business».

The initial part of the interview about ESG implementation with a representative of Whoosh revealed that the company was conceptualized as a business aligned with the principles of sustainable development from the outset. All vehicles are equipped with an IoT module that enables to monitor such safety parameters as speed and adherence to traffic regulations. The company prioritizes an ESG strategy, using accident rates to measure ESG indicators. Unlike its competitors that just rent out scooters, Whoosh customizes the vehicles according to its specific requirements. Adhering to the ESG strategy facilitated the company's successful first investments, ensuring that its transparent business structure and high-quality corporate governance met necessary standards for going public.

In the remaining part of the interview, the company representative shared the management's opinion on the work of people with disabilities at Whoosh. The top management of this organization believes that it is possible to attract people with disabilities for the «off-season period» to repair vehicles. In addition, the company does not rule out entering the markets with new devices, which could also become means of transportation for people with limited mobility. This illustrates the company's dedication to fostering a more inclusive environment both within its internal operations and through the services it offers.

During the interview with the stakeholders of the Irkutsk Oil Company, they shared their vision of the consequences of implementing the ESG strategy. The interviewees believe that INK decided to pursue the ESG strategy because management is convinced that sustainability, responsibility and acceptance of social and environmental factors are important for the long-term success of the business. After implementing the ESG strategy, stakeholders concluded that this strategy helped create strong relationships with the company and minimize risks associated with the environment and society. Also, the transition to the ESG approach brought a number of benefits to the company: improved financial performance, increased investment and a strengthened brand. However, it also required a significant effort and investment to adapt and change the business approach. It took several years and significant time, finance and employee resources to make transition to the ESG strategy. The company's administration is convinced that these changes will pay off in the long term.

The company's stakeholders also noted that the most important ESG factors are risk management, reduction of the environmental impact, improvement of working conditions and the increase of corporate transparency. To measure ESG factors, the company uses various indicators such as carbon emissions, the number of

female top managers, social welfare and other criteria that help assess environmental, social and corporate governance impacts.

In addition, the interviewees stated that the Irkutsk Oil Company employs people with disabilities. The company is committed to providing equal opportunities for all employees and believes that this contributes to a more diverse and inclusive work environment. Hiring individuals with disabilities is seen as part of the company's commitment to social responsibility and can improve the overall company culture and working conditions.

During the discussion of the ESG agenda, potential recipients of support from the fund noted that the fund pays attention to ESG factors when making investment decisions. About 60 % of companies that applied to My Business fund are interested in or are already following the ESG approach. This demonstrates a growing awareness of the importance of sustainable business and social responsibility. Banks are also increasingly paying attention to ESG factors when providing loans to businesses. This can be seen in the provision of preferential conditions for companies that actively implement sustainable development practices.

To measure ESG factors, the fund uses various indicators, including emission levels, social responsibility policies, business ethics, diversity in corporate governance and other standards consistent with international practices. Most interviewees believe that all ESG factors are of equal importance, but one respondent thinks that effective risk management, resource efficiency, diversity issues, ethical business practices and impact on society and the environment are particularly important factors.

In addition, potential recipients of the fund support expect that the ESG agenda will continue to develop in the future if the state, society and investors pay more attention to sustainability issues. The representative also predicts increased regulation and public pressure on companies to improve their ESG practices.

Discussion

The main purpose of this research was to analyze the impact of the ESG strategy, its strengths and weaknesses, as well as the prospects for the development of this new trend in the future. This article also considered the real-life experience of companies implementing ESG principles, their successes, and the challenges they faced in integrating these principles into their operations.

Most authors agree that ESG policies have significant business benefits, but they are also some disadvantages. On the other hand, ESG allows companies to be more competitive in the market and attract more investment, and the introduction of infrastructure for people with disabilities opens up a new consumer segment. Besides, the ESG strategy requires a serious reorganization of the business and significant financing, which increases the implementation period.

On the other hand, it is difficult to measure ESG indicators and predict their changes. While ESG policies offer numerous benefits for businesses, there are also

challenges and potential drawbacks that need to be carefully considered and managed. Companies need to weigh the pros and cons and carefully plan and execute their ESG strategies to ensure long-term success.

In particular, the findings from interviews underscore the growing importance and impact of ESG strategies in the corporate world. Organizations recognize the value of incorporating sustainable practices into their business models. It is evident that embracing ESG principles not only contributes to environmental and social sustainability but also brings about tangible benefits such as improved financial performance, stakeholder relationships, and a stronger brand. It is likely that there will be continued development and attention towards ESG practices, driven by increasing awareness, regulation, and public pressure.

To increase finance and attract investments, businesses should consider developing a comprehensive ESG policy that aligns with the company's values and objectives. This policy should cover environmental sustainability, social responsibility, and good governance practices. Along with this, implementing robust measurement and reporting systems to track progress towards ESG goals will provide transparency to investors and stakeholders.

Collaboration with sustainable finance institutions and investors who prioritize ESG criteria can also be beneficial, which can be done through partnerships, networking events, and participation in industry conferences. Additionally, communicating the company's ESG initiatives and achievements to customers and stakeholders will enhance the brand reputation and attract socially conscious consumers.

Conclusion

ESG allows companies to be more competitive in the market and attract more investment, and the introduction of infrastructure for people with disabilities opens up a new consumer segment. However, the ESG strategy requires a complete reorganization of the business and significant financing, which increases the implementation period. Although it is difficult to quantify ESG metrics and anticipate their long-term changes, ESG policies offer numerous benefits for businesses. Since the environment is unstable, companies need to quickly respond to changes and adapt to maintain their competitiveness in the market. Embracing ESG principles can help companies stay ahead of these changes and ensure they are well-positioned for future success. This can lead to the development of new products, services, and business models that not only benefit the company but also contribute to a positive societal and environmental impact. In other words, they can do well by doing good. ■

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Применение ESG подхода в бизнесе

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В статье рассматривается новый тренд в бизнесе, так называемый ESG (Environment, Society, and Governance), а также исследуются его преимущества и недостатки. Несмотря на сложности, связанные в основном с измерением данных ESG, затрат на его введение и длительный срок окупаемости, практика ESG имеет значительные преимущества: потенциал расширения рынка и возможности для роста, больший доступ к инвестициям, улучшение репутации компании и укрепление отношений с клиентами, инвесторами и общественностью. С помощью анализа реальных кейсов и интервью с представителями нескольких компаний авторы рассматривают опыт внедрения политики ESG и влияние подхода ESG на инвестиционные решения.

Ключевые слова: ESG-стратегия, ESG-практика, ESG-подход, новые тренды в бизнесе, менеджмент
