

“The marketing implications of ESG disclosure: The mediating role of value-based competitive advantage in driving sales growth”

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# THE MARKETING IMPLICATIONS OF ESG DISCLOSURE: THE MEDIATING ROLE OF VALUE-BASED COMPETITIVE ADVANTAGE IN DRIVING SALES GROWTH

**Abstract**

Environmental, social, and governance disclosure is increasingly used as a strategic communication tool, yet its immediate marketing consequences remain unclear in emerging markets. The study evaluates the marketing implications of environmental, social and governance (ESG) disclosure by testing the relationship between the disclosure and value based competitive advantage through its impact on sales growth. A total of 30 Jordanian industrial firms were selected during the time frame (2019-2023) for analysis, yielding 150 firm-year data. ESG disclosure is computed as the arithmetic mean of the disclosure ratios of environmental, social and governance data, and value-based competitive advantage is calculated as return on invested capital minus the weighted average cost of capital. The panel regression results show that ESG disclosure has a positive but statistically insignificant effect on value-based competitive advantage (coefficient = 0.340; standard error = 0.299) and sales growth (coefficient = 13.159; standard error = 23.899). After including value-based competitive advantage in the sales-growth model, its coefficient remains positive but statistically insignificant (coefficient = 29.675; standard error = 19.160). The estimated indirect effect is 10.102, with a 95% bootstrap confidence interval ranging from -8.441 to 23.688, indicating that the mediating effect is not statistically supported. The environmental, social, and governance dimensions are also statistically insignificant. The results suggest that during the period of study this ESG disclosure was not associated with an immediate increase in sales via the proposed value-based channel. The study makes a contribution by exploring a marketing-oriented ESG pathway in an emerging industrial market, and by differentiating between the anticipated strategic gains of sustainability disclosure and the actual observed market impacts of ESG disclosure.

**Keywords**

sustainability reporting, market performance, economic value, industrial firms, emerging markets, stakeholder communication, Jordan, panel analysis

**JEL Classification**

M31, M14, L25, Q56

**INTRODUCTION**

Sustainability has ceased to be a compliance matter to become a strategic requirement in contemporary business. Companies are progressively employing environmental, social and governance (ESG) activities as part of their strategy, not only to meet their regulatory obligations as well as social responsible investors, but also to indicate long term value to the market. ESG disclosure, in this case, also becomes an important means of communication, which depicts the market orientation and a strategic position of the firm. Nevertheless, the majority of literature continues to consider ESG disclosure as a financial or reporting institution based on its effect on firm value, risk, or cost of capital. Although these effects are significant, the possibility of ESG disclosure to affect the position of a firm in the competitive market place and marketing performance (including sales increase) is less

comprehended. This is a critical gap in emerging markets where competition is very high and consumer expectations are changing and as such, companies need to differentiate themselves in order to expand. ESG reporting can be an effective marketing indicator in these markets: companies can use a promise of sustainability to develop a brand image, shareholder confidence, and competitive advantage. However, there is still limited empirical data on this strategic position of the ESG disclosure in the stimulation of the market-based outcomes, particularly in the industrial segments of the emerging economies. In this regard, our research focuses on the industrial companies of Jordan, which have to endure the high competition and the growing interest of stakeholders. Thus, it is important to investigate whether there is a direct or indirect relationship between sales growth and ESG disclosure, mediated by value-based competitive advantage. ESG disclosure is therefore discussed in this context as a disclosure activity and as a communication vehicle which may have market implications.

The scientific problem of this study is formulated around the limited understanding of how environmental, social, and governance disclosure contributes to firms' market performance beyond traditional financial indicators. Although ESG disclosure has been widely examined in relation to firm value, risk, and financial performance, far less attention has been given to its strategic marketing implications. Especially, whether it can contribute to sales growth by providing a value-based competitive advantage in terms of the firm's ability to create returns in excess of its cost of capital. This gap is especially evident in emerging markets, where firms increasingly adopt sustainability disclosure practices while competing in dynamic market environments.

