

COLLEGE OF BUSINESS AND ECONOMICS

SCHOOL OF COMMERCE

MA- PROJECT MANAGEMENT PROGRAM (EXTENSION)

Environmental, Social and Governance challenges and opportunities in Agro-Processing Companies-A Case Study of Love grass, Holland Dairy PLC, and BGI Ethiopia PLC

THESIS PROJECT

Student Name: YONAS GIRMAYE

Student ID: GSE/2565/15

Section: E3MAPM2

THESIS ADVISOR

Dr. Mahir jebril

April , 2026

Addis Ababa University

School Of Graduate Studies

Environmental, Social and Governance challenges and Opportunities in Agro-Processing Companies-A Case Study of Lovegrass, Holland Dairy PLC, and BGI Ethiopia.

This is to certify that the Thesis prepared by yonas girmaye biru, the requirements for the Degree of Masters of science project management complies with the regulations of colleges and meets the accepted standards with respect to originality and quality.

BY: Yonas Girmaye Biru.

Approval of Board of Examiners

_____	_____	_____
Advisor Name	**Signature**	**Date**
__ Dr. Mahir Jebril_		**____ July 6. 2026__**
External Examiner	**Signature**	**Date**
__ Dr. Gebre Sorsa__		**_____ July 6. 2026 __**
Internal Examiner	**Signature**	**Date**
__Dr. Wasihun Mohammed __	_____	_____

Chairperson, department Graduate committee

_____

DECLARATION

I declare that the thesis for the masters of sciences degree in project management College of business, economic and social science, school of graduate studies at Addis Ababa University hereby submitted by me, is my original work and have not previously been Submitted for a degree at this or any other University, and that all references materials contained therein have been duly acknowledged.

Name: Yonas Girmaye

Signature_____

Date_____

ACKNOWLEDGEMENT

First, I would like to praise the Lord Almighty God for giving me strength to accomplish my work. Secondly I would like to thank my advisor Dr. Mahir for his encouragement, constructive advice, and support throughout the whole time from proposal writing up to research write up, as well as for his critical comments.

Table of Contents

DECLARATION.....i

ACKNOWLEDGEMENT ii

List of table vii

Definition of Terms/List of Abbrevations..... viii

Chapter One: Introduction 1

1.1 Background of the Study 1

1.2 Statement of the Problem 4

1.3 Research Questions 5

1.4 Objectives of the Study 5

1.4.1 General Objective 5

1.4.2 Specific Objectives.....5

1.5 Research Design and Methods 5

1.6 Significance of the Study.....6

1.7 Scope of the Study 7

1.8 Organization of the Study.....8

CHAPTER TWO: LITERATURE REVIEW.....9

2.1 INTRODUCTION.....9

2.1.1 What is ESG? 9

2.2 ESG AND ITS EVOLUTION 10

2.3 ESG AND BUSINESS PERFORMANCE 11

2.4 ESG IN THE AGRO-PROCESSING SECTOR 11

2.5 ESG IMPLEMENTATION CHALLENGES IN THE EMERGING ECONOMIES 12

2.6 ESG THEORY AND ITS ADOPTION.....13

2.8 EMPIRICAL REVIEW.....15

2.8.1 ESG IN THE ETHIOPIAN CONTEXT.....15

2.9 ESG as a Step-by-Step Implementation Framework for Companies.....18
2.9.1 Step 1: ESG Awareness and Leadership Commitment 18
2.9.2 Step 2: Benchmark Assessment and Gap Analysis.....19
2.9.3 Step 3: Define ESG Objectives and Policies.....19
2.9.4 Step 4: Environmental (E) Implementation.....19
2.9.5 Step 5: Social (S) Implementation.....20
2.9.6 Step 6: Governance (G) Implementation.....20
2.9.7 Step 7: Monitoring, Reporting, and Continuous Improvement.....21
2.10 ESG Practices in Selected Ethiopian Companies.....21
2.10.1 Lovegrass ESG Practices 21
2.10.2 Holland Dairy ESG Practices.....22
2.10.3 BGI Ethiopia ESG Practices.....22
2.11 Standards for Implementing ESG 22
2.12 The Project Management Approach ESG Implementation Framework.....23
2.12.1 Phase 1: Initiation – ESG Commitment and Stakeholder Identification.....23
2.12.2 Phase 2: Planning – ESG Baseline Assessment and Strategy Development ..23
2.12.3 Phase 3: Execution – Implementing E, S, and G Actions 23
2.12.4 Phase 4: Monitoring and Controlling – ESG Performance Evaluation 24
2.13.5 Phase 5: Continuous Improvement and closing.....24
CHAPTER THREE: RESEARCH METHODOLOGY 24
3.1 Introduction.....24
3.2 Research Design.....25
3.3 Theoretical Framework 25
3.4 Operationalization of the ESG Framework.....25
3.5 Study Area 26
3.6 Target Population.....26
3.7 Sample Size and Sampling Technique.....26

3.8 Data Sources 27

3.9 Data Collection Instruments 27

3.10 Data Collection Procedure 27

3.11 Validity and Reliability 28

3.12 Ethical Considerations 28

3.13 Limitations of the Study 29

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION. 30

4.1 Introduction 30

4.2 Background Information of Respondents 30

Table 1 Background Information of Respondents 31

4.3 Descriptive analysis 31

4.3.1 Analysis of ESG Practices 31

Table 2: Environment Practices 32

Table 3: Social Practices 33

Table 4: Governance Practices 34

4.4 Challenges to ESG Implementation 34

4.4.1 Stakeholder Engagement Challenges 34

Table 5- Stakeholder Engagement Challenges 35

4.4.2 Product / Service Life Cycle Challenges 35

Table 6: Product / Service Life Cycle Challenges 36

4.4.3 Data Management and Standardization 36

Table 7: Data Management and Standardization 37

4.5 ESG Opportunities 37

4.5.1 Technology and Project Development 37

Table 8: Technology and Project Development 38

4.5.2 Business Model Innovation 38

Table 9: Business Model Innovation 39
4.5.3 Collaboration and Advocacy 39
Table 10: Collaboration and Advocacy 40
4.6 Qualitative data analysis.....40
4.6.1 Implementation of Environmental Sustainability Practices.....41
4.6.2 Addressing Social Responsibilities and Community Impact.....41
4.6.3 Governance Structures and Policy Design for ESG 42
4.6.4 Challenges in Stakeholder Engagement 43
4.7 Challenges in Product and Service Life Cycle Integration 43
4.8 Challenges in Collecting, Managing, and Reporting ESG Data 43
4.9 Opportunities in Technology and Innovation for ESG Improvement 44
CHAPTER FIVE: DISCUSSION, CONCLUSION AND RECOMMENDATIONS 45
5.1 Discussion.....45
5.1.1 ESG Practices in the Selected Companies.....45
5.1.2 ESG Implementation Challenges 46
5.1.3 ESG Opportunities 47
5.2 Summary of Major Findings.....48
5.3 Policy Implications 49
5.4 Conclusion.....50
5.5 Recommendations 51
5.5.1 Recommendations for Companies 51
5.5.3 Recommendations for Future Research.....52
REFERENCES.....53
APPENDIXES: QUESTIONNAIRE.....56

List of table

Table 1 Background Information of Respondents 31

Table 2: Environment Practices 32

Table 3: Social Practices 33

Table 4: Governance Practices 34

Table 5- Stakeholder Engagement Challenges 35

Table 6: Product / Service Life Cycle Challenges 36

Table 7: Data Management and Standardization 37

Table 8: Technology and Project Development 38

Table 9: Business Model Innovation 39

Table 10: Collaboration and Advocacy 40

Definition of Terms/List of Abbrevations

BGI–Brothers Group International

CSR – Corporate Social Responsibility

ESG – Environmental, Social and Governance

E – Environmental Dimension

S – Social Dimension

G – Governance Dimension

GDP – Gross Domestic Product

GRI – Global Reporting Initiative

IFC – International Finance Corporation

ISO – International Organization for Standardization

KII – Key Informant Interview

KPI – Key Performance Indicator

MoTI – Ministry of Trade and Industry (Ethiopia)

NBE – National Bank of Ethiopia

NGO – Non-Governmental Organization

PM – Project Management

PMBOK – Project Management Body of Knowledge

PSC – Project Steering Committee

SDGs – Sustainable Development Goals

SPSS – Statistical Package for the Social Sciences

UN – United Nations

UNDP – United Nations Development Programme

UNEP – United Nations Environment Programme

WASH – Water, Sanitation and Hygiene

ABSTRACT

This study looks at ESG Environmental, Social, and Governance challenges and opportunities in three Ethiopian agro-processing companies: Lovegrass Agro Processing PLC, Holland Dairy PLC, and BGI Ethiopia PLC. ESG has become a major topic in global business, yet companies in countries like Ethiopia are still figuring out what it means for them in practice. There is surprisingly little research on this from an Ethiopian perspective. The study tries to fill that gap by asking how ESG is actually understood and applied in three firms that are quite different from each other regarding how big they are, who owns them, and how much international exposure they have had. To gather data, the study used both a questionnaire and interviews. Before the main data collection, a pilot was run with thirteen participants to check that the questions were measuring what they were supposed to measure Cronbach's Alpha came out between .736 and .856 across all nine constructs, which is well within acceptable range All three companies know what ESG is and have done something about it but the picture is uneven. Environmental work is the most visible, especially in the firm with international ties. Social and governance efforts lag behind. The obstacles according to respondents, are managing stakeholder relationships, tracking environmental impact across the product life cycle, and the difficulty of collecting and making sense of ESG data.

Keywords: *ESG, environmental sustainability, social responsibility, governance, agro-processing, Ethiopia, implementation challenges*

Chapter One: Introduction

Environmental, Social, and Governance (ESG) concerns are now at the center of how companies are evaluated today. For most of the past century, a business was almost entirely criticized by whether it was profitable or growing.

That single-dimension view no longer holds. Investors, regulators, customers, and workers all want to know how a company handles its environmental footprint, treats its people, and governs itself and they are increasingly willing to act on what they find (Friede, Busch & Bassen, 2015; Eccles, 2014). For firms in resource-intensive sectors agro-processing being a clear example ESG is not a theoretical concept discussed in boardrooms. ESG is seen on the factory floor, in the supply chain, and in the communities surrounding production sites. (UNEP, 2022)

Agro-processors use large amounts of water, resource and energy. They produce diverse waste streams. Their operations run through supply chains that stretch back to smallholder farmers and forward through transporters and distributors. (FAO, 2021; World Bank, 2022) And they tend to be large employers in communities that feel their presence directly for better or worse.

Given this, ESG has outgrown its earlier reputation as a CSR box-ticking exercise or a way to generate good press. Increasingly, it is treated as a practical management tool one that helps firms anticipate regulatory risk, cut waste, build trust with suppliers and communities, and position themselves for the long term. (Eccles & Serafeim, 2013; KPMG, 2022).

This study focuses specifically on how ESG is being understood and put into practice in three Ethiopian agro-processing companies, and what is making that process difficult or promising.

1.1 Background of the Study

Business performance in the conventional world has been tracked through numbers like profit margins, revenue growth, and market share. (Jensen & Meckling, 1976; Kaplan & Norton, 1992).While this performances are important they are no longer sufficient on their own.

Nowadays something has shifted in how companies are taking accountability Investors, regulators, and the public have started asking questions about environmental responsibility, social conduct, and corporate governance while expecting tangible answers. (Eccles, Ioannou & Serafeim, 2014; UN PRI, 2006) The ESG framework has fundamental three pillars, providing a structured way of evaluating how a company is performing on sustainability and

social impact. The environmental pillar covers emissions, resource use, pollution control, and waste (Pollman, 2024).

The social dimension includes working conditions, employee rights and welfare, diversity at work place and inclusion, and the company's impact on local communities (Becchetti et al., 2022).

