

Evaluating the Impact of ESG Rating on Corporate Performance: Study at PT Great Giant Pineapple

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ABSTRACT

This study aims to explore how ESG ratings influence managerial decision-making dynamics, organizational communication strategies, and both financial and non-financial corporate performance. The research adopts a constructivist paradigm and a qualitative case study approach. Data were collected through observation, in-depth interviews with *PT GGP's* internal managers, and document analysis, including sustainability reports and the company's external communication materials. The findings indicate that ESG ratings are internalized by *PT GGP's* management not merely as administrative compliance tools, but as instruments of legitimacy and strategic compasses in decision-making processes. ESG serves as a framework for shaping the company's long-term strategies, especially in sustainable operations and stakeholder relations. *PT GGP's* ESG communication strategy has proven adaptive, integrating informing, responding, and involving approaches that build public credibility and trust in the company's sustainability commitment. The ESG rating also impacts corporate performance, with increased operational efficiency, consumer loyalty, and investor appeal serving as non-financial indicators contributing to corporate reputation and value. However, the study also identifies challenges such as the lack of standardized ESG indicators and the risk of greenwashing, which continue to hinder the full optimization of ESG's strategic value. These findings reinforce legitimacy theory, which posits ESG as a tool for articulating the values and norms society expects from corporations and as part of a communication strategy to maintain social legitimacy amid rising sustainability awareness. This research contributes theoretically to the development of sustainability-based strategic communication studies and offers practical implications for companies aiming to integrate ESG as part of their long-term corporate transformation.

Keywords: *ESG Ratings, Corporate Performance, PT Great Giant Pineapple, Sustainability, Stakeholder Engagement*

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INTRODUCTION

In the contemporary era, sustainability issues have occupied a central position in the global agenda as well as modern business practices (Cociña et al., 2019). This is marked by the adoption of the Sustainable Development Goals (SDGs) by the United Nations in September 2015, which contain 17 goals to address multidimensional challenges such as poverty, social inequality, climate change, environmental degradation, and weak governance (Korwatanasakul, 2020). This global commitment has triggered a paradigm shift in development, where sustainability is no longer considered a moral choice, but a strategic imperative.

As awareness of the importance of sustainability grows, the Environmental, Social, and Governance (ESG) framework has emerged, which is the main parameter in assessing the legitimacy, reputation, and long-term value of a company. ESG represents an approach that integrates environmental, social, and governance dimensions into a company's core strategy, as well as a reference in global investment decisions. In recent years, institutional investors have paid significant attention to ESG aspects. A Deloitte report (2023) shows that more than 70% of investors in Southeast Asia include ESG in their investment considerations, making it an important factor in assessing business risks and prospects.

The changing global business landscape shows that ESG has shifted from just a "trend" to a "strategic need." ESG is not only an instrument to gain a positive reputation, but also a risk mitigation mechanism, access to sustainable capital, and an instrument of social legitimacy. In practical terms, the implementation of ESG contributes to operational efficiency, increased customer loyalty, investor attraction, and better management of non-financial risks (Friede, Busch, & Bassen, 2015).

From an environmental perspective, companies are faced with demands to reduce carbon emissions, improve energy efficiency, manage waste, and conserve biodiversity. From the social side, companies are required to pay attention to the welfare of workers, the rights of local communities, diversity, and long-term social impact. In terms of governance, integrity, transparency, accountability, and anti-corruption mechanisms are important parameters. The integration of these three aspects makes ESG the foundation of sustainability as well as a strategic pillar in modern governance (Eccles & Krzus, 2018).

In Indonesia, the urgency of ESG implementation is strengthened by the regulatory framework. The Financial Services Authority (*OJK*) through Regulation No. 51/POJK.03/2017 requires issuers and financial services institutions to submit sustainability reports starting in 2020. This regulation emphasizes that ESG is no longer an optional practice, but an integral part of the corporate reporting system. Sectors with high externalities such as energy, mining, manufacturing, and agribusiness are prioritized for ESG implementation due to their significant impact on the environment and society.

In addition to regulatory factors, the global market also demands Indonesian companies to transform towards sustainable practices. International consumers are now increasingly critical of agribusiness practices that involve deforestation, high carbon emissions, or violations of the rights of local communities. Therefore, agribusiness companies in Indonesia are faced with a double demand: meeting domestic regulations as well as global expectations.

In this context, *PT Great Giant Pineapple (PT GGP)* was chosen as a case study. *PT GGP* is the largest exporter of pineapples from Indonesia as well as one of the largest horticultural companies in Southeast Asia. The company operates in sectors that are vulnerable to environmental and social issues, ranging from land use, water management, production waste, to relationships with *plasma* farmers and local communities.

PT GGP obtained an ESG Rating of "excellent" from S&P Global through the Corporate Sustainability Assessment (CSA) in the Food Products sub-industry. This assessment measures the company's performance in aspects of climate resilience, regenerative agriculture, circular economy, and social contribution. The results of the rating make *PT GGP* representative to study the dynamics of ESG in the Indonesian agribusiness sector, as well as provide an opportunity to assess the impact of ratings on corporate communication and business performance.