## 1. LITERATURE REVIEW

In recent years, environmental, social, and governance disclosure has started to gain more and more significance in scholarly and professional discourse. Since companies are increasingly being pressured by regulators, investors, and society to conduct their operations in a more responsible and transparent way, sustainability disclosure has been slowly shifting beyond a voluntary reporting practice, to a strategic part of corporate communication. Therefore, scholars have demonstrated growing interests in investigating the implication of ESG disclosure on the performance of firms, stakeholder relations and the value creation in the long term. Although a large part of the literature has been on the financial implications of ESG practices, recent surveys have started to investigate its wider strategic purpose, especially their possible effects on enhancing and sustaining competitive positioning and market performance. In this context, the following section reviews prior studies related to ESG disclosure, competitive advantage, and firm performance in order to provide the theoretical foundation for the present study.

ESG disclosure, which is voluntary reporting of environmental, social, and governance practices,

has also been gaining an increasing number of interested eyes as stakeholders are increasingly demanding greater transparency (Al-Matari, 2025). In theory, the stakeholder theory states that organizations need to accommodate different stakeholder interests (customers, communities, regulators) to emerge successful in the long-run (Farooq et al., 2025; El Shlmani et al., 2025). Through the release of ESG information, companies are sending a message of their dedication to the wider social objectives, which may lead to increased legitimacy and stakeholder confidence. According to Herbert and Graham (2022), sustainability reporting creates legitimacy through the alignment of the activities of the firm with those of the society. The voluntary ESG disclosure in the emerging markets, where formal ESG ratings might be unavailable, will be a signal of social responsibility. Resource-based perspective ESG practices have the potential to generate intangible resources (brand reputation, organizational culture, employee morale) that cause competitive advantage. Lin (2024) argues that sustainable competitive advantage is enhanced through ESG performance, which has brought innovation and efficiency. In the same vein, Mohammad and Wasiuzzaman (2021) establish that ESG disclosure has a positive impact on competitive advantage, which subsequently

leads to improved performance of the firm. In this regard, the ESG disclosure is not only a cost, but an investment in the ability to distinguish a firm in the market.

Al Amosh et al. (2022) examines how financial leverage, profitability, liquidity, cash holdings, and interest coverage influence the level of integrated reporting disclosure among Jordanian industrial firms. The analysis is based on annual reports of 51 listed companies over the period 2014-2019, representing 306 firm-year observations. The findings show that financial leverage, profitability, liquidity, and cash holdings play a meaningful role in explaining integrated reporting disclosure, whereas interest coverage does not appear to have a significant effect. The research contributes to the literature by providing evidence of Jordan as an emerging market and pointing out integrated reporting as a disclosure method that integrates both financial and non-financial aspects.

Competitive advantage in its own right, which can be defined as the capability of a firm to generate higher value than the competitors at a similar cost, is a critical performance driver (Al Shawabkeh, 2024). This advantage can be improved by strategic capabilities, such as sustainability-related capabilities (Jarrar & Al Shawabkeh, 2024). As an example, Hattab et al. (2023) point out that successful in attaining sustainable competitive advantage, firms tend to possess high strategic capabilities. When operating in a market with a large environmental and social concern, communicating efforts on ESG can become a strategic competency which can be converted into a market positioning advantage. Shahzad et al. (2024) demonstrated that corporate governance strength is positively correlated with the firm risk in sampled environment indicating poor regulatory and monitoring standards. Meanwhile, CSR disclosure has a moderating effect because it minimizes information asymmetry and assists firms in averting operational and financial risk.

Recent studies have further expanded the ESG literature by examining disclosure quality, sustainability reporting, corporate governance, stakeholder communication, value creation, and firm performance across different institutional and emerging-market settings, providing additional

evidence on the strategic role of ESG disclosure and its organizational outcomes (Ahmed et al., 2024; Almulhim & Metwally, 2025; Alshdaifat et al., 2026; Berg et al., 2022; Chopra et al., 2024; Gholami et al., 2022; Khamisu et al., 2024; Reboredo & Sowaity, 2022; Zheng et al., 2025). Related Jordanian accounting research has also examined how accruals, cash flows, returns on investment, and earnings management contribute to firm-level information and value assessment (Shubita, 2021, 2023a, 2023b; Shubita & Shubita, 2010). Empirical research suggests that competitive advantage mediates ESG effects on performance. Rohendi et al. (2024) show that ESG disclosure boosts firm value via competitive advantage. Al-Nimer (2024) reports that green innovation mediates the relationship between corporate sustainability development and risk-management and sustainable-performance outcomes in Jordanian manufacturing firms. These studies imply that ESG-driven capabilities may be the conduit linking disclosure to performance outcomes.