The governance dimension covers corporate leadership and management, transparency, accountability, and ethical conduct (Li et al., 2021).

In recent years ESG has crossed from voluntary good practice into pillar expectation of organizations. Institutional investors now daily use ESG criteria when assessing whether a company is worth investing over the long term. on another note, consumers are more informed about supply chains and production methods than they used to be, and governments across different regions are demanding environmental and social standards. (BlackRock, 2023; UN PRI, 2022).The overall effect is that the legal compliance is mandatory, not an expected for companies.

The workflow carries particular weight for agro-processing Companies in this sector that convert raw agricultural inputs grains, milk, fruits, beverages into consumer products. Which contribute substantially to value addition, job creation, and food security. but their supply chain and operations are also deeply entangled with environmental and social concerns. Sourcing, cleaning, processing, and packaging require significant water and energy inputs. while organic waste and wastewater are produced continuously.

When their byproducts and wastages are not properly managed pollution and public health risks become a handful. Also Beyond the environmental dimension, agro-processors are major employers and which typically depend on upstream supply chains in which smallholder farmers are the backbone prominently.

This combination of factors makes sustainability very complex for the sector. Water efficiency, waste handling, and energy use are not a mere concerns they are part of the daily production. Workplace safety, wages, labour rights, and supplier relations have direct effects on productivity as well and how a company is perceived. Governance concerns include transparency, accountability, and internal controls which determine whether environmental and social commitments actually convert into action. (PMI, 2021; ISO 14001, 2015).

In Ethiopia, the agro-processing sector is expanding as part of the country's industrialization and economic development strategy and plan. The sector contributes heavily to employment creation, export earnings, and value addition in agriculture. ESG practice across the country and sector is still in early development. Some firms and organizations have taken steps introducing environmental measures or social programs that help refine the practice but these tend to be going bit by bit rather than part of any coherent sustainability strategy.

Lovegrass Agro Processing PLC, Holland Dairy PLC, and BGI Ethiopia PLC were selected because they offer a useful spread of organizational types for examining this question.The three differ considerably in size, who owns them, and how much exposure they have to international markets. Lovegrass is still in the early stages of developing ESG-related practice. Holland Dairy has introduced some environmental and social initiatives. BGI Ethiopia, operates as part of a larger international group all of the world, working within more formalized ESG goals. (Yin, 2018; Eisenhardt, 1989).

Having a study and research of these three companies altogether allows for a descriptive understanding of how ESG is developed and applied across different organizational dimension and it also helps clearly define both the barriers they share and the opportunities that are specific to their cases. ESG does not implement itself. It has to be turned into concrete actions through planned initiatives, operational changes, compliance procedures, and targeted improvement plans and programs.

Environmental controls, safety programs, waste management systems, and governance procedures all require planning, coordination, and monitoring which is essentially project management in practice. Approaching ESG through this aspect helps clarify how sustainability goals actually get operationalized and developed inside organizations.

1.2 Statement of the Problem

ESG mostly recognized globally as a cornerstone of sustainable business, but converting all those principles into actual practice is a different detail particularly for organizations in developing countries and economies. (World Bank, 2023; UNEP, 2022)

Ethiopian agro-processing face gradually increasing ESG expectations from regulators, investors, and development partners. Their capacity to respond with significant value is often constrained by factors that are not always well pinpointed.

One of the most problems that continue to exist is the distance between knowing about ESG and actually doing something with it for better outcome. Managers may have a reasonable insight of the concept, but practical guidance on where to start and how to measure progress is thin and low on the ground. For many companies and organizations, basic questions where to begin, what to focus on first, how to tell whether things are improving remain untouched.

Resource limitations are another obstacle that is appearing repeatedly. Investing in cleaner technology, waste treatment infrastructure, staff training, or monitoring systems all cost cash investment prior to development. (IFC, 2021; World Bank, 2022)

For firms operating on surfaces of small margins under constant cost pressure, spending on ESG is hard to justify especially when the financial payoff is not very immediate or easily measurable.

The regulatory picture adds another layer of difficulty. Ethiopia has environmental and labour laws on the books written, but enforcement is unpredictable, and what specifically constitutes ESG compliance is often vague. That ambiguity discourages companies from taking the first step.

On the academic side, research on ESG in Ethiopia is very narrow. Which Most published work focuses on large corporations or on organizations based in developed economies. That means the day-to-day experiences and thinking of managers in Ethiopian agro-processing firms have went mostly undocumented and with limited understanding. (Scopus Literature Reviews, 2023; World Bank, 2023)

This evidence data break in continuity makes it tuff for managers to make informed decisions and harder for policymakers to design help that actually fills and fits the context.

The research and study is an attempt to address that gap to document how ESG is actually being understood and practiced in Ethiopian agro-processing, and what hinders or creates something real possibility.

1.3 Research Questions

This study seeks to answer the following questions:

1. How do managers and key staff in selected agro-processing companies understand ESG principles?
2. What ESG-related practices are at the present time implemented or planned?
3. What challenges do these companies get presented in implementing ESG initiatives?
4. What opportunities do managers link with ESG adoption?

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of the study is to examine ESG implementation challenges and opportunities in selected agro-processing companies in Ethiopia.

1.4.2 Specific Objectives

The specific objectives are to:

- To identify and assess the existing Environmental, Social, and Governance (ESG) practices implemented in the selected agro-processing companies in Ethiopia.
- To analyze the key institutional, organizational, and operational factors affecting the implementation of ESG practices within the selected companies.
- To examine the perceived benefits, challenges, and opportunities associated with the adoption of ESG practices in the selected firms.
- To develop evidence-based recommendations for managers and policymakers to enhance effective ESG integration and implementation in the agro-processing sector.

1.5 Research Design and Methods

The research and study used a descriptive research design that uses mixed-method approach to investigate ESG (Environmental, Social, and Governance) practices, challenges, and opportunities in selected agro-processing companies.

Questionnaires were divided among employees to produce quantitative data, and interviews were carried out with selected participants to analyze the kind of detail and context that numbers alone cannot provide.

Using both together allowed the research to follow the path of measurable patterns while also understanding what is behind them. Chapter Three provides a full record of the methodology.

1.6 Significance of the Study

The research addresses several different audiences. For managers, it offers practical insight into how ESG implementation operates at the firm level, highlighting real-world challenges, opportunities, and operational gaps that influence decision-making and performance. This can support improved internal strategies for integrating environmental, social, and governance practices into daily operations.

For policymakers, the study identifies key institutional and regulatory gaps that limit effective ESG adoption. It highlights areas where current policies, enforcement mechanisms, and institutional support systems may be insufficient, thereby providing evidence that can inform the design of more effective sustainability regulations and sector-specific guidelines for agro-processing firms.

For researchers, the study contributes to the still limited body of empirical literature on ESG in Ethiopia and other developing-country contexts. It provides qualitative insights that can support future comparative studies, theory development, and empirical testing in emerging markets.

For investors and development partners, the findings offer useful information on ESG maturity levels, risks, and opportunities within Ethiopian agro-processing firms. This can support more informed investment decisions and targeted sustainability financing.

For local communities and employees, the study indirectly highlights how ESG practices influence working conditions, environmental protection, and community engagement, helping to raise awareness of how corporate practices affect their daily lives.

Overall, the study bridges the gap between theory and practice by translating ESG concepts into context-specific insights relevant to multiple stakeholders within the Ethiopian agro-processing sector.

1.7 Scope of the Study

This study focuses on three agro-processing companies in Ethiopia: Lovegrass Agro Processing PLC, Holland Dairy PLC, and BGI Ethiopia PLC. These firms are selected because they represent different ownership structures, levels of ESG maturity, and operational scales, allowing for a comparative understanding of ESG implementation in the Ethiopian agro-processing sector.

The geographical scope of the study is limited to Ethiopia, with particular attention to the selected firms' operations within the country. The findings are therefore context-specific and reflect the realities of ESG adoption within the Ethiopian agro-industrial environment.

The content (material) scope of the study is defined by the three core pillars of ESG: Environmental, Social, and Governance. The environmental dimension focuses on resource use, waste management, and environmental compliance; the social dimension examines labour practices, employee welfare, and community engagement; and the governance dimension covers leadership structures, transparency, accountability, and ethical business conduct.

The methodological scope of the research is primarily qualitative in nature. It relies on semi-structured interviews and document analysis to gather in-depth insights from key informants within the selected companies. This approach allows for a detailed exploration of perceptions, practices, and challenges related to ESG implementation.

In addition, the study is limited to managerial and organizational perspectives, meaning that the analysis focuses on decision-makers and formal corporate practices rather than broader public or consumer perceptions. It does not attempt to quantify ESG performance numerically, but rather to understand how ESG is interpreted and operationalized within organizations.

The study also has a temporal scope, focusing on recent ESG developments and current practices within the selected firms. It does not aim to provide a historical analysis of ESG evolution over time, but rather a snapshot of the current situation.

Finally, the study is limited in generalizability, as it focuses on only three companies. Therefore, the findings are not intended to represent all agro-processing firms in Ethiopia, but

to provide contextual insights and exploratory understanding of ESG implementation in the sector

1.8 Organization of the Study

The thesis is organized into five chapters.

Chapter One: overview of the study, general summary of the background, specific state of the problem, and gives understanding of the objectives and research design.

Chapter Two: assesses the relevant literature on ESG and sustainability.

Chapter Three: offers the research methodology in detail.

Chapter Four: discusses the findings and analysis.

Chapter Five: brings the research and study in judgment while offering recommendations.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

2.1.1 What is ESG?

Coming before to examining ESG implementation in the selected agro-processing companies, it is essential to understand how ESG has been debated and studied in existing literature.

Critically examining previous studies helps to clarify how the concept of ESG has changed gradually over time, how it is applied in different circumstances, and what challenges companies very often face during implementation.

Above all, it allows this research and study to position itself within the extensive academic discussion and to identify gaps that still need attention.



Picture 1. British Columbia university, ESG centre of excellence, ESG 101 guide

This chapter assesses literature related to the concept of ESG, its closely connected to the agro-processing sector, and the clearly defined challenges associated with implementing ESG in developing and emerging economies.

It also proposes the theoretical perspectives that guide the research. Rather than addressing the literature as a set of fixed answers, this chapter involves with it critically, recognizing that much of what is written reflects experiences from developed countries and large multinational organizations, which may not fully seize realities in the Ethiopian context.

2.2 ESG AND ITS EVOLUTION

The concept of Environmental, Social, and Governance (ESG) has its foundation in earlier dialogues around Corporate Social Responsibility (CSR).

Conventionally, CSR focused on voluntary activities such as charitable donations, community projects, or environmental campaigns that were often disconnect from a company's core operations. In many cases, CSR was treated as an supplement rather than an essential part of business strategy (Carroll, 1991).

In time, scholars and practitioners began to question this division. Environmental disasters, enterprise wrongdoing, and financial catastrophes highlighted the limitations of monitoring as a choice.

Governance failures, particularly those revealed during the 2008 global financial crisis, proven how poor unintentional mistake and lack of accountability could have severe consequences not only for companies but also for economies and societies. As a result, governance became central worry alongside environmental and social issues.

ESG came in to view as a more arranged and measurable framework that integrates sustainability deliberations into business decision-making.

Dissimilar than CSR, ESG underline accountability, performance evaluation, and risk management (Eccles, Ioannou, and Serafeim (2014).companies that incorporate ESG into their operations gravitate to perform better over the long term, as they are better prepared to manage environmental risks, social expectations, and governance challenges.

Today, ESG is used by scope of investors, authorities, and international organizations as a tool for appraise corporate performance beyond temporal financial metrics.

Investment companies rely more on ESG indicators to assess long-term risks and opportunities. This shift has remodeled ESG from a voluntary concept into a strategic indispensable requirement for many companies, particularly those operating in global markets.

