

ERM-First or Sustainability-First: The Institutional “Chicken or Egg” Puzzle in ERM-ESG Integration

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Abstract

In today's volatile and complex business environment, organizations increasingly struggle to integrate Enterprise Risk Management (ERM) with Environmental, Social, and Governance (ESG) principles—often leading to failures. Despite the urgency, a significant lack of research offers practical guidance on how firms can effectively align and embed ERM and ESG frameworks. In this research, I have carried out a comparative study between ERM-first and Sustainability-first firms. My research findings revealed that while ERM-first firms emphasize internal control and regulatory compliance, they often resist ESG integration due to misaligned capabilities and cultural inertia. Conversely, sustainability-first firms lack the risk architecture needed to operationalize ESG strategically, facing financial and systemic constraints. This exploratory study investigates how firms implement ERM-ESG integration and identifies two contrasting logics—ERM driven by institutional conformity and ESG by strategic purpose. My findings suggest that normative and coercive institutional pressures, rather than competitive drivers, dominate ERM-ESG evolution in both types of firms. Finally, I propose a four-step integration framework addressing both technical and cultural gaps in ERM-ESG convergence, offering a path toward performance-linked sustainable governance.

Keywords

Enterprise Risk Management (ERM), Environmental, Social, and Governance (ESG), ERM-ESG Integration Framework, Institutional Pressures, Sustainability Strategy.