Studies on ESG and firm performance typically focus on financial metrics (ROA, Tobin's Q, etc.). For example, Al Amosh and Khatib (2023) find ESG disclosure increases market value of Jordanian firms. Abdel Maqsood (2023) documents positive ESG effects on Egyptian firm value and quality. However, few studies explicitly examine market-based outcomes like sales growth (Shubita, 2019). Yet growth in sales is a fundamental measure of competitive success and market acceptance.

Marketing research indicates that strategic orientations, including sustainability, influence market performance. Veeravel et al. (2024) find that ESG disclosure leads to superior firm performance in India's industries. These findings, while indirect, suggest ESG practices could drive sales by attracting customers and differentiating the brand.

This study aims to explore the marketing implications of ESG disclosure by analyzing the direct effect of ESG disclosure on sales growth and the mediation effect of value-based competitive advantage in the relationship between ESG disclosure and sales growth. The study evaluates the effect of ESG disclosure on the generation of economic value above the cost of capital and assesses whether the value-based advantage is manifested in greater

sales growth, using panel data of Jordanian industrial companies between 2019 and 2023.

In summary, the literature suggests that ESG disclosure is a signal of legitimacy and strategic orientation, this can build intangible resources leading to competitive advantage, and competitive advantage is linked to higher sales and growth. However, the specific chain from ESG disclosure, competitive advantage, and sales growth has not been fully tested in emerging markets. Based on this reasoning, we develop hypotheses to fill this gap:

*H1: ESG disclosure has a positive effect on value-based competitive advantage.*

*H2: Value-based competitive advantage has a positive effect on sales growth.*

*H3: ESG disclosure has a positive effect on sales growth.*

*H4: Value-based competitive advantage mediates the relationship between ESG disclosure and sales growth.*

Supplementary analysis is also conducted by disaggregating ESG disclosure into its environmental, social, and governance dimensions to examine their individual effects.

## 2. METHOD

In the study, non-financial industrial companies listed on the Amman Stock Exchange (ASE) are studied. ESG disclosure data were manually collected from the firms' annual reports, while the financial data were obtained from the annual reports and the Amman Stock Exchange records. The ESG disclosure and financial data cover the period 2019-2023. The final estimation sample consists of 30 Jordanian industrial firms, yielding 150 balanced firm-year observations.

The key variables are constructed as follows:

- Sales Growth (SalesGrowth): Year-over-year percentage change in operating revenue:

$$\text{SalesGrowth}_{it} = \frac{\text{Revenue}_{it} - \text{Revenue}_{\{i,t-1\}}}{\text{Revenue}_{\{i,t-1\}}} \cdot 100. \quad (1)$$

Note that we also winsorize growth at the 1st and 99th percentiles to mitigate outliers.

- ESG Disclosure (ESG): The disclosure ratios for each ESG dimension are derived by dividing the number of items disclosed by the total number of items covered by that dimension. Environmental, social and governance disclosure scores are thus between 0 and 1. The composite ESG disclosure index is the average (arithmetic mean) of the three-dimensional scores:

$$\text{ESG}_{it} = \frac{\text{ED}_{it} + \text{SD}_{it} + \text{GD}_{it}}{3}. \quad (2)$$

- Competitive Advantage (CA): Value based Competitive Advantage (VCA): Value-based competitive advantage is calculated as the difference between return on invested capital and the weighted average cost of capital:

$$\text{VCA}_{it} = \text{ROIC}_{it} - \text{WACC}_{it}. \quad (3)$$

This measure is the firm's economic value spread – the ability to earn a return on capital in excess of the capital cost. It is therefore treated as a value-based proxy; not as a measure of market share, customer loyalty or brand-based competitive advantage.

Control variables:

- Firm size “Log Assets”
- Liquidity is the current ratio (current assets / current liabilities).
- Leverage is the debt ratio (total debt / total assets × 100%).

Exact definitions and data sources are summarized in Table 1.