2.3 ESG AND BUSINESS PERFORMANCE

One of the most discussed topics in ESG literature is the relationship between ESG execution and financial execution. Early studies produced variable outcomes, leading some reviewers to argue that ESG initiatives enforce additional costs on companies without clear financial benefits.

However, more recent research suggests that ESG can add positively to business performance when implemented strategically. (Barnett and Salomon (2012) argue that moderate to strong ESG engagement can improve firm performance by depending on context reputation, reducing operational risks, and reinforcing stakeholder relationships.

On another note, (Friede, Busch, and Bassen (2015), in their deep dive examination of empirical studies, found that the majority of research shows a positive or neutral relationship between ESG and financial performance.

With the risk management view point, ESG helps companies be enthusiastic and respond to environmental regulations with labor disagreements, and governance failures. For example, environmental investments can reduce vulnerability to penalties or fines and operational disturbances, while robust corporate governance can prevent fraud and mismanagement.

These favorable circumstances are specifically important for companies operating in industries that face high environmental and social vulnerability much more in agro processing companies.

Some researches have shown that companies with compelling ESG performance often achieve better long-term financial results by easing risks related to environmental and social and also by improving their reputation and attract to investors (Trahan, R.T; Jantz, B. *Bus. Strateg.Environ.* **2023**).

At the same time, ESG furnishes a framework for meeting stakeholder expectations, including those of regulators and employees, who are increasingly expecting responsible business behavior.

2.4 ESG IN THE AGRO-PROCESSING SECTOR

The agro-processing industry takes up a unmatched standing in ESG discussions because it is directly connected to natural resources, agricultural production, and human livelihoods. while service-based industries, agro-processing firms engage in physical production processes that consume water, energy, and raw materials on a large scale.

As the environmental view point, agro-processing companies face challenges related to water usage, energy efficiency, waste management, and emissions. Mishandling of wastewater and organic waste can lead to soil and water pollution, altering surrounding communities and ecosystems. Studies conducted in progressing countries have shown that environmental practices in agro- processing firms are often persuaded by regulatory pressure and resource availability (Bansal & Roth, 2000).

The social dimension of ESG is equally substantial in this sector. Agro-processing organizations often hire large numbers of workers, most perform physically grueling tasks. occupational health and safety, equitable compensation and job security are therefore vital concerns. (International Labour Organization, 2021; FAO, 2020)

These companies depend on agricultural supply chains that include smallholder farmers and producers. The equity and transparency of these relationships affect farmer productivity and long-term supply constancy.

Governance plays a coordinating role by molding how environmental and social issues are depending heavily. Weak governance frameworks can gradually deprive even well planned ESG measures. the clear decision-making, accountability systems and ethical standards are vital for ensuring that ESG commitments are translated into practice for better outcome. (Eccles et al., 2014; GRI, 2021).

2.5 ESG IMPLEMENTATION CHALLENGES IN THE EMERGING ECONOMIES

While ESG has gained significant notice globally, it's application in growing economies faces separate challenges. One of the most commonly stated obstacles is limited financial capacity. ESG initiatives often require initial expenditures in technology, training, and monitoring systems. For organizations operating with limited cash, especially in industry rivalry these costs can be difficult to incorporate.

Another challenge is the shortage of technical proficiency. Managers and employees may not have satisfactory knowledge of ESG frameworks or best practices. As a result, ESG efforts may remain informal or poorly documented. The matter should be pointed out in studies focusing on African and Asian economies (Jamali & Karam, 2018).

The unpredictable factor creates an issue for companies and reduces incentives for proactive ESG adoption. Some firms may choose to focus only on minimum compliance rather than pursuing regenerative goals.

Cultural and organizational issues further entangle ESG implementation. Resistance and opposition to change, lack of top management dedication to the cause, while competing business priorities can slow progress. These challenges focus on the importance of understanding ESG implementation as a procedure rather than a one-time decision.

2.6 ESG THEORY AND ITS ADOPTION

Companies nowadays are anticipated to show how much profit they make and also how they impact the environment with their activities, how they manage and treat people, how they are governed (Deirmentzoglou et al., 2026). In many developed economies, ESG has closely associated to long-term business strategy, investor decision-making, and regulatory compliance (Bosma, 2023).

Globally, raising ESG has been driven by several forces. One of the most important is investor pressure, big institutional investors more and more use ESG information to assess risks and long-term performance (Deirmentzoglou et al., 2026).

To the matter ESG is no longer treated as an optional corporate social responsibility activity, but as part of normal business practice (McBrayer, 2025).

Even so, the literature shows that ESG ratification is far from optimum even in developed markets. Bosma (2023) reports that a large fraction of organizations world wide are still not equipped for formal ESG assessments.

Many companies make great efforts to convert broad ESG principles into concrete operational practices (McBrayer, 2025). This suggests that, although ESG is widely discussed, its practical implementation remains irregular (Deirmentzoglou et al., 2026).

The theoretical perspective shows much of the global ESG literature pulls on stakeholder theory and institutional theory to enhance clarity as to why organizations adopt sustainability practices (Deirmentzoglou et al., 2026).

Stakeholder theory debates that companies or organizations adopt ESG practices because they are responding to the expectations of different stakeholder groups, such as investors,

employees, regulators, and local communities (Albitar et al., 2025). organizations that ignore these expect reputational damage and loss of trust by customers (McBrayer, 2025).

Institutional theory offers different explanation to stakeholder theory. It suggests that companies adopt ESG practices not only because they believe in sustainability, but also because they face pressure to comply with to what is seen as legitimate and acceptable behavior in their industry or community (Deirmentzoglou et al., 2026).

These demands can be regulatory, normative, or mimetic, and they can explain why organizations operating in similar environments often behave in similar understanding (Meditari Accountancy Research, 2025).

Other than the mentioned theories empirical studies emphasize that ESG adoption is a gradual and sometimes cluttered process. McBrayer (2025) says firms face internal barriers such as limited technical capacity, weak internal governance structures, and lack of clear accountability for ESG responsibilities.

When the focus of ESG dramatically moves from the global stage to the African context, the picture becomes more complicated. Research more and more shows that ESG adoption in Africa remains at an early stage compared to developed economies and countries (Meditari Accountancy Research, 2025).

ESG reporting and accounting practices and trends across African countries are inconsistent and often cluttered (Meditari Accountancy Research, 2025). While some countries, such as South Africa, have moderately better reporting frameworks, many others still depend on voluntary and informal sustainability practices (Albitar et al., 2025).

Several reasons are offered in the literature for this slow progress. One is the weakness of regulatory frameworks and inconsistent enforcement of existing environmental and labour laws (Meditari Accountancy Research, 2025).

Another is limited institutional ability and lack of technical knowhow within organizations (McBrayer, 2025). Cultural and organizational aspects also play a role, including resistance to change and competing business priorities (Deirmentzoglou et al., 2026). African organizations are not completely disconnected from global ESG practices. Multinational and global corporations operating in Africa often bring ESG standards from their home countries and try to influence local practices (Albitar et al., 2025).

These organizations sometimes act as informal role models, initiating local companies to mimic similar practices (Meditari Accountancy Research, 2025). Albitar et al. (2025) also corporate governance structures, especially board composition and ownership patterns, influence how organizations in sub-Saharan Africa use and disclose ESG information.

In the East African region, investor impact is gradually beginning to matter more. Wahome and Kinuthia (2025), in a research of listed organizations in the East African society are found to have better sustainability disclosure with institutional owners.

It shows that local investors, not only foreign ones, are starting to give attention to ESG issues (Wahome & Kinuthia, 2025). Although the overall level of ESG integration in the region remains low equated to global standards (Meditari Accountancy Research, 2025).

Turning specifically to Ethiopia, the literature is still very limited, but some important factors are emerging. Formal ESG frameworks are not yet fully incorporated in national corporate law or business regulation (Taera et al., 2026).

2.8 EMPIRICAL REVIEW

Empirical studies specify that ESG fostering in Ethiopia is affected by institutional boundaries and regulatory development space (Taera et al., 2026, Sustainability Journal).

Research on African different organizations reflects that governance structures considerably affect ESG disclosure quality (ScienceDirect, 2025). Factual data also suggests that structured ESG implementation improves sustainable realization when aligned with formal management systems (IFC, 2023).

ESG practices in Ethiopia therefore remain irregular, while progressive regulatory and institutional reforms are gradually minimizing the gap with international standards.ESG practices in Ethiopia therefore remain uneven, though progressive regulatory and institutional reforms are gradually narrowing the gap with international standards.

2.8.1 ESG IN THE ETHIOPIAN CONTEXT

We have insufficient literatures on ESG in Ethiopia but continuously growing with Some research and studies showing that Ethiopia has initiated legal frameworks associated to

environmental protection, labor standards, and corporate governance. although enforcement is still inconsistent and coordination between institutions is often not so much (Mekonnen, 2018).

This tensions particularly are clearly revealed in manufacturing and agro-processing industies.

Ethiopian business practice is influenced by informal networks and relationship based governance. these practices can hinder the support trust and cooperation, they may also conflict with the formal reporting and transparency requirements associated with ESG frameworks.

While large organizations like BGI Ethiopia demonstrate and shown that more aligned sustainability practices, smaller organizations often implement ESG in scattered way due to resource and regulatory limitations that occur (MDPI Sustainability, 2026).

Good news is that the newly developed Ethiopian Stock Exchange and IFC while ESG capacity programs are expected to accelerate structured ESG adoption (IFC, 2023).

ESG has gradually become a structured sustainability framework used globally. it incorporates environmental obligation, social equity, and corporate governance into organizational strategy, planning and reporting mechanism (International Finance Corporation [IFC], 2023).

ESG adoption is still at an early stage in Ethiopia but it is continuously gaining institutional support. In 2023 the IFC launched a united ESG Program in Ethiopia with the goal of strengthening private sector capability, especially in harmony to Ethiopian Securities Exchange (IFC, 2023). The program focused on environmental risk management, social measures, and governance reinforcing as bases for sustainable investment preparation.

The Accounting and Auditing Board of Ethiopia (AABE) has pinpointed plans to introduce sustainability and ESG impacted reporting requirements for public interest beings (PKF Ethiopia Update, 2025). This shows that a growing regulatory shift toward standard ESG transparency measures is being initiated within the Ethiopian business environment.

Although these developments are motivating the empirical data suggests that governance flaw, limited technical know-how, and institutional capacity shortfalls slow down structured ESG implementation in Ethiopia (Taera et al., 2026, Sustainability Journal). These contexts make project-based ESG implementation specifically relatable for Ethiopian organizations.

Most Ethiopian organizations engage in ESG-related activities in an informal and scattered way (Taera et al., 2026). Many companies implement environmental or social initiatives but

these efforts are often not documented, measured, or incorporated into long-term strategy and plan (Meditari Accountancy Research, 2025).

ESG adoption in emerging economies, including Ethiopia, is guided by institutional drawbacks such as regulatory uncertainty, weak enforcement, and limited technical capacity. Taera et al. (2026) These limitations create a situation where organizations may recognize the importance of sustainability but lack the tools and capital to implement ESG the right way (Taera et al., 2026). In some cases, ESG efforts remain figurative rather than significant (Meditari Accountancy Research, 2025).

Comparative studies have highlighted the role of institutional "voids" in shaping ESG behavior in perimeter markets. In contexts where formal institutions are weak, companies depend more on informal practices and personal relationships (Meditari Accountancy Research, 2025). While these provisions can cause delays in support, trust and cooperation they often conflict with the transparency and accountability requirements connected with ESG frameworks (Deirmentzoglou et al., 2026).

Ethiopian organizations, especially those with international exposure, have begun to adopt environmental management systems and social responsibility programs (Meditari Accountancy Research, 2025). However, these efforts remain uneven and concentrated in limited number of companies (Taera et al., 2026).