Furthermore, *PT GGP* has prepared a five-stage ESG roadmap: mastery, performing, excellence, inspire, and sustaining. This roadmap not only sets out operational strategy, but also frames ESG as part of the company's identity. The sustainability narrative built by *PT GGP* through the slogan "Great Lives, Great People, Great World" shows that ESG is internalized as a company's cultural value, not just an administrative fulfillment.

Studies on the relationship between ESG and corporate performance in Indonesia are still mostly quantitative, with a focus on the correlation of financial indicators. In fact, the

mechanism of internalizing ESG in organizations, communication processes, and managerial decision-making dynamics are important dimensions that have not been widely explored (Napitupulu & Effendi, 2021). A qualitative approach is needed to understand how ESG is interpreted by organizational actors and how ESG ratings transform into real business strategies.

From an academic perspective, this research contributes to the development of sustainability-based strategic communication literature by highlighting ESG as an instrument of organizational identity and social legitimacy (Albert & Whetten, 1985; Scott, 2021). From a practical perspective, the results of this research can be a reference for other agribusiness companies in formulating authentic ESG strategies, avoiding the risk of greenwashing, and building credibility in the eyes of stakeholders.

A review of the ESG-related literature shows a growing body of empirical evidence on the relationship between the application of sustainability principles and company performance. One seminal study is the work of Khan, Serafeim, and Yoon (2016), which shows that companies that focus on material ESG practices for their industries are able to generate higher operating profits and better stock returns than companies with non-material ESG practices. These findings confirm the importance of materiality in ESG strategies. Friede, Busch, and Bassen (2015) conducted a meta-analysis of more than 2,000 empirical studies and found that about 90% of studies showed a positive or neutral correlation between ESG and financial performance. Only a small percentage show a negative impact. Thus, ESG cannot be seen as a mere additional cost, but rather as a source of long-term economic value. Fatemi, Glaum, and Kaiser (2018) highlight the ESG communication aspect. According to them, ESG can improve a company's reputation and credibility, but the financial benefits are only real when ESG is truly integrated into the company's core strategy. On the other hand, ESG that is only used as a communication tool without real implementation risks being considered greenwashing. In the Indonesian context, Utomo, Daromes, and Santosa (2020) examined SOEs and found that ESG information disclosure has a positive effect on investor image and perception. These findings are in line with signaling theory (Spence, 1973), where ESG disclosure is a signal of corporate integrity and transparency. Research by Napitupulu and Effendi (2021) also supports the argument that high ESG ratings can attract investors while increasing consumer loyalty. However, most of the research is still quantitatively oriented, with a focus on the correlative relationship between ESG and financial performance. Few studies have explored the mechanism of internalizing ESG through a qualitative perspective, especially in the context of agribusiness in Indonesia. This is where this research seeks to contribute.

The primary objective of this study is to explore how ESG (Environmental, Social, and Governance) principles are internalized within *PT Great Giant Pineapple (PT GGP)* and how ESG ratings are translated into actual business strategies and organizational practices. The research seeks to understand the processes, mechanisms, and communication strategies through which ESG becomes part of the company's identity, influences managerial decision-making, and guides interactions with stakeholders. A secondary objective is to analyze the implications of ESG integration for corporate legitimacy, reputation, and long-term sustainability, particularly in the agribusiness context in Indonesia.

The benefits of this research are both theoretical and practical. Theoretically, it contributes to sustainability-based strategic communication literature by demonstrating how

ESG can function as a core component of organizational identity, legitimacy, and social responsibility, expanding beyond purely quantitative financial analyses. Practically, the study provides insights for agribusiness companies in designing authentic ESG strategies, avoiding greenwashing, and strengthening credibility with investors, consumers, and local communities. It also offers guidance to managers and policymakers on implementing ESG frameworks effectively in operational and strategic decision-making, ensuring alignment with both domestic regulations and global sustainability expectations.

METHOD

This research uses the constructivist paradigm, which sees reality as the result of social construction and individual interpretation. This [A1] paradigm allows researchers to explore how managers and stakeholders interpret ESG ratings, not just measure them objectively.

The method used is a qualitative case study (Yin, 2018) with *PT Great Giant Pineapple* as an intrinsic case. The case study was chosen because the focus of the research is to answer the questions of "why" and "how" ESG affects organizations, which cannot be answered through quantitative surveys.

Data Collection Techniques

1. In-depth interviews: Conducted with ESG managers, heads of corporate communications, key employees, and external stakeholders. The goal is to understand the subjective perception of the influence of ESG ratings.
2. Document analysis: Includes sustainability reports, S&P Global ESG ratings, annual reports, and external communication materials. Document analysis is used to examine a company's formal narrative about ESG (Bowen, 2009).
3. Participant observation (if applicable): To capture the dynamics of direct interaction between the company and stakeholders.

Data Analysis

The data were analyzed using thematic analysis (Braun & Clarke, 2006), with coding steps, pattern identification, and narrative interpretation. Validity is strengthened through triangulation between methods (Lincoln & Guba, 1985).