Empirical Strategy: We estimate the following panel regression models:

$$\begin{aligned} \text{VCA}_{it} = & \beta_0 + \beta_1 \text{ESG}_{it} \\ & + \beta_2 \text{Size}_{it} + \beta_3 \text{Liquidity}_{it} \\ & + \beta_4 \text{Leverage}_{it} + \varepsilon_{it}, \end{aligned} \quad (4)$$

$$\begin{aligned} \text{SalesGrowth}_{it} = & \alpha_0 + \alpha_1 \text{ESG}_{it} \\ & + \alpha_2 \text{Size}_{it} + \alpha_3 \text{Liquidity}_{it} \\ & + \alpha_4 \text{Leverage}_{it} + u_{it}, \end{aligned} \quad (5)$$

$$\begin{aligned} \text{SalesGrowth}_{it} = & \gamma_0 + \gamma_1 \text{ESG}_{it} \\ & + \gamma_2 \text{VCA}_{it} + \gamma_3 \text{Size}_{it} + \gamma_4 \text{Liquidity}_{it} \\ & + \gamma_4 \text{Leverage}_{it} + v_{it}. \end{aligned} \quad (6)$$

Model (1) examines the effect of ESG disclosure on value-based competitive advantage and tests *H1*. Model (2) estimates the total effect of ESG disclosure on sales growth and tests *H3*. Model (3) includes both ESG disclosure and value-based competitive advantage and is used to test *H2* and the indirect relationship proposed in *H4*. The models are estimated using panel regression with firm-clustered robust standard errors. The supplementary specifications replace the composite ESG index with its environmental, social, and governance dimensions. The composite ESG index is not included in the same model as its three dimensions.

The product-of-coefficients approach is used to test the mediating effect as proposed in *H4*. The indirect effect is the product of the coefficient of ESG disclosure in the value-based competitive advantage model and the coefficient of value-based

competitive advantage in the sales growth model. The indirect effect is bootstrapped with 5,000 replications to be estimated and obtain the 95% confidence interval. Only supported when the bootstrap confidence interval does not contain zero.

### 3. RESULTS AND DISCUSSION

Table 2 shows the descriptive statistics of the key variables in the analysis. The mean index of ESG disclosure is 0.516, which means that, on the balance, companies report on about half of the ESG-related items. The standard deviation of value-based competitive advantage is quite high at 0.325 with a mean value at 0.014 indicating a high degree of variation in the capability of firms to make returns more than the cost of capital. The average growth of sales would be 5.4 percent when winsorized but the dispersion is very high because of the existence of some high growths. As to the control variables, the average logarithmic size of firms is 7.52, the average current ratio is 3.01, and the average leverage ratio is 37.9 percent, which represent moderate financial leverage levels of the sampled firms.

Table 3 presents the Pearson correlations among the study variables. ESG disclosure is positively

**Table 1.** Variable definitions

| Variable       | Definition                                                                                                                                                                                                 |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SalesGrowth    | Year-over-year % change in operating revenues: $((\text{Rev}_t - \text{Rev}_{t-1}) / \text{Rev}_{t-1}) * 100$ . Winsorized at the 1st and 99th percentiles to limit the influence of extreme observations. |
| ESG Index      | Composite ESG disclosure index calculated as the arithmetic mean of the environmental, social, and governance disclosure ratios. Each dimension ranges from 0 to 1.                                        |
| Env Disclosure | Ratio of disclosed environmental items to the total environmental disclosure items.                                                                                                                        |
| Soc Disclosure | Ratio of disclosed social items to the total social disclosure items.                                                                                                                                      |
| Gov Disclosure | Ratio of disclosed governance items to the total governance disclosure items                                                                                                                               |
| VCA            | Value-based competitive advantage = ROIC – WACC, representing the economic return generated above the firm's cost of capital.                                                                              |
| Size           | Natural logarithm of total assets.                                                                                                                                                                         |
| Liquidity      | Current Ratio (current assets divided by current liabilities).                                                                                                                                             |
| Leverage       | Debt Ratio (%) = $100 \times (\text{total debt} / \text{total assets})$ .                                                                                                                                  |