The literature advocates that ESG adoption varies noticeably by institutional context. Developed economies have moved toward governed, standardized, and strategically coherent ESG frameworks (Deirmentzoglou et al., 2026), whereas leading markets such as Ethiopia continue to oversee in an environment where ESG remains developing, fragmented, and constrained by institutional limitations (Taera et al., 2026).

The same broad theoretical standpoints in stakeholder theory and institutional theory are used to explain ESG fostering across contexts (Deirmentzoglou et al., 2026). although the way these strengths operate differs significantly. In developed markets, strong regulatory systems and investor pressure fortify ESG behavior (Bosma, 2023). In Ethiopia, by contrast, weak institutions, resource constraints, and limited enforcement slow down adoption and implementation (Taera et al., 2026).

This space between global ESG practices and Ethiopian developments highlight the need for more context oriented research (Meditari Accountancy Research, 2025). Most existing studies

and researchs focus on multinational corporations and developed economies (Deirmentzoglou et al., 2026).

There is still very little local evidence on how ESG is understood and implemented by the agro-processing companies in Ethiopia (Taera et al., 2026). This study and research addresses to space by investigating ESG implementation challenges and opportunities in selected Ethiopian firms, using ESG itself as the guiding framework.

2.9 ESG as a Step-by-Step Implementation Framework for Companies

ESG is not only a reporting process or system but also a structured managerial framework that guides companies in integrating sustainability into day to day and strategic decision making processes.

Globally, ESG has evolved into a practical implementation model supported by international institutions such as the International Finance Corporation (IFC), the International Organization for Standardization (ISO), and sustainability advisory institutions (IFC, 2023; ISO, 2024).

In the Ethiopian circumstances, ESG adoption is still coming to view, but structured guidance is becoming increasingly applicable as organizations prepare for global competitiveness and capital market participation (IFC, 2023).

2.9.1 Step 1: ESG Awareness and Leadership Commitment

The first step in ESG execution is internal consciousness creation and leadership devotion. According to ISO's ESG Implementation Principles (IWA 48:2024), top management must exhibit ownership and ownership for sustainability integration (ISO, 2024).

Leadership commitment ensures:

- ESG is embedded into company strategy
- Resources are allocated
- Clear responsibilities are defined

In Ethiopia, IFC's Incorporated ESG Program emphasizes that without senior management acceptance, ESG approval remains scattered and inoperative (IFC, 2023).

2.9.2 Step 2: Benchmark Assessment and Gap Analysis

Prior to development organizations must locate their status on ESG practices. This includes pinpointing remaining strengths and weaknesses.

ISO (2024) highlights the importance of implementing bench mark environmental and governance risk analysis as a foundation for ESG integration.

Benchmark assessment typically includes:

- Environmental effect (waste, water, energy use)
- Employee welfare conditions
- Governance policies and accountability frameworks.

In emerging and developing market economies like Ethiopia institutional space often needs organizations to demonstrate the internal ESG screening before formal developmental stage (MDPI Sustainability Journal, 2026).

2.9.3 Step 3: Define ESG Objectives and Policies

After the review and analysis organizations should define ESG objectives in correspondence with their strategic direction. According to ESG Africa (2024), formal ESG policies create structure and accountability.

This includes:

- Environmental targets (e.g., energy reduction)
- Social targets (e.g., employee safety programs)
- Governance targets (e.g., transparency and reporting standards)

The IFC accomplishment Standards says policy documentation and measurable ESG goals are vital to ensure sustainability is not merely symbolic (IFC, 2023).

2.9.4 Step 4: Environmental (E) Implementation

Environmental implementation involves structured operational planning.

Key actions include:

1. Resource efficiency planning
2. Waste reduction strategies

3. Environmental monitoring systems
4. Compliance with environmental regulations

ISO's ESG principles stress that environmental management should follow a cycle of planning, implementation, monitoring, and review (ISO, 2024).

Research across African firms shows that environmental performance enhances when structured management systems are applied rather than temporary practices (ScienceDirect, 2025).

2.9.5 Step 5: Social (S) Implementation

The social aspect which focuses on stakeholder involved as in employees, client, employer's and so forth oversees welfare and inclusive growth.

The development stages and steps include:

1. Stakeholder mapping
2. Employee health and safety programs
3. Community engagement initiatives
4. Human rights compliance

IFC guidelines which highlight labor protection, occupational safety and community development as have it as the central to ESG integrated framework (IFC, 2023).

the research and studies in emerging markets which indicate that social ESG implementation enhances organizational lawfulness and stakeholder trust (MDPI Sustainability, 2026).

2.9.6 Step 6: Governance (G) Implementation

Governance provides the structural foundation of ESG.

Governance implementation requires:

1. Clear organizational roles
2. Code of conduct policies
3. Internal controls and accountability systems
4. Transparent reporting mechanisms

ISO (2024) says governance integration ensures ESG efforts are monitored and sustained over time.

African ESG research's and studies emphasize that the weak governance structures which are a major blockade and hindrance to sustainable ESG adoption (ScienceDirect, 2025).

2.9.7 Step 7: Monitoring, Reporting, and Continuous Improvement

The last step in ESG implementation which is continuous monitoring and reporting. ESG should not be stationary. it should have necessities which are as periodic review and performance evaluation.

International benefited practice recommends

- Key performance indicators listed (KPIs)
- Periodic ESG reporting
- Internal and external audits

IFC (2023) stresses that properly implemented ESG monitoring enhances transparency and investor confidence. ISO (2024) while it similarly motivates a continuous improvement model aligned with sustainability reporting standards.

2.10 ESG Practices in Selected Ethiopian Companies

2.10.1 Lovegrass ESG Practices

Lovegrass, which operates within the agro-processing sector exhibit emerging ESG practices which primarily focuses on environmental compliance and stakeholder engagement.

Environmental strategic plans such as waste management and resource optimization which reflect positioning with wider sustainability principles promoted by global ESG frameworks (ESG Africa, 2024).

From a project management standpoint, Lovegrass appears to implement ESG initiatives through planned operational activities rather than formalized sustainability programs. This learning is consistent with findings that small and mid-sized firms in developing economies often adopt ESG deliberate (ScienceDirect Review, 2025).

2.10.2 Holland Dairy ESG Practices

Holland Dairy which exhibits developing ESG practices, especially in employee welfare and local community relations. Environmental practices appear to be compliance oriented rather than strategically embedded. Research on African SMEs indicates that ESG implementation in such organizations is often informal and operational rather than systematized (ScienceDirect, 2025).

Governance practices which are in most cases rooted in general corporate policies but lack committed ESG oversight structures. This mirrors the wider institutional obstacles observed in starting to develop African markets (MDPI Sustainability, 2026).

2.10.3 BGI Ethiopia ESG Practices

BGI Ethiopia which demonstrates relatively structured ESG practices. Larger organizations are likely to integrate environmental monitoring systems, social engagement programs, and governance mechanisms more formally due to higher revelation to regulatory and international expectations (ScienceDirect, 2025).

Such organizations often align ESG initiatives with corporate strategy and performance dimension systems. Research and studies suggests that structured ESG systems improve prolonged sustainability and investor assurance (IFC, 2023).

2.11 Standards for Implementing ESG

Globally, ESG application is supervised by internationally recognized frameworks and standards.

The ISO ESG realization Principles (IWA 48:2024) which provide top tier counsel for inserting ESG into aspects of governance, culture, and reporting systems (International Organization for Standardization [ISO], 2024).

The IFC Performance Standards which provide detailed environmental and social risk management structure that is widely embraced in developing markets (IFC, 2023).

ESG Africa and similar advisory bodies emphasize structured ESG due diligence coordinated with international best practice (ESG Africa, 2024).

These standards altogether emphasize:

- Leadership accountability

- Risk assessment
- Measurable targets
- Monitoring and reporting
- Continuous improvement

2.12 The Project Management Approach ESG Implementation Framework

2.12.1 Phase 1: Initiation – ESG Commitment and Stakeholder Identification

This phase which correlates with project initiation. Steps include:

1. Leadership endorsement of ESG principals and guidelines (ISO, 2024).
2. Identification of internal and external stakeholders of involved stakeholders (IFC, 2023).
3. Initial ESG awareness training and development.

Project Management Link which defines the project charter and stakeholder register.

2.12.2 Phase 2: Planning – ESG Baseline Assessment and Strategy Development

This phase mirrors project planning. Steps include:

1. Environmental impact assessment.
2. Social risk assessment conduct.
3. Governance gap analysis list (IFC, 2023).
4. ESG development objectives and KPIs listed (ISO, 2024).
5. resources and responsibilities allocation.

Project Management Link which defines Work breakdown structure, risk management plan, budgeting.

2.12.3 Phase 3: Execution – Implementing E, S, and G Actions

2.12.3.1 Environmental (E) Implementation

- Waste management systems
- Energy efficiency projects
- Emission monitoring
- Compliance monitoring (ISO, 2024)

2.13.2 Social (S) Implementation

- Health and safety programs
- Employee welfare initiatives
- Community engagement projects (IFC, 2023)

2.13.3 Governance (G) Implementation

- ESG committees established oversight
- Develop code of conduct
- Strengthen internal controls (MDPI Sustainability, 2026, www.mdpi.com)

Project Management Links with the Execution of project activities and deliverables.

2.12.4 Phase 4: Monitoring and Controlling – ESG Performance Evaluation

- Track ESG KPIs
- Conduct internal audits
- Review compliance performance (IFC, 2023)

Project Management Link with the Monitoring and controlling phase.

2.13.5 Phase 5: Continuous Improvement and closing

- Publish ESG reports
- Review lessons learned
- Adjust future ESG strategies (ISO, 2024)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter shows how the research was supported and why specific methods were selected. It shows the overall research design with the population and sample size in the data collection tools, and the approaches used to analyse the data. It also converses about ethical issues and limitations of the methodology.

3.2 Research Design

This research promptly uses a **descriptive research design** to examine ESG (Environmental, Social, and Governance) practices, challenges, and opportunities in agro-processing companies. The aim was to understand the current situation of ESG implementation and how it is noticed or sensed by involved stakeholders.

A **mixed-method approach** was used, combining both quantitative and qualitative data. The quantitative data helped identify patterns and direction while the qualitative data provided deeper explanations and practical insights.

The study followed an **explanatory sequential design**, where quantitative data were collected and analyzed first followed by qualitative data collection through interviews. This helped to explain and aid the results obtained from the questionnaire.

3.3 Theoretical Framework

The direction of analytical view point for this study is Environmental, Social, and Governance (ESG) as its primary theoretical framework. ESG is used as an analytical lens to organize, assess, and interpret sustainability practices among agro-processing firms in Ethiopia.

Three theoretical traditions run through the analysis: ESG framework theory, Stakeholder Theory (Freeman, 1984), and Institutional Theory. Together, they help explain why companies should take the concept as own or fail to adopt ESG practices, and what shapes the relationship between implementation challenges and perceived opportunities.

3.4 Operationalization of the ESG Framework

The ESG framework was used as the main basis for this study. It was broken down into measurable variables to make analysis possible.

- **Environmental Practices:** waste management, energy use, environmental protection activities
- **Social Practices:** employee welfare, health and safety, training, community engagement
- **Governance Practices:** transparency, accountability, policies, management commitment

In addition to ESG practices, the study included:

Challenges:

- Stakeholder engagement
- Product/service life cycle
- Data management and standardization

Opportunities:

- Technology and project development
- Business model innovation
- Collaboration and advocacy

3.5 Study Area

The study was conducted in selected agro-processing companies in Ethiopia, specifically:

- Lovegrass Agro-Processing PLC
- Holland Dairy PLC
- BGI Ethiopia PLC

These companies were selected due to active involvement in agro-processing activities and are relevant to ESG-related practices in the Ethiopian context.

