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How ESG Indicators Reorganize Corporate Priorities by Redistributing Attention, Investment, and Accountability between Measured and Unmeasured Sustainability Concerns

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Abstract

Environmental, social, and governance indicators are commonly treated as representations of corporate sustainability performance, yet their organizational effects extend beyond reporting. This article develops a Systems / Feedback Theory account of how ESG indicators reorganize corporate priorities by altering what managers repeatedly notice, where resources are committed, and which outcomes become attached to formal accountability. The argument distinguishes measurement from the organizational feedbacks that make indicators behaviorally consequential. Indicator effects strengthen when salience, investment, and accountability become mutually reinforcing, but weaken when rating disagreement, competing materiality logics, informal controls, institutional counter-pressure, or long time lags interrupt these couplings. The resulting theory explains why improved measured performance can coexist with neglected sustainability concerns outside the operative measurement system. ESG indicators therefore function conditionally as priority-reorganizing devices whose consequences depend on system structure rather than on measurement alone.

Keywords Accountability, Organizational attention, Management control, ESG indicators, Sustainability measurement, Systems thinking

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Introduction

Corporate sustainability is increasingly governed through quantified indicators, ratings, disclosure requirements, target systems, and externally comparable ESG scores. These devices appear to simplify a multidimensional problem by making corporate environmental, social, and governance performance more visible. Yet a systems perspective suggests that measurement cannot be treated as an observational layer placed outside the organizational system it describes. Sustainability management involves interdependencies, feedbacks, delays, adaptation, and emergent consequences that arise from interactions across organizational and institutional levels [1]. Once an indicator enters budgeting routines, executive review, compensation design, investor communication, or regulatory disclosure, it can affect the system whose performance it is intended to represent.

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This possibility is consistent with research on mandatory sustainability disclosure. Reporting requirements can alter information conditions, incentives, contracting relationships, and stakeholder responses, creating real organizational effects as well as informational ones [2]. The theoretical problem is therefore not simply whether ESG indicators measure sustainability accurately. It is whether repeated organizational use of those indicators redistributes priority among sustainability concerns by changing managerial attention, investment commitments, and accountability structures. A concern that becomes measurable and repeatedly reviewed can acquire organizational consequences that a less measurable concern does not, even when both remain substantively important.

The problem is amplified because ESG measurement lacks a single stable representation of corporate sustainability. ESG-rating divergence reflects differences in measurement, scope, and weighting among providers [3]. Consequently, the organizational signal generated by “ESG performance” depends partly on how the indicator system defines and aggregates the underlying concerns. This makes measurement architecture theoretically consequential: changing the representation of sustainability can alter what becomes comparable, reportable, contestable, and actionable.

Performance-management research also warns that measurement systems can create unintended consequences when actors adapt to the measures by which performance is evaluated. Such systems may induce gaming, selective attention, information manipulation, or an illusion of control when formal targets fail to capture the complexity of the underlying objective [4]. These possibilities do not establish that ESG systems necessarily produce distortion. They identify a more precise theoretical question: under what conditions does ESG measurement become sufficiently coupled to organizational decision processes that it reorganizes priorities, and when do countervailing mechanisms prevent or reverse that effect?

A Systems / Feedback Theory approach is appropriate because the focal phenomenon cannot be represented adequately as a one-directional sequence from measurement to behavior. Indicators may increase attention, attention may attract resources, resources may improve measured performance, improved performance may reinforce managerial confidence in the indicator system, and external investors or regulators may further strengthen the same priorities. Conversely, disagreement, neglected outcomes, stakeholder resistance, or changing materiality standards may weaken or redirect those loops. The article therefore treats ESG indicators as endogenous components of an adaptive organizational system rather than as passive reporting outputs.

ESG Measurement as an Organizational Attention System

Organizational attention is scarce, situated, and structured by communication channels. The attention-based view of strategy emphasizes that what organizational actors notice and act upon depends partly on the structures through which issues are communicated and interpreted [5]. ESG indicators can enter this architecture by converting heterogeneous sustainability concerns into recurring categories, scores, thresholds, dashboards, and review items. Their organizational significance therefore depends not only on numerical content but on whether those measures are embedded in routines that repeatedly direct managerial notice toward particular issues.

This embedding occurs through management control. Research on sustainability-related control systems shows that organizations combine formal and informal controls in differentiated configurations rather than adopting a single uniform control architecture [6]. Similarly, the environmental dimension of performance management often remains incompletely integrated with strategic objectives and organizational measurement systems [7]. These findings imply that an ESG indicator cannot be assumed to reorganize attention merely because it exists. Its influence depends on coupling: how strongly the measure is connected to recurring review, planning, target setting, decision rights, performance evaluation, and other mechanisms that keep an issue within the managerial field of view.