**Table 2.** Descriptive statistics

| Variable                          | Mean   | Std. Dev. | Min     | 25%     | 50%    | 75%    | Max     |
|-----------------------------------|--------|-----------|---------|---------|--------|--------|---------|
| ESG Index                         | 0.516  | 0.139     | 0.000   | 0.433   | 0.521  | 0.602  | 0.881   |
| Value-based competitive advantage | 0.014  | 0.325     | -2.878  | -0.050  | 0.031  | 0.096  | 1.380   |
| Sales Growth (%)                  | 5.407  | 35.252    | -68.648 | -13.199 | 4.408  | 19.439 | 145.490 |
| Log Assets                        | 7.518  | 0.586     | 6.696   | 7.112   | 7.446  | 7.801  | 9.331   |
| Current Ratio                     | 3.012  | 3.561     | 0.215   | 0.841   | 1.507  | 4.018  | 28.498  |
| Debt Ratio (%)                    | 37.889 | 22.956    | 0.585   | 18.775  | 34.649 | 54.094 | 99.829  |

**Table 3.** Pearson correlations

|              | ESG    | CompAdv | SalesGr | LogAssets | CurrRat | Debt % |
|--------------|--------|---------|---------|-----------|---------|--------|
| ESG Index    | 1.000  | 0.298   | 0.089   | 0.250     | −0.023  | −0.230 |
| VCA          | 0.298  | 1.000   | 0.263   | 0.318     | 0.126   | −0.288 |
| Sales Growth | 0.089  | 0.263   | 1.000   | 0.160     | −0.078  | 0.056  |
| Log Assets   | 0.250  | 0.318   | 0.160   | 1.000     | 0.070   | 0.063  |
| Curr. Ratio  | −0.023 | 0.126   | −0.078  | 0.070     | 1.000   | −0.582 |
| Debt Ratio   | −0.230 | −0.288  | 0.056   | 0.063     | −0.582  | 1.000  |

Note: n = 150.

correlated with value-based competitive advantage ( $r = 0.298$ ) and sales growth ( $r = 0.089$ ). Value-based competitive advantage is also positively correlated with sales growth ( $r = 0.263$ ). The largest absolute correlation is  $-0.582$  between liquidity and leverage, which remains below the level normally associated with severe multicollinearity.

Table 4 presents the regression results. Model (1) shows that ESG disclosure has a positive but statistically insignificant effect on value-based competitive advantage. Firm size has a positive and statistically significant effect, whereas leverage has a negative and statistically significant effect. Accordingly, *H1* is not supported. Model (2) examines the total effect of ESG disclosure on sales growth. The ESG coefficient is positive but statistically insignificant; therefore, *H3* is not supported. Model (3) includes both ESG disclosure and val-

ue-based competitive advantage. The coefficient of value-based competitive advantage is positive but statistically insignificant, while ESG disclosure also remains insignificant. Accordingly, *H2* is not supported. Models (4) and (5) present the supplementary analysis of the environmental, social, and governance disclosure dimensions. None of these dimensions has a statistically significant effect on value-based competitive advantage or sales growth.

Table 5 presents the bootstrap mediation results. The estimated indirect effect of ESG disclosure on sales growth through value-based competitive advantage is 10.102. However, the 95% bootstrap confidence interval ranges from  $-8.441$  to  $23.688$  and includes zero. Therefore, the indirect effect is not statistically significant, and *H4* is not supported.

**Table 4.** Regression results (clustered SEs in parentheses)

| Variable                 | (1) VCA           | (2) Sales Growth  | (3) Sales Growth | (4) VCA           | (5) Sales Growth |
|--------------------------|-------------------|-------------------|------------------|-------------------|------------------|
| ESG                      | 0.340 (0.299)     | 13.159 (23.899)   | 3.057 (21.314)   | –                 | –                |
| Environmental disclosure | –                 | –                 | –                | 0.094 (0.077)     | 9.802 (12.640)   |
| Social disclosure        | –                 | –                 | –                | 0.370 (0.374)     | −24.737 (19.040) |
| Governance disclosure    | –                 | –                 | –                | −0.093 (0.123)    | 8.138 (18.494)   |
| VCA                      | –                 | –                 | 29.675 (19.160)  | –                 | 30.626 (18.849)  |
| Firm size                | 0.170** (0.056)   | 9.147* (4.463)    | 4.109 (6.256)    | 0.167** (0.061)   | 3.570 (6.597)    |
| Liquidity                | −0.007 (0.007)    | −0.803 (0.911)    | −0.592 (0.851)   | −0.007 (0.007)    | −0.583 (0.860)   |
| Leverage                 | −0.0045* (0.0019) | 0.017 (0.130)     | 0.151 (0.154)    | −0.0042* (0.0017) | 0.122 (0.158)    |
| Constant                 | −1.246** (0.468)  | −68.376* (27.319) | −31.406 (39.689) | −1.254* (0.537)   | −21.195 (42.253) |
| Observations             | 150               | 150               | 150              | 150               | 150              |
| R-squared                | 0.223             | 0.036             | 0.094            | 0.237             | 0.100            |
| Model F-statistic        | 3.459*            | 2.903*            | 4.476**          | 3.897**           | 3.667**          |
| Model p-value            | 0.020             | 0.039             | 0.004            | 0.006             | 0.006            |