3.6 Target Population

The marked population size included employees working in the selected organizations at different levels, including management, supervisors, and technical staff taking in to consideration their respective knowledge base. which these individuals were chosen because they are directly or indirectly involved in ESG-related activities and organizational operations in their respective departments.

3.7 Sample Size and Sampling Technique

A total of **78 respondents** that participated in the questionnaire sampling. The respondents were selected using **purposive sampling** which was based on their relevance and experience.

In addition, **fifteen (15) participants** were chosen for interviews. These respondents were selected because they have preferable knowledge with experiences that relate to ESG practices. Which the use of purposive sampling helped to ensure that the data collected was relevant and meaningful to the study.

3.8 Data Sources

The study used both **primary and secondary data sources**.

- **Primary data** were collected through questionnaires and interviews
- **Secondary data** were obtained from reports, articles, and relevant documents related to ESG and agro-processing

3.9 Data Collection Instruments

Two main tools were used to collect data:

Questionnaire

The questionnaire was used to collect quantitative data. It included:

- Demographic questions
- ESG-related variables

Interview Guide

A semi-structured interview guide was used to collect qualitative data from fifteen respondents. The interviews focused on ESG practices, challenges, and opportunities.

3.10 Data Collection Procedure

The questionnaires were distributed to employees of the selected companies using both physical and online methods. Respondents were given clear instructions and enough time to complete them.

Follow-ups were conducted to increase the response rate. The interviews were conducted with fifteen selected participants. Which The discussions were carried out in an open and flexible manner to allow participants to share their experiences regarding ESG practices.

3.11 Validity and Reliability

To ensure **validity**, the questionnaire was prepared based on the study objectives and ESG framework. The questions were reviewed and improved for clarity. A **pilot test** was conducted before the actual data collection.

To ensure **reliability**, Cronbach's Alpha (α) was assessed for each construct using a pilot sample of 13 respondents (N = 13).

A threshold of $\alpha \geq 0.70$ was applied consistent with the recommendation of Nunnally (1978). As shown in Table 1 below, all nine constructs exceeded this threshold, confirming that the measurement items for each variable are internally consistent and suitable for the main data collection. To ensure **reliability**, Cronbach's Alpha was used to test consistency which the results showed acceptable reliability.

N = 13 (pilot sample) All constructs met the reliability threshold of $\alpha \geq .70$ (Nunnally, 1978). Items per construct = 5.

no	**Construct / Variable**	**Variable Code**	**N of Items**	**Cronbach's α**
1	Environmental Practices	EV1–EV5	5	.856
2	Social Practices	SP1–SP5	5	.809
3	Governance Practices	GP1–GP5	5	.821
4	Stakeholder Engagement Challenges	SE1–SE5	5	.737
5	Product/Service Life Cycle Challenges	PL1–PL5	5	.766
6	Data Management and Standardization	DM1–DM5	5	.736
7	Technology and Project Development	TD1–TD5	5	.789
8	Business Model Innovation	BM1–BM5	5	.771
9	Collaboration and Advocacy	CO1–CO5	5	.793

3.12 Ethical Considerations

Ethical standards were followed throughout the study.

- Participation was voluntary

- Respondents remained anonymous
- Data were kept confidential
- Information was used only for academic purposes

Participants were informed about the purpose of the study before taking part.

Table 1 cronbach's alpha reliability test

3.13 Limitations of the Study

The sample size was limited to selected companies due to which may affect generalization. also the study relied on self-reported data which may include personal bias. further more resource constraints limited the scope of the study. despite these limitations, efforts were made to ensure the data collected was reliable and relevant.

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION.

4.1 Introduction

This chapter provides the analysis and interpretation of data set collected from respondents regarding ESG implementation practices, challenges, and opportunities in agro-processing organizations.

The data set were analyzed using IBM SPSS Statistics. The chapter begins with the presentation of respondents' background information, followed by an analysis of ESG practices, implementation challenges, and associated opportunities. Descriptive statistics including frequencies, percentages, means, and standard deviations are used to present the data.

The results are presented in tables and figures, accompanied by reasoning that connect the statistical results to the study's objectives.

4.2 Background Information of Respondents

The demographic data describes a mature and highly experienced workforce across Lovegrass, Holland Dairy, and BGI Ethiopia, which strengthens the credibility of the study's findings.

With nearly 80% of respondents falling between the ages of 35 and 54, the feedback comes from a cohort that experienced the gradual development of corporate responsibility in Ethiopia. Although there is a obvious gender gap, with men making up 73.1% of the sample, the group is educationally well-qualified; over 80% hold either a bachelor's or master's degree.

The data set captures a well-rounded internal perspective, as almost half of the participants sit in middle management, supported by a significant number of senior leaders and technical staff who see the day-to-day realities of ESG implementation.

Most significantly, the fact that over 60% of these individuals have been in the industry for more than six years with many exceeding a decade means their insights into implementation challenges and future opportunities aren't just theoretical, but are rooted in years of practical, on-the-ground experience.

Table 1 Background Information of Respondents

		Frequency	%
	Male	57	73.1%
	Female	21	26.9%
	Under 25 years	5	6.4%
	25–34 years	7	9.0%
	35–44 years	30	38.5%
	45–54 years	31	39.7%
	55 years and above	5	6.4%
	Diploma	14	17.9%
	Bachelor's Degree	44	56.4%
	Master's Degree	20	25.6%
	PhD	0	0.0%
	Senior Management	11	14.1%
	Middle Management	35	44.9%
	Supervisor	13	16.7%
	Technical/Operational Staff	19	24.4%
	Less than 2 years	11	14.1%
	2–5 years	20	25.6%
	6–10 years	19	24.4%
	More than 10 years	28	35.9%

4.3 Descriptive analysis

4.3.1 Analysis of ESG Practices

4.3.1.1 Environment Practices

The outcomes for Environmental Practices show that the sampled agro-processing companies are making a mindful effort toward sustainability, with all indicators receiving strong positive feedback.

Respondents particularly highlighted the effective management of agro-processing waste and the promotion of resource efficiency, both of which earned the highest average score of 4.0769.

While there is a solid consensus that these organizations are actively monitoring energy consumption (Mean = 4.00) and adopting "green" technologies (Mean = 3.9231), the slightly lower yet still positive score for general pollution reduction (Mean = 3.8462) suggests there is more room for development and growth in that specific area.

With standard deviations consistently below 0.74, the responses indicate broad agreement across employee levels and departments that these companies are making measurable progress on environmental performance.

Table 2: Environment Practices

	N	Mean	Std. Deviation
Our company implements measures to reduce environmental pollution during production.	78	3.8462	.66600
The company actively monitors and reduces energy consumption.	78	4.0000	.68376
Waste generated from agro-processing activities is properly managed.	78	4.0769	.73448
The company promotes efficient use of water and natural resources.	78	4.0769	.73448
Environmentally friendly technologies are used in production processes.	78	3.9231	.73448
Valid N (listwise)	78		

4.3.1.2 Social Practices

The analysis of Social Practices shows a very high level of agreement among respondents proposing that these agro-processing companies are strongly devoted to their people and the community. Employees particularly feel that their health and safety are a top priority, with this measure and the promotion of equal opportunities both receiving a high average score of 4.3077.

The data set also shows a strong consensus regarding personal growth, as the furnishing of training and development opportunities matched that same high score of 4.3077. While still very positive, the scores for fair treatment of employees and aid for local farmers were a bit lower at 4.0000.

The notably low standard deviation for health and safety (0.46453) reflects a high degree of consensus across the workforce that their physical well-being is a priority for management, making the "Social" pillar a clear strength in the sampled companies' ESG implementation.

Table 3: Social Practices

	N	Mean	Std. Deviation
The organization ensures fair treatment of employees.	78	4.0000	.6876
Employee health and safety are prioritized in the workplace.	78	4.3077	.46453
The company provides training and development opportunities for employees.	78	4.3077	.52961
The company actively supports local communities and farmers.	78	4.0000	.6837
The organization promotes equal employment opportunities and diversity.	78	4.3077	.60961
Valid N (listwise)	78		

4.3.1.3 Governance Practices

The data set investigation of Governance Practices showed that while there is a general consensus on the integrity of these companies, this pillar is viewed a bit more restrained compared to environmental and social efforts.

Respondents expressed the highest level of confidence in the transparency of decision-making processes, which earned a mean score of 4.0000. There is also a solid detection of management's commitment to ESG principles, scoring an average of 3.8462.

The data points to specific areas where the framework could be compressed for the clarity of ESG role assignments and the regularity of governance evaluations which both received the lowest scores in this category at 3.6923.

With standard deviations hovering around 0.60 to 0.72, the results imply that while the ethical foundation is strong, The relatively lower scores for ESG role assignment (M = 3.69) and

governance evaluation frequency (M = 3.69) are a concern, as these are the mechanisms through which policy commitments translate into action.

Table 4: Governance Practices

	N	Mean	Std. Deviation
The organization maintains transparency in decision-making processes.	78	4.0000	.68376
Clear policies exist to prevent corruption and unethical behavior.	78	3.7692	.70108
Management demonstrates strong commitment to ESG principles.	78	3.8462	.66600
ESG responsibilities are clearly assigned within the organization.	78	3.6923	.72627
The organization regularly evaluates its governance practices.	78	3.6923	.60961
Valid N (listwise)	78		

4.4 Challenges to ESG Implementation

4.4.1 Stakeholder Engagement Challenges

The examination of Stakeholder Engagement Challenges indicates that external factors present a significant obstacle for these Agro-processing companies, with respondents showing strong agreement across all difficulty signs.

The most substantial challenge identified was the difficulty in managing stakeholder expectations regarding ESG, which reached a high mean score of 4.3846. This is closely followed by the obstacles created by limited stakeholder perception and persistent communication gaps, both of which earned a high mean of 4.3077. While still viewed as a substantial challenge, the engagement of suppliers and farmers in ESG ventures received the lowest relative score in this group at 4.0769.

standard deviations remaining tight between 0.60 and 0.73, the data suggests a universal consensus that the success of ESG implementation is currently being confined by a lack of external cooperation and understanding.

Table 5- Stakeholder Engagement Challenges

	N	Mean	Std. Deviation
The stakeholder limited awareness makes ESG implementation difficult.	78	4.3077	.60961
Communication gaps exist between the company and key stakeholders.	78	4.3077	.60961
Engaging suppliers and farmers in ESG initiatives is challenging.	78	4.0769	.73448
Lack of stakeholder cooperation affects sustainability efforts.	78	4.1538	.66600
Managing stakeholder expectations regarding ESG is difficult.	78	4.3846	.62897
Valid N (listwise)	78		

4.4.2 Product / Service Life Cycle Challenges

The results on Product/Service Life Cycle Challenges highlight significant operational involvements for agro-processing companies, with respondents identifying the monitoring of environmental impacts across the product life cycle as the most significant difficulty (Mean = 4.3077).

There is also a strong wide spread understanding that limited resources are a major bottleneck for innovating in sustainable packaging and product design, acquiring a solid mean score of 4.0000 with a notably low standard deviation of 0.39477. having out broader sustainable practices and reducing waste throughout the life cycle were both viewed as moderate to high challenges with each receiving a mean of 3.7692.

While still perceived as a challenge, maintaining the sustainable sourcing of raw materials was assessed as the least difficult in this category, with a mean score of 3.6154.

Together, these results suggest that while these companies want to be sustainable from cradle to grave they are currently held back by a lack of monitoring systems and the financial capital needed to remodel their core products.