External expectations can intensify that coupling. Evidence from CSR-related management-control research indicates that perceived CSR importance, stakeholder expectations, and organizational proactivity are associated with stronger use of CSR controls [8]. In systems terms, external stakeholder pressure can therefore enter the organization as an input that

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increases the salience of selected concerns, which may then become formalized through internal measures. Once formalized, those measures can in turn shape what is reported externally, creating a potential feedback relationship between external demands and internal attention.

However, ESG measurement also introduces ambiguity. Greater disclosure does not necessarily produce greater agreement among ESG raters; additional information can increase disagreement when providers interpret or weight that information differently. Differences among rating methodologies also produce divergent investable universes and benchmarks, while rating uncertainty affects how investors value and allocate capital toward firms [9–11]. These findings make disagreement theoretically important. A highly visible indicator can remain weakly directive when actors disagree about what it represents, how it should be weighted, or whether it captures outcomes rather than policies.

Accordingly, the organizational attention effect of ESG measurement is conditional. Measurement can strengthen issue visibility by standardizing categories and creating repeated review points, but that effect depends on interpretive stability, control-system integration, perceived relevance, and institutional support. Where these conditions are weak, ESG information may proliferate without producing a correspondingly stable organizational priority. Where they are strong, indicator visibility can become self-reinforcing as repeated managerial use confirms the perceived centrality of the measured concern.

Redistribution of Managerial Attention

The movement from measurement to attention is most consequential when indicator systems differentiate among sustainability concerns rather than simply increasing information volume. Materiality frameworks illustrate this differentiation. Evidence based on SASB classifications indicates that financially material sustainability information can be more informative to capital markets than information classified as non-material [12]. Yet materiality itself is not a singular concept. GRI-oriented impact and stakeholder materiality and SASB-oriented financial materiality organize sustainability relevance according to different purposes and affected constituencies [13]. The attention system produced by ESG measurement therefore depends partly on which conception of relevance is institutionalized.

This creates a selective rather than uniformly expansive effect. Improving the quantity or quality of reporting does not ensure that underlying ESG performance improves at the same rate. Longitudinal evidence from Swedish multinational firms shows that reporting development and ESG-performance development can diverge [14]. Such divergence is consistent with a feedback system in which visibility becomes stronger without an equally strong downstream connection to resources, operational practices, or accountability.

The distinction becomes sharper when high measured ESG performance coexists with weak stakeholder outcomes. Evidence on U.S. ESG mutual funds shows that funds with stronger reported ESG characteristics and disclosures did not necessarily hold firms with stronger performance across several direct stakeholder-oriented outcome measures [15]. This does not establish that ESG scores are intrinsically misleading. It demonstrates that success within an indicator system and performance across the wider sustainability system can be analytically different states.

Attention is also conditioned by the perceived relevance and interpretability of the signal. Capital-market evidence shows stronger responses to ESG news classified as financially material [16], whereas disagreement among ESG raters weakens the extent to which ESG news is incorporated into market prices [17]. Although these studies examine external investors rather than internal management directly, they reveal two system properties relevant to organizational attention: signals produce stronger responses when they are considered consequential, and disagreement can attenuate response even when information is available.

The resulting managerial problem is therefore not an absolute opposition between measured and unmeasured sustainability. It is an allocation problem. Indicators create recurring attention channels through which some concerns become easier to compare, defend, report, budget for, and escalate. Other concerns may remain visible through

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professional judgment, informal control, stakeholder pressure, or regulatory anticipation, but they compete without the same measurement infrastructure. The central theoretical distinction is between indicator-supported attention, which is repeatedly refreshed by formal measurement routines, and non-indicator-supported attention, which depends more heavily on contextual judgment or alternative organizational channels.

The consequences become especially important when attention begins to influence subsequent resource commitments. **Table 1** distinguishes attention states by the form of measurement support sustaining them and by the conditions under which each state is likely to persist, weaken, or translate into investment.