Note: \* $p < 0.05$ ; \*\* $p < 0.01$  (two-tailed).

**Table 5.** Bootstrap mediation analysis

| Indirect path            | Indirect effect | Bootstrap SE | Lower 95% CI | Upper 95% CI | Mediation result |
|--------------------------|-----------------|--------------|--------------|--------------|------------------|
| ESG → VCA → Sales Growth | 10.102          | 7.619        | −8.441       | 23.688       | Not supported    |

The findings from the empirical results do not support the proposed direct relationship between ESG disclosure and value-based competitive advantage or between value-based competitive advantage and sales growth. The estimated coefficients of value based competitive advantage and ESG disclosure are positive, but not statistically significant. Thus, the results do not offer enough evidence to conclude that an increased level of ESG disclosure led to higher economic value spreads or sales growth of Jordanian industrial companies over the period of the study. The findings differ from Mohammad and Wasiuzzaman (2021) and Rohendi et al. (2024) that found competitive advantage was an important channel through which ESG disclosure impacted firm performance and value. It is also distinct from other financial impacts studies of ESG disclosure such as Al Amosh and Khatib (2023), Bai et al. (2024), and Veeravel et al. (2024).

The gap could be attributed to the method used to measure growth (sales growth not firm value or profitability), institutional and market char-

acteristics of industrial firms in Jordan. The supplementary results may actually be statistically insignificant for environmental, social and governance aspects. The study is unable to deduce that social disclosure has a greater influence on the environment disclosure or governance disclosure. The findings rather indicate that a lack of market results in relation to sustainability disclosure can be found unless there are visible improvements in product quality, customer value, innovation, reputation or market communication.

The results are also interpreted in the light of the measurement of value-based competitive advantage. This shows that the advantage that the firms gained from implementing ESG disclosure was not a direct gain in marketing, but rather an economic value spread, as ROIC minus WACC revealed no significant improvement for the firms. This does not mean that there is no strategic value in ESG disclosure, rather it demonstrates that there is no empirical evidence in the sampled firms for the financial channel proposed.

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## CONCLUSION

This study aims to investigate the effect of ESG disclosure on the sales growth, either directly or indirectly via value-based competitive advantage in Jordanian industrial companies. The data analysis is based on 150 firm-year observations of 30 firms over the period 2019-2023 and the findings do not show any statistically significant evidence of an impact of ESG disclosure on value-based competitive advantage or sales growth. However, value-based competitive advantage does not have a significant impact on sales growth, and the bootstrap analysis does not lend support to the proposed mediating relationship. As a result, *H1*, *H2*, *H3* and *H4* are not supported. The study adds to the literature through its analysis of ESG disclosure from a market perspective, as well as its analysis of whether the potential impact of ESG disclosure is making its way through the firm's value chain. The results indicate that the benefits that are anticipated and expected from the strategic benefits of ESG disclosure are not necessarily short-term sales results. Sustainability disclosure can take a longer time, or be more closely linked to product, customer, innovation and communication strategies, in the Jordanian industrial context for market impact to be discernible. Managers should therefore not consider ESG disclosure a direct sales driver, but rather a way to drive growth through the long haul. Rather, sustainability reports should complement meaningful business and operational activities aimed at generating tangible value to customers and other stakeholders. One limitation of the study is that it focuses on industrial companies in Jordan only and also value-based competitive advantage is used as a proxy using ROIC minus WACC. In future, direct marketing variables including relative sales performance, customer loyalty, market share or brand value can be investigated, and extended time periods and other new markets can be considered.

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