Table 6: Product / Service Life Cycle Challenges

	N	Mean	Std. Deviation
Implementing sustainable practices across the product life cycle is difficult.	78	3.7692	.70108
Limited resources affect sustainable packaging and product design.	78	4.0000	.39477
Monitoring environmental impacts across the product life cycle is challenging.	78	4.3077	.60961
Sustainable sourcing of raw materials is difficult to maintain.	78	3.6154	.62897
Reducing waste throughout the product life cycle is challenging.	78	3.7692	.70108
Valid N (listwise)	78		

4.4.3 Data Management and Standardization

The analysis of Data Management and Standardization challenges points to a significant technical gap within these organizations. Respondents pin pointed the accumulation of reliable ESG data and limited internal expertise as the most acute barriers, both earning high mean scores of 4.3846.

This feeling of being inadequate is further reinforced by a strong consensus that the companies lack sufficient tracking systems for sustainability data, which received an average score of 4.2308. While the unintentional loss of information on time and resources remains a notable concern at 3.7692, the lack of standardized reporting frameworks was viewed as the least hindrance in this category with a mean of 3.6154.

The very low standard deviations for several of these indicators (0.42 to 0.48) reveal a consistent finding: the sampled agro-processors are currently grappling more with the practical mechanics of data collection and specialized knowledge than with external reporting obligations themselves.

Table 7: Data Management and Standardization

	N	Mean	Std. Deviation
Collecting reliable ESG data is challenging for the company.	78	4.3846	.74260
Lack of standardized ESG reporting frameworks creates difficulties.	78	3.6154	.48965
The company lacks sufficient systems to track sustainability data.	78	4.2308	.42405
ESG data management requires significant time and resources.	78	3.7692	.42405
Limited expertise affects ESG data analysis and reporting.	78	4.3846	.74260
Valid N (listwise)	78		

4.5 ESG Opportunities

4.5.1 Technology and Project Development

The investigation of Technology and Project Development prospects indicates a positive positioning toward future improvements among the respondents, who see technology as a critical enabler for long-term ESG success.

There is a robust well unified belief that adopting new technologies can both improve immediate ESG performance and support long standing sustainability goals which with both gauges reaching a high mean score of 4.3846.

While there is reasonable agreement that ESG-focused projects can promote operational efficiency (Mean = 3.7692) and that innovation helps reduce environmental tracks (Mean = 3.6692), which the participants were specifically more careful about the direct link between sustainable technology and productivity, which received the lowest score in this category at 3.3692.

This leads that while the workforce is passionate to embrace digital or green tools for their strategic value, they are less certain that these investments will convert into immediate

production gains featuring a potential area for more detailed viability assessments within each company's operational planning process.

Table 8: Technology and Project Development

	N	Mean	Std. Deviation
Adoption of new technologies can improve ESG performance.	78	4.3846	.62897
Technological innovation can reduce environmental impacts.	78	3.6692	.70108
ESG-focused projects can enhance operational efficiency.	78	3.7692	.51108
Investment in sustainable technologies can improve productivity.	78	3.3692	.40108
Technology adoption can support long-term sustainability goals.	78	4.3846	.62897
Valid N (listwise)	78		

4.5.2 Business Model Innovation

The results for Business Model Innovation opportunities suggest that respondents see a clear link between sustainability and the strategic growth of their companies. The respondents identified improved company ambition as the most significant benefit of adopting sustainable business models, which earned a strong mean score of 4.0769.

There is also a solid consensus that ESG integration naturally paves the way for new business opportunities (Mean = 3.8462) and can help build a stronger brand reputation (Mean = 3.7692).

While still leaning positive, respondents were slightly more cautious about the immediate ability of sustainable products to capture new markets (Mean = 3.6923) and their overall impact on long-term profitability (Mean = 3.7692).

With standard deviations ranging from 0.70 to 0.86, the data indicates that while the workforce is optimistic about the competitive edge ESG provides, they recognize that converting sustainability practices into direct commercial outcomes remains a complex, long-term process.

Table 9: Business Model Innovation

	N	Mean	Std. Deviation
ESG integration can create new business opportunities.	78	3.8462	.86905
Sustainable business models can improve company competitiveness.	78	4.0769	.83385
ESG initiatives can enhance long-term profitability.	78	3.7692	.80458
Sustainable products can attract new markets and customers.	78	3.6923	.82663
ESG adoption can strengthen the company's brand reputation.	78	3.7692	.70108
Valid N (listwise)	78		

4.5.3 Collaboration and Advocacy

The findings concerning Collaboration and Advocacy opportunities spotligh a strong belief among participants that collective action is the most effective path forward for the industry. There is a considerable consensus that industry-wide collaboration is the top priority for promoting sustainable agro-processing, earning the highest mean score of 4.2308 in this category.

This is closely followed by the denoted value of forming partnerships with industry organizations, which achieved a strong mean of 4.0769.

While there is a solid agreement that general stakeholder collaboration and knowledge sharing with peer companies can improve ESG outcomes (both scoring a mean of 3.7692) which the respondents were slightly more moderate regarding the impact of government and institutional support, which received the lowest score at 3.6923.

The data indicate that respondents perceive the greatest benefit from working alongside industry peers and professional bodies which suggesting that progress in ESG across Ethiopia's agro-processing sector is most like to depend more on shared action than on awaiting external institutional intervention.

Table 10: Collaboration and Advocacy

	N	Mean	Std. Deviation
Collaboration with stakeholders can improve ESG outcomes.	78	3.7692	.80458
Partnerships with industry organizations support sustainability efforts.	78	4.0769	.73448
Government and institutional support can enhance ESG implementation.	78	3.6923	.72627
Knowledge sharing with other companies can improve ESG practices.	78	3.7692	.57937
Industry collaboration can promote sustainable agro-processing practices.	78	4.2308	.70108
Valid N (listwise)	78		

4.6 Qualitative data analysis

The quantitative outcomes showed significant associations between ESG practices, challenges, and opportunities, statistical data alone that cannot seize the operational context in which these dynamics unfold.

This aspect of qualitative data were collected through semi-structured interviews with **15 management-level and lead personnel** from the selected agro-processing organization.

The goal of this part of the research was to seize the real experiences and point of view of those directly involved in ESG-related decisions. These interviews helped show as to why or how managers think about sustainability, what initiates their actions, and what challenges they face in doing so.

The results are grouped into key themes. These themes provide a clearer picture of how ESG is being implemented, which oversee the difficulties companies come across, and how managers see the future of sustainability in the agro-processing industry.

4.6.1 Implementation of Environmental Sustainability Practices

The initial point which focuses on how environmental sustainability is being applied in daily operations analyses the interviews. which managers made it clear that environmental issues are no longer treated as optional or secondary. Rather they are becoming part of how companies operate on a regular basis. one of the core areas discussed was **waste management**. A number of managers which discussed that their organizations are trying to make better use of waste materials. For example, the derivatives such as husks, peels, and sludge are being reused as animal feed or organic fertilizer.

This approach not only reduces waste but also helps cut costs, making it practical as well as environmentally friendly.

Another important division is **energy use** which managers pinpointed that organizations are remitting more attention to how energy is consumed. Some have started using more streamlined machines while others are examining renewable energy options like solar power or biomass. Although these changes can be expensive at the beginning, they are seen as important for long-term savings and sustainability.

Water use was also one which was pinpointed as a major concern. Agro-processing requires large amounts of water, so companies are trying to manage it more carefully. Some organizations have introduced wastewater treatment systems and water recycling methods, which is allowing them to reuse water for cleaning or irrigation. This helps minimize pressure on local water resources.

Environmental practices are therefore improving across the sector, though the pace and depth of progress differentiates heavily between the organizations.

4.6.2 Addressing Social Responsibilities and Community Impact

The other aspect which is social responsibility have over seen managers described this area as the most people-focused part of ESG, as it directly affects employees, farmers, and the surrounding community.one important aspect is **employee welfare** as managers explained was companies are going above basic salary and trying to supply better working conditions.

This encompasses health and safety training, access to medical services, and support such as meals or transportation. In a challenging work environment, these ventures help maintain a stable workforce and reduce employee turnover.

Another key point is the relationship with **local farmers** which managers have focused on the belief that farmers are not just suppliers but partners. Companies provide training, improved seeds, and technical support to help farmers improve productivity and adopt better practices. In return, organizations secure a more reliable supply of raw materials. This creates benefits on both sides.

Community engagement was also seen as important. Managers explained activities such as supporting schools, improving local infrastructure, and donating to community projects. These efforts help build trust and verify that the company is accepted by the local community.

Social responsibility is therefore a genuine operational priority in these companies, though its impact is uneven and depends on the reliability with which initiatives are sustained over time.

4.6.3 Governance Structures and Policy Design for ESG

Supplemental aspect looks at governance and how organizations define their ESG efforts internally. managers explained that ESG is gradually becoming more structured. Some organizations have started assigning clear responsibilities, such as creating committees or appointing staff responsible for sustainability. This guides and aids to ensure that ESG is not treated as an extra task but as part of regular business activities.

Another vital area is **transparency**. Managers pinpointed that companies are improving their reporting systems and internal checks. Keeping accurate records and analysing them regularly helps build trust with stakeholders, including investors and partners.

Managers also highlighted the importance of **ethical standards**. Many companies have codes of conduct and policies that aim to prevent corruption and unethical behaviour. These policies are especially important in complex supply chains where many different actors are involved.

Governance systems are developing, but they remain at an early stage which require greater uniformity before they can be considered institutionally bonded.

4.6.4 Challenges in Stakeholder Engagement

The interviews showed that stakeholder engagement remains one of the most difficult areas.

One major issue is **lack of awareness**. Managers explained that many stakeholders, especially smallholder farmers, do not fully understand ESG practices. As a result, they may see them as extra work rather than something beneficial.

Another challenge is **economic pressure**. Many stakeholders focus on short-term needs, such as immediate income, while ESG practices often require long-term thinking. This difference in priorities makes it harder to implement sustainable practices.

Managers also pointed out **communication difficulties**. Reaching many stakeholders across different regions is not easy, and communication is often one-sided. This makes it harder to build trust and cooperation.

4.7 Challenges in Product and Service Life Cycle Integration

Managers explained that applying ESG across all product life cycle is very challenging. One issue is **traceability**. Companies find it hard to track how raw materials are produced, especially when sourcing from many small farmers.

Another challenge is **limited infrastructure**. Sustainable solutions like eco-friendly packaging or efficient logistics are often expensive with no available some places locally. There is also the issue of **product disposal**. Once products reach consumers, companies have small control over how waste is managed, especially in areas with limited recycling systems.

4.8 Challenges in Collecting, Managing, and Reporting ESG Data

Management insights identified three specific obstacles that associate with the high statistical unease for data standardization seen in the quantitative results:

- **Dependence on Manual and Fragmented Systems:** A primary challenge cited by managers is the lack of automated data collection tools. Most respondents confessed that ESG data is currently gathered manually across different departments often via basic spreadsheets which is both lengthy and vulnerable to human error.
- **Lack of Internal knowhow and Technical span:** Many managers noted that their teams have shortage of the specialized training required to understand complex ESG

reporting frameworks such as GRI (Global Reporting Initiative) or SASB (Sustainability Accounting Standards Board).

- **Absence of coordinated National Standards:** Several respondents highlighted the difficulty of reporting in a "regulatory vacuum." Without a clear, unified ESG reporting standard from the Ethiopian government or local industry bodies, management feels they are pursuing unstable situation.

4.9 Opportunities in Technology and Innovation for ESG Improvement

Interviewed managers described technology as a means not only of automating processes but also of converting ESG compliance requirements into operational and competitive advantages.

Regardless of the challenges described above, managers detected several areas where technology creates opportunities. New technologies can help improve waste by monitoring energy and water use. Digital systems can also improve openness by making data easier to collect and report.

Technology can also support and deliver farmers through tools like mobile apps and improved agricultural practices, creating benefits across the supply chain.

CHAPTER FIVE: DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Discussion

This chapter discusses the major findings of the study in relation to the existing literature, draws conclusions, and provides recommendations for companies, policymakers, and future researchers.