Table 1. Attention states created by different forms of ESG measurement coupling

Attention state	How the sustainability concern enters managerial visibility	Organizational reinforcement mechanism	Main vulnerability	Likely transition toward investment	Systems interpretation
Repeated indicator-supported attention	Appears consistently in formal ESG measures, dashboards, targets, or recurring review	Repetition, comparability, escalation and managerial expectation	Metric narrowing or overconfidence in what is measured	High when the indicator is linked to planning, budgets, incentives, or external scrutiny	Potential reinforcing loop
Materiality-filtered attention	Enters because a reporting or evaluation framework classifies it as decision-relevant	Formal materiality classification and external legitimacy	Alternative materiality logic may prioritize a different concern	Conditional on whose materiality definition governs resource decisions	Boundary-dependent prioritization
Disagreement-attenuated attention	Is measured but carries unstable interpretation across raters or evaluators	Partial reinforcement through visibility	Competing definitions weaken decisiveness	Lower or delayed when decision makers cannot translate the signal into a stable action rule	Reduced feedback gain
Outcome-disconnected attention	Receives reporting attention without equivalent evidence of underlying performance improvement	Reporting routines and reputational visibility	Reporting-performance decoupling	Uncertain unless attention becomes connected to operational decisions	Broken downstream coupling
Non-indicator-supported attention	Persists through expertise, stakeholder concern, informal control, ethical judgment, or	Professional and relational channels	Lower comparability and weaker formal persistence	Depends on discretionary sponsorship or later formalization	Potential balancing or corrective channel

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	emerging risk recognition				
Displaced attention	Concern remains substantively relevant but loses recurring organizational visibility relative to measured alternatives	Reinforcement of competing measured priorities	Escalating omission as resources and accountability follow visible indicators	Low until counter-pressure, failure, regulation, or reclassification restores salience	Candidate local-optimization failure

The coexistence of these states means that attention is not redistributed once and permanently. A concern may move between them as measurement systems change, stakeholder demands intensify, rating disagreement rises, or previously unmeasured consequences become visible. **Figure 1** represents this dynamic as a multi-loop system in which ESG measurement can reinforce selected priorities while disagreement, alternative controls, stakeholder pressure, and performance gaps provide potential balancing forces.

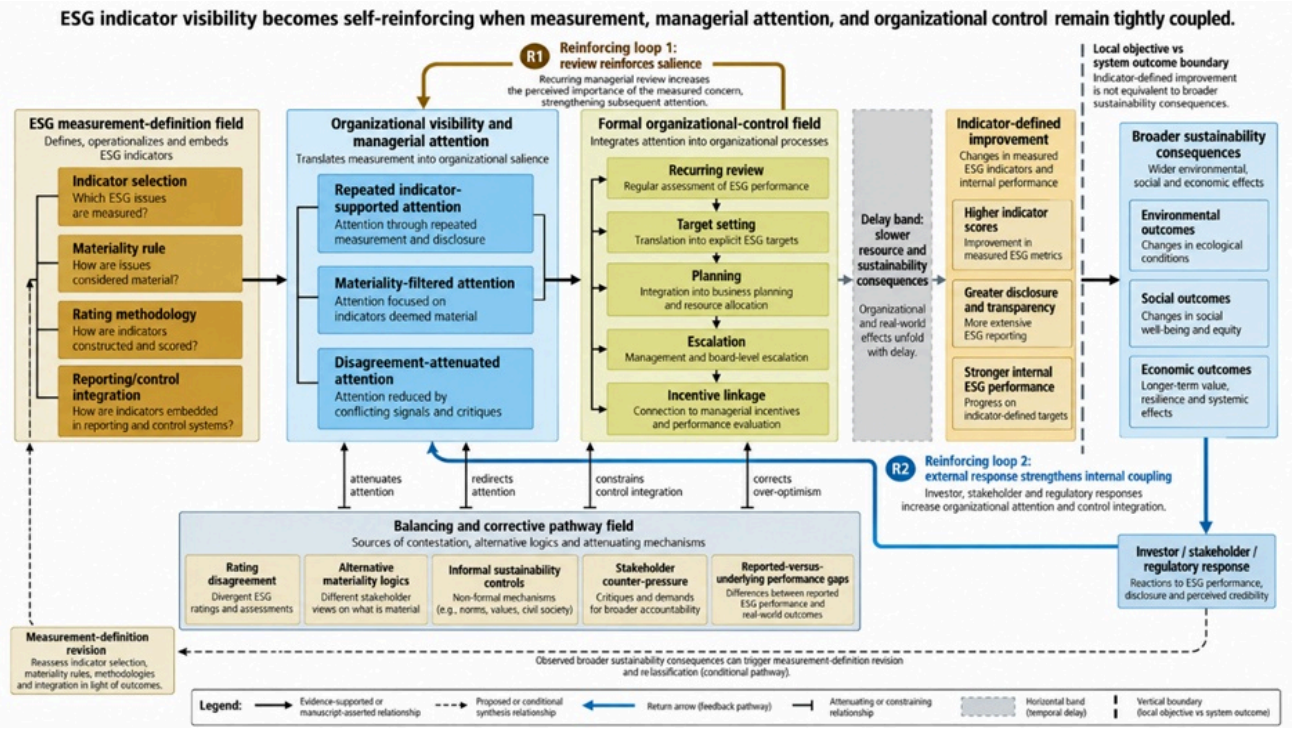


Figure 1. ESG indicator visibility becomes self-reinforcing when measurement, managerial attention, and organizational control remain tightly coupled