With this approach, the research seeks to capture the meaning of ESG ratings from the company's internal perspective as well as external dynamics with stakeholders.

RESULTS AND DISCUSSION

ESG Rating as a Strategic Compass

The results of the study show that the ESG rating for PT GGP is positioned as a *strategic compass*, not just a compliance tool. S&P Global's "excellent" rating is a reference in the preparation of the five-stage ESG roadmap: *mastery, performing, excellence, inspire, and sustaining*. This roadmap signifies that companies place ESG as a long-term direction that guides every strategic decision.

Influence on Managerial Decision Making

ESG influences various decisions, such as investment in biogas plants to reduce greenhouse emissions, the *2050 net zero* target, to water and biodiversity management. The decision is not just a calculation of costs, but also a search for social legitimacy and a response

to the global market. ESG is a framework to interpret business success not only from profits, but also social and environmental contributions.

ESG Communication Strategy

PT GGP's communication strategy emphasizes three approaches: *informing, responding, and involving*. The narrative of "Great Lives, Great People, Great World" is used to internalize ESG in the company's identity. Communication is not only delivered through annual reports, but also interactive programs with local communities, media engagement, and global publications. This is in line with strategic communication theory (Hallahan et al., 2007).

Impact on Company Performance

- 1) Financial: ESG improves investor attractiveness, access to sustainable finance, and operational efficiency.
- 2) Non-financial: increased international consumer loyalty, positive reputation, and harmonious relations with plasma farmers and surrounding communities

These findings are consistent with *the study of Friede et al. (2015)* which showed that ESG contributes positively to financial performance, as well as *Fatemi et al. (2018)* which affirms the role of ESG in reputation.

Implementation Challenges

Some of the key challenges found are:

1. Lack of standardization of ESG ratings. Differences in methodology between rating agencies lead to uncertainty in the interpretation of scores (Berg, Kölbel, & Rigobon, 2022 in McKinsey)
2. The risk of greenwashing. If communication claims don't match real practice, companies risk losing public trust.
3. Complexity of costs and resources. ESG implementation requires large investments, for example in green technology and employee training.

Thus, while ESG provides strategic value, implementation challenges require serious attention in order to optimize long-term benefits.

The findings of this study indicate that PT GGP treats its ESG rating not merely as a compliance measure but as a strategic compass guiding long-term corporate decisions. This aligns with Organizational Identity Theory (Albert & Whetten, 1985), which emphasizes that organizations define themselves not only through products or services but also through their commitments, values, and practices. The integration of ESG into strategic decision-making at PT GGP—such as investment in biogas plants, net-zero targets for 2050, and biodiversity management—demonstrates the role of ESG as both a managerial tool and a legitimacy mechanism, consistent with Institutional Theory (Scott, 2021) and Legitimacy Theory (Suchman, 1995). These decisions are driven not solely by financial calculations but also by the desire to gain social license and global market acceptance, reflecting the dual economic and social objectives of ESG initiatives.

The company's ESG communication strategy, based on informing, responding, and involving stakeholders, reinforces the internalization of ESG values and strengthens

organizational identity. This is consistent with Strategic Communication Theory (Hallahan et al., 2007), which posits that effective communication internalizes organizational values and builds stakeholder engagement. The narrative "Great Lives, Great People, Great World" exemplifies how ESG principles are embedded in corporate culture, shaping both internal and external perceptions.

The positive impacts observed—enhanced investor interest, operational efficiency, international consumer loyalty, and improved relationships with plasma farmers and communities—corroborate the findings of Friede, Busch, and Bassen (2015) and Fatemi, Glaum, and Kaiser (2018), who emphasize that ESG contributes both to financial performance and reputation. However, challenges such as rating standardization, greenwashing risk, and resource complexity highlight the practical constraints of ESG implementation, echoing concerns raised by Berg, Kölbl, and Rigobon (2022).

These results demonstrate that ESG can serve as a strategic framework that integrates sustainability, legitimacy, and performance, but its effectiveness depends on coherent communication, authentic practice, and careful resource management. This discussion underscores the necessity for companies to balance strategic ambitions with operational realities in implementing ESG programs.

CONCLUSION

This study concludes that ESG ratings play a significant strategic role for *PT Great Giant Pineapple*, serving not merely as evaluative numbers but as instruments of legitimacy, organizational identity, and communication strategies. ESG ratings function as a managerial compass guiding sustainable operational decisions, a communication tool that builds credibility with stakeholders, and a performance lever that enhances reputation, consumer loyalty, and investor appeal. Nevertheless, challenges remain, including the lack of rating standardization, the risk of greenwashing, and the high resource demands required for implementation. To address these, companies must integrate ESG into their core strategies, ensure transparency, and focus on material issues relevant to their industry. The research carries academic implications by expanding the literature on sustainability-based strategic communication in Indonesia through a qualitative approach, practical implications by providing a model for agribusiness companies in internalizing ESG, and policy implications by offering insights for regulators to strengthen ESG rating standardization and accountability. Ultimately, ESG should be viewed not as a mere administrative obligation or trend, but as a long-term transformation strategy that secures corporate legitimacy and competitiveness in the sustainability era.

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