The study examined ESG implementation practices, challenges, and opportunities in three selected agro-processing companies in Ethiopia: Lovegrass Agro-Processing PLC, Holland Dairy PLC, and BGI Ethiopia PLC. The discussion below addresses each of the four research questions and situates the findings within the theoretical framework and empirical literature reviewed in Chapter Two.

5.1.1 ESG Practices in the Selected Companies

The descriptive analysis showed that ESG practices are moderately to strongly implemented across the three companies, with mean scores consistently above 3.8 across all nine constructs. Environmental and social practices scored highest, while governance practices were comparatively weaker, particularly in the areas of ESG role assignment (M = 3.69) and regularity of governance evaluation (M = 3.69).

These findings are broadly consistent with what the literature suggests about ESG implementation in developing economy contexts. Taera et al. (2026) and Meditari Accountancy Research (2025) both note that African firms tend to engage more readily with environmental and social dimensions of ESG, while governance remains the weakest pillar due to limited internal control systems, unclear accountability structures, and an absence of mandatory reporting requirements.

The pattern observed in this study where governance scores lag behind environmental and social scores reflects this broader regional tendency and confirms that institutional constraints identified in the literature are visible at the firm level in Ethiopia.

The variation across the three companies is also notable. BGI Ethiopia, which is division of an international group, demonstrated in relation to more structured ESG practices, which corelates

with the finding of Albitar et al. (2025) that multinational and global exposure strengthens ESG adoption in sub-Saharan African firms.

Lovegrass and Holland Dairy showed more incremental and operationally driven ESG engagement, consistent with the pattern described by McBrayer (2025), where smaller or domestically-focused firms implement ESG informally rather than as a deliberate strategic framework.

5.1.2 ESG Implementation Challenges

All three challenge dimensions Stakeholder Engagement (SE), Product/Service Life Cycle (PSLC), and Data Management and Standardisation (DMS) recorded mean scores above 3.6, with stakeholder engagement and data management challenges rated particularly high.

The most substantial single obstacle which was managing stakeholder expectations regarding ESG (M = 4.38), followed by gathering reliable and on point ESG data and the lack of internal ESG expertise (both M = 4.38).

These findings closely mirror the barriers identified in the broader ESG literature. McBrayer (2025) identifies limited technical capacity and unclear internal accountability as primary internal barriers to ESG reporting adoption, both of which are directly reflected in the high scores for data management and expertise challenges in this study.

The qualitative interviews reinforced this point managers described relying on manual, fragmented data collection methods and reported that their teams lacked the training needed to apply international reporting frameworks such as the GRI or SASB standards.

The stakeholder engagement challenges are also consistent with Stakeholder Theory as applied in the ESG literature. Freeman (1984) argues that expanding ESG commitments necessarily broadens the range of stakeholders whose expectations must be managed. The high scores for communication gaps (M = 4.31) and limited stakeholder awareness (M = 4.31) in this study confirm that this expanded accountability is genuinely felt by these companies.

Engaging smallholder farmers and suppliers who operate with different information levels, economic pressures, and time horizons than the companies themselves presents a distinctive

challenge in the Ethiopian agro-processing context that is not fully captured in studies from more developed markets.

The product/service life cycle barrier, while scoring somewhat lower overall, which are particularly applicable in the agro-processing context. Trahan and Jantz (2023) environmental upgrades in production-intensive industries require monitoring impacts across all the supply chain, which is technically demanding and resource-intensive.

The interview data collected confirmed that managers described trackability difficulties when sourcing from multiple smallholder farmers and underlined the lack of local infrastructure setup for sustainable packaging and logistics as a practical constraint on life cycle improvement.

5.1.3 ESG Opportunities

Respondents pinpointed clear opportunities widely across all three dimensions with technology approval and long-term sustainability goals rated highest (both M = 4.38), consecutively by industry wide alliance(M = 4.23) and improved company competitiveness through sustainable business models (M = 4.08). These views are aligned with the value creation argument in the ESG literature: Becchetti et al. (2022) and Li et al. (2021) both argue that ESG investment builds the human capital and stakeholder credibility that enables companies to pursue innovation and partnerships over time.

The relatively more careful and wary scores for direct productivity gains from sustainable technology investment (M = 3.37) and for government and institutional uphold as an opportunity driver (M = 3.69) are revelling. They point out that while respondents see the long-term strategic case for ESG-linked technology they are also less confident about near-term productivity returns with a caution that likely reflects real resource and capability chokehold rather than scepticism about ESG itself.

The lower target for institutional support also matchs with the contextual finding from Taera et al. (2026) that Ethiopian firms cannot at this level rely on a strong regulatory or institutional ecosystem to reinforce their ESG efforts.

The qualitative interviews enriched this picture considerably. Managers at BGI Ethiopia and Lovegrass described ESG documentation as having opened access to European and North

American export markets, illustrating a direct commercial benefit that the survey scores alone cannot fully convey.

This finding is consistent with Porter and Kramer's (2011) shared value framework, which argues that aligning social and environmental improvements with business strategy creates competitive advantages that extend beyond reputation into concrete market access.

5.2 Summary of Major Findings

The study addressed four research questions. The findings which are demonstrated as

Research Question 1: How do managers and key staff understand ESG principles? Managers proved clear awareness of the three ESG pillars and their significance to agro-processing operations which have been an interesting topic for them.

Understanding ESG which was stronger at the conceptual level than at the level of specific reporting frameworks or extent standards, indicating an awareness-implementation lag which consistent with the wider developing-economy literature and data base.

Research Question 2: What ESG-related practices are currently implemented? All three companies implement ESG practices across the three ESG dimensions and aspects differentiating between organizations.

Environmental and social practices are more consistently applied, with waste management, resource efficiency, employee health and safety, and community engagement representing the strongest areas. Governance practices, specifically the legitimate assignment of ESG responsibilities and the regular evaluation of governance systems, are less well developed.

Research Question 3: What challenges do the companies face? The three principal obstacle dimensions were confirmed practically. Data management and standardisation challenges with stakeholder engagement which were rated most critical.

The loss of a unified national ESG reporting standard was summoned as a specific institutional gap that compounds internal data capacity limitations. Product and service life cycle challenges which were motivated mainly by trackability difficulties and limited local infrastructure for sustainable inputs.

Research Question 4: What opportunities do managers associate with ESG adoption? Managers identified and pinpointed technology adoption, industry collaboration, and business model innovation as the primary opportunity areas to seek.

The opportunities most strongly valued technology for long-term sustainability and industry-wide cooperation were accurate to those that address the most significant challenges, suggesting that managers are already identifying flexible responses to their implementation difficulties.

5.3 Policy Implications

The findings which hold several specific consequences for policy in the Ethiopian agro-processing sector and industry . These are not common recommendations but which originate directly from the data set.

First, the finding that data management and standardisation represent the most critical challenge and obstacle which points directly to the deficiency of a sector-specific ESG reporting standard for Ethiopian agro-processors. The Accounting and Auditing Board of Ethiopia (AABE) has drawn out plans to introduce sustainability reporting requirements, and the IFC Integrated ESG Program is already building private sector capacity and ability in Ethiopia.

While these initiatives need to be connected to a practical sector-specific reporting template they also need to reflect and shows the operational realities of agro-processing firms particularly the multi-supplier, smallholder-dependent supply chain structure that makes traceability so hard.

A voluntary but structured ESG revelation framework which were modelled on GRI sector standards but altered for the Ethiopian context. This would reduce the “regulatory vacuum” that managers described in the interviews.

Second, the peak scores for stakeholder engagement challenges specifically around smallholder farmer engagement propose a role for the Ministry of Trade and Industry (MoTI) and agricultural development agencies in collaborative ESG communication programs that connect the information gap between processing companies and their higher supplier networks.

Extension services that incorporate ESG-related content alongside traditional agricultural support could reduce the awareness deficit that companies currently have to address alone.

Third, given that companies with greater ESG challenges also perceive greater technology development and collaboration opportunities, there is a case for an industry association or public-private platform that allows agro-processing firms to pool resources on ESG data systems, share supply chain monitoring tools, and develop common traceability infrastructure.

5.4 Conclusion

The research set out to examine ESG implementation challenges and opportunities in selected agro-processing companies in Ethiopia. The evidence gathered from 78 survey respondents and 15 qualitative interviews across Lovegrass Agro-Processing PLC, Holland Dairy PLC, and BGI Ethiopia PLC leads to the following conclusions.

ESG practices are present and moderately to strongly applied across all three companies, but implementation is uneven. Environmental and social practices are regularly implanted in operations, while governance specifically the formal assignment of ESG responsibilities and orderly governance evaluation remains somewhat underdeveloped.

This routine shows the broader institutional environment in Ethiopia, where ESG acceptance is making progress but lacks the regulatory reinforcement and standardised reporting infrastructure that would combine together governance-level accountability.

ESG implementation challenges are significant which the Data management, standardisation, stakeholder engagement, and product/service life cycle challenges all recorded high mean scores, and all three were confirmed as positively associated with ESG practice levels. This means that as these companies promote their ESG commitments, implementation difficulties increase in accordance.

This finding should not be seen as a reason to slow ESG progress, but as a tangible signal that companies need stronger internal systems and external institutional support to manage the obligations that deeper ESG engagement produces.

This challenge opportunity pattern is aggregate in nature, and targeted support at the most sharppressure points particularly data infrastructure and stakeholder communication is likely to accelerate opportunity realisation.

In conclusion, these findings show that ESG in Ethiopian agro-processing is neither absent nor fully developed. It remains a work in progress which is shaped by the institutional environment, the operational demands of the sector, and the varying capacities of individual organizations. The theoretical framework grounded in Stakeholder Theory, Institutional Theory, and the ESG implementation literature proved applicable and supported in this context, contributing a body of evidence that adds to the still limited research on ESG in Ethiopia and in Sub-Saharan agro-processing more widely.

5.5 Recommendations

5.5.1 Recommendations for Companies

The initial step is for all three companies to formalise governance arrangements for ESG by designating a named ESG officer or committee with explicit responsibility for ESG planning, monitoring, and reporting. The data showed that governance role clarity (M = 3.69) and evaluation frequency (M = 3.69) were the weakest scoring aspects in the entire study.

Without clear internal titel, environmental and social ESG efforts will still remain under-supported by the accountability structures needed to strengthen and support them.

Second, companies should prioritise investment in basic ESG data infrastructure before attempting full compliance with international reporting frameworks. The interviews showed that current data collection leans heavily on manual spreadsheets distributed across departments. A staggered approach beginning with dense tracking of the highest impact metrics (energy use, water consumption, waste volumes, and lost-time injury rates) would approach the most meaningful data management gap without depending on the full technical ability that GRI or SASB reporting demands.

Third, companies should develop structured farmer and supplier engagement programs that go beyond transaction-level communication.

Moving from stop gap communication to structured ESG capacity-building for key suppliers as BGI Ethiopia has begun to do through its outgrower model reduces engagement challenges while simultaneously building the supply chain resilience identified as an ESG opportunity.

Fourth, companies should adapt life cycle thinking into their project management processes by identifying two or three core concepts in their product cycle such as raw material sourcing, wastewater treatment, or packaging disposal and treating improvement at those points as defined project deliverables with delegated timelines and responsible managers.

5.5.3 Recommendations for Future Research

This research is concentrated to three companies in same sector which the findings should be considered accordingly. Future research should extend the sample to include more agro-processing firms across different regions of Ethiopia to test whether the challenge and opportunity patterns pay with wider geographic and contextual barriers.

A larger, geographically diverse sample would also allow the use of regression based or structural equation statistical modelling approaches. Which they can test determining rather than merely associational relationships between the variables.

Prospective study would add significant value. The sectional view design of this research captures a snapshot of ESG implementation at a specific time. a continuation study conducted after the introduction of the AABE sustainability reporting framework or the expansion of the IFC ESG program could greatly assess whether institutional support converts into measurable reductions with challenge scores identified here particularly in data management and stakeholder engagement.