Redistribution of Investment

Managerial attention becomes a stronger source of priority reorganization when it affects resource allocation. Investors already use ESG information for multiple purposes, including financial analysis, client demand, product construction, and ethical considerations [18]. At the organizational level, this multiplicity matters because external capital providers do not transmit one uniform ESG preference. Different investor mandates can reward different aspects of measured sustainability, creating uneven financial pressure across ESG dimensions.

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Regulation adds another external feedback channel. Market reactions to mandatory nonfinancial disclosure in Europe varied with firms' prior disclosure and ESG characteristics, indicating that a reporting regime can change expected costs and benefits without producing a uniform response across firms [19]. The effect of a measurement regime therefore depends partly on the state of the organization before the regime is imposed.

More direct evidence that sustainability categorization can redirect capital comes from the introduction of Morningstar sustainability ratings. The rating shock generated substantial changes in mutual-fund flows, demonstrating that increased salience can affect allocation even without contemporaneous evidence that the most highly rated funds subsequently outperform [20]. For the present theory, the important implication is that measurement can become consequential because it changes allocation rules, not because it perfectly captures the entire sustainability state.

Temporal structure further complicates this process. Long-term executive incentives have been shown to increase investment in long-horizon activities and stakeholder engagement, with some operating consequences emerging only after delay [21]. Institutional investors likewise vary in their treatment of climate risk, with differences in size, horizon, and ESG orientation associated with different response strategies [22]. Thus, the same sustainability signal can generate different resource consequences depending on the time horizon through which decision makers evaluate it.

Carbon emissions and ESG characteristics also enter asset-pricing and portfolio-allocation processes. Carbon exposure has been associated with differences in expected returns and institutional screening, while responsible-investment theory shows how ESG information and investor preferences can shift portfolio choice; equilibrium models further demonstrate how sustained investor preference for greener firms can feed through prices into firms' real investment incentives [23–25]. These studies do not establish a universal corporate investment response to any ESG metric. They identify several channels through which measurement can acquire resource consequences.

Institutional context determines the strength of those channels. International evidence indicates that institutional investors can influence firms' environmental and social performance, but the relationship is stronger where investor social norms support such engagement [26]. Investment redistribution should therefore be modeled as a context-sensitive feedback process. Where measured ESG performance affects capital access, valuation, ownership pressure, or internal project justification, investment can reinforce the concerns already favored by the measurement system. Where capital providers disagree, face competing mandates, or lack influence, the loop weakens.

This logic distinguishes attention without investment from attention coupled to investment. A sustainability concern can remain prominent in reports and executive discussion without receiving durable resources. Conversely, once budgets, capital access, R&D expenditure, operating investment, or stewardship pressure become tied to a measured concern, the organizational system acquires a stronger reinforcing mechanism. The central question then shifts from which issues are visible to which actors become answerable for producing the measured result.

Redistribution of Accountability

Accountability changes the consequences of ESG measurement because it links selected outcomes to identifiable decision makers. Sustainability-linked compensation provides a clear example. Research on CSR- and ESG-contingent executive compensation shows that firms increasingly attach environmental or social criteria to executive evaluation and that such arrangements can influence selected ESG activities and outcomes, although the effects vary across settings and do not imply universal improvements in financial performance [27–29]. When a sustainability measure enters compensation, it ceases to function only as information; it becomes part of the consequence structure governing managerial behavior.

The design of that consequence structure matters. CSR-contingent compensation varies across industries, governance settings, CSR categories, and degrees of formulaic specificity [30]. A nominal reference to sustainability in an incentive contract is therefore analytically different from a measure that is clearly defined, reviewed regularly, and attached to

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material consequences. The strength of accountability coupling depends on whether actors know which outcome they control, how performance will be assessed, and what follows from success or failure.

This distinction reveals an important systems effect. Attention, investment, and accountability need not move together. A concern may be highly visible but weakly funded; well funded but weakly assigned to accountable actors; or formally attached to accountability while relying on a metric that captures only part of the underlying sustainability problem. Priority reorganization becomes stronger when all three mechanisms align around the same measured concern. Repeated attention keeps the issue salient, investment increases the organization's capacity to act on it, and accountability attaches consequences to producing the measured result.

