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VALUE THROUGH PURPOSE

The more interesting question is: where does responsible business actually make a company more competitive? Can investing in people reduce turnover? Can circularity create new revenue? Can responsible sourcing make supply chains more resilient? Can solving a social or environmental problem create a better product? Increasingly, the answer is yes, but with an important condition. For Europe, where competing on labor costs or energy prices is increasingly difficult, responsible business may represent an overlooked source of long-term competitiveness.

Responsibility needs to move from the margins of the business into the way the business creates value. From ESG activity to business strategy. A company can have a strong ESG strategy and still make very conventional business decisions. It can run a volunteering program while struggling to retain employees, publish a sustainability report while choosing suppliers purely on price, or support a community initiative while designing products that create unnecessary waste.

This is the difference between doing responsible things and designing a responsible business. The first adds responsibility to the business, the second changes the business itself.

Research by NYU Stern covering more than 1,000 studies found a positive relationship between ESG performance and financial performance in

58% of corporate studies. The researchers identified innovation, operational efficiency and risk management among the mechanisms through which ESG can create financial value. They also found that benefits tend to become more visible over longer time horizons. Importantly, ESG disclosure alone did not produce the same relationship.

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So perhaps the question shouldn't be whether ESG "pays off", it should be which responsible choices make the business stronger, and how can we measure that?

The Return on Sustainability Investment (ROSI) framework developed at NYU Stern is looking beyond direct revenue to mechanisms such as operational efficiency, innovation, risk management and employee retention. This broader definition of return is important. A €100,000 investment in responsible business may

not generate €120,000 in revenue. Its return might instead be €40,000 in avoided costs, €30,000 in reduced turnover and a supply-chain risk that never materialized.

European companies are beginning to demonstrate what this looks like in practice. French company CircularPlace helps organizations reuse, resell, donate or recycle equipment rather than dispose of it. In 2025, its clients avoided 865 tons of CO₂, generated €800,000 through resale and saved €1 million. The environmental benefit is clear. But so is the business case - waste became a source of recovered value.

In Poland, social cooperative Heca combines employment for people facing labor-market barriers with commercial activities including sustainable furniture production and bicycle delivery. Its reported revenue grew from approximately PLN 615,000 in 2022 to PLN 1.89 million in 2024, when it also recorded a net profit. Here, social impact isn't an activity alongside the business. It helps define the business model.

CEE also offers an important counterpoint. A recent study of 130 Slovak work-integration social enterprises found improvements in assets, sales and value added alongside higher wages for disadvantaged workers. But it also identified significant efficiency problems in public support and highlighted

For years, companies have been asked to become more responsible. They have developed ESG strategies, sustainability reports, employee programs and community partnerships. But most businesses no longer need to be convinced that ESG matters.

that social impact does not automatically equal economic efficiency. That is an important lesson.

There is another source of impact hiding in plain sight: the money companies already spend. Every procurement decision determines which suppliers receive revenue, what materials enter the supply chain and which production practices are supported. Corporate merchandise is a small but illustrative example.

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A company ordering 500 T-shirts is making more than a branding decision. It is choosing materials, suppliers, production conditions and ultimately where its purchasing power goes. The product can simply carry a logo or the purchase can support responsible materials, social suppliers, local production or nonprofit partnerships. The same principle applies to catering, logistics, cleaning, technology and

countless other categories. Companies don't always need another CSR program, sometimes they need to make better purchasing decisions.

This is the thinking behind our own work and the development of the Impact Commerce concept: exploring how commercial products and purchasing decisions can create social value as part of the transaction itself.

There is one important caveat. Not every responsible action will generate a measurable financial return. Some things are worth doing because they are the right thing to do. Trying to force every social outcome into a spreadsheet can turn responsibility into another short-term optimization exercise. The goal is not to prove that everything good is profitable. It is to become better at recognizing when responsible choices create economic value, and then designing the business to capture that value.

Europe cannot compete with every region on labor costs, energy prices or regulatory simplicity. But competitiveness is also about attracting people, innovating, managing risk, building trusted relationships and adapting to structural change.

Responsible business is not a magic formula for profitability, but neither is it simply a cost of doing business. Perhaps the next phase of ESG is therefore not about adding more initiatives. It is about redesigning decisions.