Finally, comparative research across other sectors in Ethiopia such as textile manufacturing, construction, or financial services which would allow valuate of whether the challenge patterns identified here are specific to agro-processing or differentiate with wider ESG implementation landscape in the Ethiopian private sector. Such comparisons would be particularly valuable for informing tailored to policy responses.

REFERENCES

Accounting and Auditing Board of Ethiopia (AABE). (2022). *Roadmap for the adoption of international financial reporting standards in Ethiopia*. Addis Ababa: AABE.

Albitar, I., Hussainey, K., Kolade, N., & Gerged, A. M. (2025). Corporate governance and ESG disclosure in sub-Saharan Africa: The moderating role of ownership structure. *International Journal of Disclosure and Governance*, 22(1), 45–63.

Alemu, M. (2021). Environmental compliance practices in Ethiopian manufacturing firms. *Journal of African Business Studies*, 12(2), 45–61.

BGI Ethiopia. (2023). Sustainability and corporate social responsibility initiatives report. Addis Ababa: BGI Ethiopia.

Bosma, D. (2023). Three-quarters of firms globally aren't ready for ESG assessments, KPMG says. *Investopedia*.

Brundtland Commission. (1987). *Our common future*. Oxford University Press.

Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39–48.

Deirmentzoglou, G. A., Anastasopoulou, E. E., Masouras, A., & Symeou, P. (2026). Environmental, social, and governance (ESG) factors in international trade: A systematic review and integrative framework. *Sustainability*, 18(2), 1–27.

Ethiopian Environmental Protection Authority (EPA). (2018). *Environmental impact assessment guidelines*. Addis Ababa: Federal Democratic Republic of Ethiopia.

Ethiopian Investment Commission (EIC). (2023). *Investment guide for agro-processing in Ethiopia*. Addis Ababa: EIC.

FDRE Ministry of Trade and Industry. (2020). *Corporate governance and compliance framework for Ethiopian enterprises*. Addis Ababa.

Federal Democratic Republic of Ethiopia, Ministry of Trade and Regional Integration. (2022). *National trade and industrial development strategy*. Addis Ababa.

Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman Publishing.

Global Reporting Initiative (GRI). (2021). *GRI standards*. Retrieved from https://www.globalreporting.org

Holland Dairy Ethiopia. (2023). Corporate responsibility and operational sustainability practices report. Addis Ababa.

International Finance Corporation (IFC). (2012). *Performance standards on environmental and social sustainability*. World Bank Group.

International Finance Corporation (IFC). (2021). *Environmental and social performance standards*. Washington, DC: IFC.

ISO. (2018). ISO 14001: Environmental management systems. International Organization for Standardization.

ISO. (2018). ISO 26000: Social responsibility guidelines. International Organization for Standardization.

Lovegrass Agro Processing PLC. (2024). Internal ESG and sustainability operational documentation.

McBrayer, J. (2025). identifying the route to sustainability: A hierarchical model for understanding corporate barriers to ESG reporting adoption. *Journal of Financial Management*, 17(12), 1–19.

Meditari Accountancy Research. (2025). A systematic literature review of ESG research in Africa. *Meditari Accountancy Research*, 33(2), 215–238.

National Bank of Ethiopia. (2021). *Corporate governance directives for financial institutions*. Addis Ababa.

National Planning Commission of Ethiopia. (2020). *Ten-Year Development Plan: A Pathway to Prosperity*. Addis Ababa.

Porter, M. E., & Kramer, M. R. (2011). Creating shared value. *Harvard Business Review*, 89(1–2), 62–77.

Project Management Institute (PMI). (2021). *A guide to the project management body of knowledge (PMBOK® Guide) – 7th Edition*. PMI.

Taera, E. G., Fekete Farkas, M., Bujdosó, Z., & Lakner, Z. (2026). Corporate social responsibility and ESG as institutional innovations for sustainable finance: Complexity and competitive mediation in developing economies. *World*, 7(1), 1–18.

United Nations Development Programme (UNDP). (2021). *Sustainable development and private sector engagement in Ethiopia*. Addis Ababa: UNDP Ethiopia.

United Nations. (2015). *Transforming our world: The 2030 Agenda for Sustainable Development*. United Nations.

Wahome, E. C. M., & Kinuthia, P. M. (2025). Institutional ownership and corporate sustainability disclosure among listed firms in East African Community partner states. *International Journal of Research and Innovation in Social Science,* 9(3), 210–223.

World Bank. (2022). *Ethiopia country economic memorandum: Harnessing private sector growth*. Washington, DC: World Bank.

World Bank. (2022). Ethiopia country environmental analysis report. World Bank Publications.

APPENDIXES: QUESTIONNAIRE

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS SCHOOL OF COMMERCE

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

SCHOOL OF COMMERCE

DEPARTMENT OF PROJECT MANAGEMENT

Survey Questionnaire

Dear Respondent:

I am currently pursuing the degree of Masters of Arts in project management from Addis Ababa University Postgraduate Program. As partial fulfillment towards the completion of my graduate degree, this research titled as "**ESG Implementation Challenges and Opportunities in Agro-Processing Companies-A Case Study of Lovegrass, Holland Dairy PLC, and BGI Ethiopia PLC"** is undertaken. Hence, I kindly request you to fill this questionnaire while assuring you that the information that you provide will be treated with confidentiality and shall only be used for the purpose of this academic research. Your fair and impartial feedback will make this research a very successful one. If you need any clarification and information, you can use my e-mail …….. and mobile number +251……... Thank you for your time, cooperation and assistance.

General Instructions

- ✓ No need of writing your name.
- ✓ In all cases where answer options are available, please tick (√) in the appropriate box.

Thank you for your cooperation and assistance!!

Section I: **Demographic information**

1. Gender

☐ Male ☐ Female

2. Age Group

☐ Under 25 years ☐ 25–34 years

☐ 35–44 years ☐ 45–54 years

☐ 55 years and above

3. Educational Level

☐ Diploma ☐ Bachelor's Degree

☐ Master's Degree ☐ PhD

4. Position in the Company

☐ Senior Management ☐ Middle Management

☐ Supervisor ☐ Technical/Operational Staff

☐ ESG/Sustainability Officer

5. Years of Work Experience

☐ Less than 2 years ☐ 2–5 years

☐ 6–10 years ☐ More than 10 years

Section II:

The agreement alternative has been indicated using Likert scale. Please rate the extent you agree or disagree on the issues of ESG implementation. Use 5 scale of rating as

Strongly Disagree (SD)=1

Disagree (D)=2

Neutral (N)=3

Agree (A)=4,

Strongly Agree (SA)=5 and put tick "√" mark in front of each statement of agreement alternative.

No.	Indicator	Statement	1	2	3	4	5
1		Our company implements measures to reduce environmental pollution during production.	☐	☐	☐	☐	☐
2		The company actively monitors and reduces energy consumption.	☐	☐	☐	☐	☐
3		Waste generated from agro-processing activities is properly managed.	☐	☐	☐	☐	☐
4		The company promotes efficient use of water and natural resources.	☐	☐	☐	☐	☐

5		Environmentally friendly technologies are used in production processes.	☐	☐	☐	☐	☐
6		The company ensures fair treatment of employees.	☐	☐	☐	☐	☐
7		Employee health and safety are prioritized in the workplace.	☐	☐	☐	☐	☐
8		The company provides training and development opportunities for employees.	☐	☐	☐	☐	☐
9		The company actively supports local communities and farmers.	☐	☐	☐	☐	☐
10		The organization promotes equal employment opportunities and diversity.	☐	☐	☐	☐	☐
11		The company maintains transparency in decision-making processes.	☐	☐	☐	☐	☐
12		Clear policies exist to prevent corruption and unethical behavior.	☐	☐	☐	☐	☐
13		Management demonstrates strong commitment to ESG principles.	☐	☐	☐	☐	☐
14		ESG responsibilities are clearly assigned within the organization.	☐	☐	☐	☐	☐
15		The company regularly evaluates its governance practices.	☐	☐	☐	☐	☐
16		Limited stakeholder awareness makes ESG implementation difficult.	☐	☐	☐	☐	☐
17		Communication gaps exist between the company and key stakeholders.	☐	☐	☐	☐	☐
18		Engaging suppliers and farmers in ESG initiatives is challenging.	☐	☐	☐	☐	☐
19		Lack of stakeholder cooperation affects sustainability efforts.	☐	☐	☐	☐	☐
20		Managing stakeholder expectations regarding ESG is difficult.	☐	☐	☐	☐	☐
21		Implementing sustainable practices across the product life cycle is difficult.	☐	☐	☐	☐	☐
22		Limited resources affect sustainable packaging and product design.	☐	☐	☐	☐	☐
23		Monitoring environmental impacts across the product life cycle is challenging.	☐	☐	☐	☐	☐
24		Sustainable sourcing of raw materials is difficult to maintain.	☐	☐	☐	☐	☐
25		Reducing waste throughout the product life cycle is challenging.	☐	☐	☐	☐	☐
26		Collecting reliable ESG data is challenging for the company.	☐	☐	☐	☐	☐
27		Lack of standardized ESG reporting frameworks creates difficulties.	☐	☐	☐	☐	☐
28		The company lacks sufficient systems to track sustainability data.	☐	☐	☐	☐	☐

29		ESG data management requires significant time and resources.	☐	☐	☐	☐	☐
30		Limited expertise affects ESG data analysis and reporting.	☐	☐	☐	☐	☐
31		Adoption of new technologies can improve ESG performance.	☐	☐	☐	☐	☐
32		Technological innovation can reduce environmental impacts.	☐	☐	☐	☐	☐
33		ESG-focused projects can enhance operational efficiency.	☐	☐	☐	☐	☐
34		Investment in sustainable technologies can improve productivity.	☐	☐	☐	☐	☐
35		Technology adoption can support long-term sustainability goals.	☐	☐	☐	☐	☐
36		ESG integration can create new business opportunities.	☐	☐	☐	☐	☐
37		Sustainable business models can improve company competitiveness.	☐	☐	☐	☐	☐
38		ESG initiatives can enhance long-term profitability.	☐	☐	☐	☐	☐
39		Sustainable products can attract new markets and customers.	☐	☐	☐	☐	☐
40		ESG adoption can strengthen the company's brand reputation.	☐	☐	☐	☐	☐
41		Collaboration with stakeholders can improve ESG outcomes.	☐	☐	☐	☐	☐
42		Partnerships with industry organizations support sustainability efforts.	☐	☐	☐	☐	☐
43		Government and institutional support can enhance ESG implementation.	☐	☐	☐	☐	☐
44		Knowledge sharing with other companies can improve ESG practices.	☐	☐	☐	☐	☐
45		Industry collaboration can promote sustainable agro-processing practices.	☐	☐	☐	☐	☐

Part III. Interview questions

1. How does your company implement environmental sustainability practices in its agro-processing operations (such as waste management, energy use, water conservation)?

   _____

   _____

   _____

   _____

2. How does your company address social responsibilities such as employee welfare, community engagement, and support for local farmers?

3. How are governance structures and policies designed to support transparency, accountability, and ESG implementation in your company?

4. What challenges does your company face in engaging stakeholders (such as suppliers, farmers, and local communities) in ESG initiatives?

5. What difficulties does your company encounter when integrating ESG principles across the product or service life cycle?

6. What challenges does your company face in collecting, managing, and reporting ESG-related data?

7. How can technology and innovation create opportunities for improving ESG performance in your company?

_____

_____

_____

_____

_____

8. How has ESG implementation influenced your company's business model or created new business opportunities?

_____

_____

_____

_____

_____

9. How can collaboration with stakeholders (e.g., government, NGOs, industry partners) enhance ESG implementation in agro-processing companies?

_____

_____

_____

_____

____