The same alignment can also create local optimization. If the operative ESG measure covers only part of a broader sustainability concern, strong accountability can intensify effort toward the measured component while weakening relative attention to outcomes lying outside the measurement boundary. The problem is not accountability itself. It is the combination of strong accountability with incomplete representation. In such a configuration, managers may rationally devote effort toward the objectives that are visible, resourced, and consequential while leaving less measurable effects dependent on professional judgment, stakeholder challenge, or later corrective feedback.

The accountability states relevant to this distinction are summarized in **Table 2**. They differentiate whether a concern is merely reported, formally owned, consequence-bearing, or capable of remaining organizationally relevant without direct indicator linkage.

Table 2. Accountability configurations produced when ESG measures differ in consequence-bearing strength

Accountability configuration	Status of the sustainability concern	Where responsibility resides	Connection to formal consequences	Main systems effect	Principal risk
Disclosure accountability	Concern must be reported or explained	Reporting, sustainability, finance, or executive functions	Weak to moderate; consequence may be reputational or regulatory	Raises visibility and traceability	Reporting compliance may substitute for operational ownership
Managerial target accountability	Concern is attached to an internal target	Business-unit or functional managers	Moderate; reviewed through performance processes	Connects attention to operational action	Local target attainment may dominate broader effects
Incentive-linked ESG accountability	Concern enters executive or managerial evaluation	Senior management and governing bodies	Strong where the metric materially affects assessment or reward	Reinforces priority through direct consequence	Strong incentives can magnify measurement incompleteness
Investor-mediated accountability	Concern affects stewardship, ownership pressure, or capital-market evaluation	Executives and boards facing external capital providers	Indirect but potentially material	Feeds external evaluation back into internal priorities	Investor mandates may privilege financially salient concerns

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Plural accountability	Concern is evaluated through several materiality or stakeholder channels	Multiple internal and external actors	Distributed rather than concentrated	Can counterbalance narrow indicator optimization	Diffuse responsibility may weaken decisive action
Residual responsibility for weakly measured concerns	Concern is recognized but lacks strong metric support	Professionals, operational experts, stakeholders, or discretionary governance channels	Limited or non-standardized	Preserves issues outside the dominant indicator system	Attention and resources may erode without continuing sponsorship

Accountability therefore completes the first half of the theoretical mechanism without converting it into a linear chain. Strong ESG accountability can reinforce measured priorities, but its effect depends on how completely the measure represents the sustainability concern, how investment is coupled to the accountable actor, and whether alternative governance channels continue to protect issues outside the dominant metric system. The next analytical task is to examine that boundary directly by separating measured from weakly measured or unmeasured sustainability concerns and asking when omission becomes self-reinforcing rather than merely temporary.

Measured and Unmeasured Sustainability Concerns

The distinction between measured and unmeasured sustainability concerns is not equivalent to a distinction between important and unimportant concerns. It describes whether a concern is represented strongly enough within the operative indicator, reporting, control, investment, and accountability system to sustain organizational attention. A concern may be substantively material yet remain weakly represented because available metrics are immature, effects are difficult to attribute, time horizons are long, affected stakeholders lack influence, or the prevailing materiality framework privileges another form of relevance.

This distinction is especially visible in the evolution toward double materiality. European sustainability-reporting developments have expanded the reporting boundary beyond financial materiality toward consideration of organizational impacts on society and the environment [31]. Such expansion shows that the boundary of measurable sustainability is institutionally constructed and revisable. Materiality systems therefore do more than classify existing information: they determine which concerns become eligible for recurring organizational recognition.

Measurement coverage nevertheless remains imperfect. Environmental communication can diverge from underlying environmental commitments, and firms may either overstate or understate those commitments in external communication [32]. Comparable separation is evident when reporting quality improves more rapidly than underlying ESG performance [14]. Similarly, strong measured ESG characteristics do not necessarily imply superior outcomes across all stakeholder-relevant dimensions [15]. These patterns show why indicator performance cannot be treated as a complete proxy for system-level sustainability.

The Systems / Feedback Theory implication is that omission can become dynamic. When a concern is weakly represented, it may receive less recurring attention; reduced attention can weaken investment and formal accountability; weaker investment may reduce data generation and organizational learning; and poor information may then make the concern even harder to measure. This article identifies that configuration as a **measurement–priority attenuation loop**. It is proposed as a theoretical synthesis rather than as a directly observed causal loop.

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The opposite movement is also possible. Stakeholder challenge, regulatory change, operational failure, new scientific knowledge, or revised materiality standards can make a previously weakly represented concern more visible. Rating disagreement may also expose contested assumptions rather than simply constitute measurement noise [9]. Different rating methodologies reveal that indicator boundaries are choices rather than neutral reflections of a single sustainability construct [3]. Once such contestation produces revised definitions or data collection, the concern may re-enter formal attention and eventually influence investment and accountability.

Measured and unmeasured concerns should therefore be viewed as states within an adaptive organizational system. Movement between those states depends on institutional revision, organizational learning, measurement capability, stakeholder influence, and the strength of feedback from observed consequences.

Indicator-Induced Priority Reorganization Framework

The preceding sections support an integrated account in which ESG indicators influence corporate priorities through three organizational couplings: attention coupling, resource coupling, and accountability coupling. The contribution is not the proposition that measurement mechanically causes sustainability behavior. It is that repeated measurement can reorganize relative priority when these couplings reinforce one another over time.

The first reinforcing loop begins with recurring measurement. An indicator repeatedly appearing in reporting, executive review, or performance systems acquires organizational visibility. Visibility increases the probability that managers allocate discussion time, analytical capacity, and decision attention to the represented concern. When this attention leads to investment, organizations develop capabilities, data, and routines around the same concern. Those developments can improve subsequent measurability, strengthening the indicator's apparent relevance and renewing the cycle.

A second reinforcing loop operates through accountability. When a measured concern becomes attached to targets, managerial evaluation, executive compensation, or investor scrutiny, actors face stronger consequences for its performance [27]. Accountability can increase effort and accelerate resource mobilization, but it can also amplify the effects of incomplete representation. The more strongly managers are rewarded or sanctioned according to an incomplete metric, the greater the potential divergence between local indicator optimization and broader sustainability performance.

External capital markets provide a third feedback channel. Sustainability classifications can redirect investor flows [20], while investor preferences can affect firms' financing conditions and, under appropriate assumptions, real investment incentives [25]. The organizational effect is therefore potentially recursive: indicators influence external evaluation; external evaluation affects internal incentives; internal responses alter measured performance; and the resulting measurements inform the next round of evaluation.

These reinforcing loops operate alongside balancing mechanisms. Informal controls can preserve concerns that are not dominant within formal measurement systems [6]. Competing materiality concepts challenge narrow definitions of relevance [13]. Institutional investors can exert environmental and social influence under supportive normative conditions [26]. Double-materiality requirements can widen the set of issues subject to formal recognition [31]. Balancing feedback is consequently possible, although it may arrive slowly and may be too weak to offset established priorities.

Temporal delay is central. Attention can change rapidly after a new indicator, rating, disclosure rule, or executive target is introduced, whereas investment outcomes and sustainability consequences may emerge later. Evidence on long-term incentive structures demonstrates that operating consequences can follow with delay [21]. During this interval, decision makers may interpret early improvements in reported indicators as evidence that the underlying sustainability problem has also improved. The system can therefore overshoot toward a measurable local objective before broader consequences become visible.

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The framework consequently predicts configurations rather than a universal direction of effect. Strong attention, resource, and accountability coupling around broad and contestable measures can support sustainability integration. Strong coupling around narrow measures can generate local optimization. Weak coupling can leave ESG indicators symbolically important but behaviorally limited. Balancing mechanisms can redirect either configuration.

The resulting configurations and their discriminating implications are summarized in **Table 3.**

Table 3. Feedback configurations that distinguish symbolic ESG measurement from organizational priority reorganization

System configuration	Attention coupling	Resource coupling	Accountability coupling	Expected organizational pattern	Distinguishing observation
Symbolic measurement	Visible but episodic	Weak	Weak	ESG information circulates without durable reprioritization	Reporting changes while budgets and decision rights remain largely unchanged
Selective reinforcement	Strong for a narrow concern set	Strong for the same concerns	Strong	Measured priorities gain persistence and organizational protection	Measured targets improve while adjacent weakly measured concerns lose relative attention
Broad sustainability integration	Strong across a wider concern set	Distributed across multiple sustainability objectives	Consequence-bearing but plural	Measurement supports coordinated sustainability action without a single metric dominating	Indicator gains coexist with continued attention to non-equivalent stakeholder or impact concerns
Disagreement-attenuated coupling	High visibility but unstable interpretation	Delayed or contested	Fragmented	ESG remains salient yet does not generate a stable allocation rule	Competing ratings or materiality definitions produce inconsistent decisions
Corrective rebalancing	Previously neglected concern gains visibility	Resources begin to shift	Accountability expands or is reassigned	A balancing feedback alters the previous priority structure	Stakeholder, regulatory, scientific, or operational feedback changes what is measured and governed
Local-optimization trap	Strong	Strong	Strong	Organization becomes effective at improving an incomplete indicator-defined objective	Local metric improvement persists while broader system outcomes stagnate or deteriorate

Propositions

The framework yields propositions that distinguish indicator-induced priority reorganization from the simpler claim that more ESG measurement automatically produces better sustainability management.

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Proposition 1. The redistribution of corporate priority toward a measured sustainability concern will increase as attention, investment, and accountability become more strongly coupled to the same indicator, provided that decision makers interpret the indicator as sufficiently stable and relevant.

This proposition makes coupling, rather than indicator quantity, the core explanatory variable. Greater disclosure alone is insufficient because reporting and performance can diverge [14]. Likewise, rating disagreement can weaken response even when information is abundant [17].

Proposition 2. Strong coupling around an incomplete indicator set will increase the probability of divergence between local ESG performance and broader sustainability outcomes, particularly when feedback from omitted concerns is delayed.

This proposition predicts a temporal and representational failure mode rather than inevitable manipulation. The effect should be strongest where measured objectives dominate budgets and accountability while weakly represented consequences emerge only after organizational commitments have accumulated.

Proposition 3. Competing materiality systems, stakeholder counter-pressure, informal controls, and institutional contestability will attenuate persistent displacement of weakly measured concerns when they retain independent pathways into managerial attention and decision making.

The proposition does not imply automatic correction. Balancing mechanisms must remain organizationally consequential; symbolic consultation without decision rights or resource effects would not provide equivalent counter-feedback.

Proposition 4. A previously unmeasured sustainability concern will be more likely to enter the formal priority system when adverse consequences, regulatory revision, stakeholder pressure, or improved measurement capability alter its perceived materiality and make it actionable within existing control structures.

This proposition makes the measurement boundary endogenous. Concerns can move into and out of formal visibility as organizations and institutions learn, thereby changing subsequent rounds of attention, investment, and accountability.

These propositions imply distinct observable configurations rather than a single monotonic relationship between ESG measurement intensity and sustainability performance. **Figure 2** locates the conditions under which the same increase in ESG measurement should generate reinforcement, attenuation, corrective rebalancing, or local optimization.

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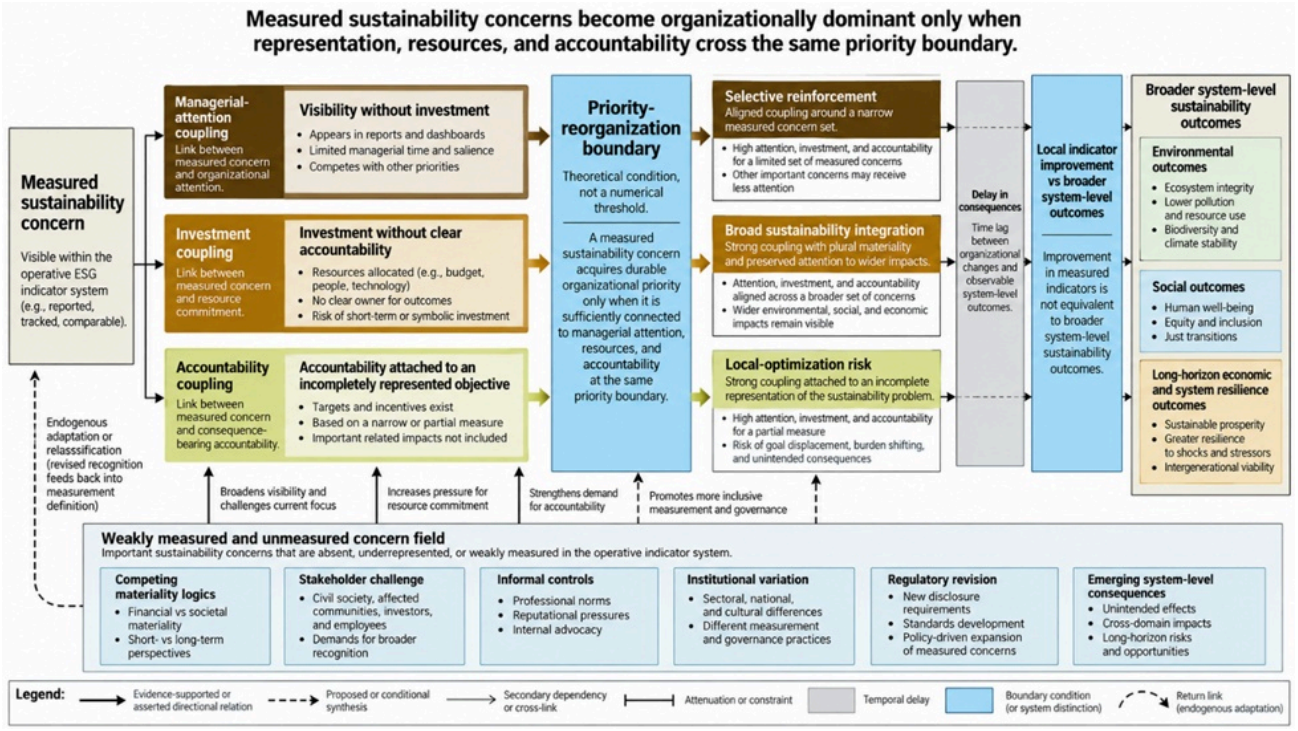


Figure 2. Measured sustainability concerns become organizationally dominant only when representation, resources, and accountability cross the same priority boundary

Governance and Sustainability Implications

The principal governance implication is that organizations should evaluate the **coupling structure** around ESG indicators rather than treating indicator proliferation as equivalent to sustainability integration. Additional metrics may improve representation, but they can also add disagreement or reporting burden without altering investment or accountability [2, 9] Governance therefore requires attention to where measures enter decision processes, which budgets they influence, who becomes accountable, and what consequential concerns remain outside the operative system.

Materiality governance is especially important. Organizations using financially oriented indicators need mechanisms through which wider stakeholder and impact concerns can challenge the existing measurement boundary [13]. Double-materiality approaches provide one institutional route for preserving such contestability [31]. Their theoretical value lies in maintaining a potential balancing channel rather than assuming that any particular reporting standard fully captures sustainability.

Accountability design should also preserve the ability to revise what is being measured. Incentive-linked ESG targets can direct managerial effort [27], but strong incentives attached to narrow or unstable measures can magnify local optimization. Governance systems should therefore distinguish responsibility for achieving a metric from responsibility for monitoring consequences that the metric does not represent. This separation helps prevent a successful indicator from becoming self-validating merely because organizational resources have accumulated around it.

Time horizon provides a further safeguard. Sustainability consequences can develop more slowly than managerial attention, ratings, or annual incentive systems [21]. Evaluation should therefore retain outcome measures and review intervals capable of detecting delayed effects. Where reporting improvements, ratings, or target achievement advance faster than underlying sustainability outcomes, the discrepancy should be treated as system information rather than dismissed as measurement noise.

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Finally, the framework argues against both metric maximalism and metric rejection. ESG indicators are valuable precisely because complex concerns require structured information, comparability, and accountability. The governance challenge is to prevent those benefits from turning measurement boundaries into priority boundaries that become difficult to revise. Effective sustainability governance consequently combines formal indicators with plural materiality assessment, stakeholder challenge, professional judgment, periodic reconsideration of metric scope, and explicit monitoring of system-level consequences.

Conclusion

ESG indicators can reorganize corporate priorities when they become embedded in organizational feedback systems rather than remaining reporting devices. Their strongest effects arise when the same measured concerns repeatedly attract managerial attention, receive resources, and become attached to consequence-bearing accountability. Under these conditions, measurement can become self-reinforcing: organizational capabilities and data accumulate around selected priorities, external actors respond to the resulting signals, and the strengthened measurement system further confirms those priorities.

That process is conditional. Rating disagreement, alternative materiality logics, institutional diversity, stakeholder pressure, informal controls, delayed consequences, and revised measurement boundaries can weaken or redirect reinforcement. Strong ESG coupling can therefore support broad sustainability integration when the measured concern set remains contestable and sufficiently representative, but it can also produce local optimization when narrow indicators dominate attention, investment, and accountability.

The theoretical contribution is thus a shift from asking whether ESG indicators are accurate or useful in isolation to asking how measurement interacts with organizational feedback. Measured and unmeasured sustainability concerns are not fixed categories; they are positions within an adaptive system whose boundaries change with information, institutions, governance, and observed consequences. The practical implication follows directly: sustainability performance cannot be assessed solely by improvement in the measures that organizations have already learned to prioritize. Governance must also examine which concerns remain outside the reinforcing structure that makes some sustainability objectives persistently visible, resourced, and accountable.

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