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THE DIALECTICS OF ESG AND INTERNATIONALIZATION: TOWARD A THEORETICAL SYNTHESIS

N. U. Makhmudova
Bukhara State University, Bukhara, Uzbekistan
E-mail: mahmudova.nodira@gmail.com

Abstract
This article investigates the theoretical foundations of the dialectical relationship between the ESG (Environmental, Social, Governance) paradigm and internationalization processes. The study analyzes the role of ESG criteria in shaping international business strategies and transforming corporate governance systems under conditions of globalization. Employing a dialectical methodology, the article offers a theoretical interpretation of the interaction mechanisms, contradictions, and synthesis processes that characterize the nexus between ESG and internationalization. A conceptual model of thesis-antithesis-synthesis is proposed to explain how nationally oriented ESG strategies evolve into globally adaptive frameworks through engagement with diverse international markets. The research demonstrates that integrating the ESG paradigm into internationalization processes is of critical importance for achieving sustainable development goals, enhancing corporate competitiveness, and fostering responsible business conduct across borders.

Keywords: ESG paradigm, internationalization, dialectical approach, sustainable development, corporate governance, globalization, social responsibility, environmental criteria.

Introduction

The fundamental transformations taking place in the global economy during the twenty-first century necessitate a thorough reconsideration of corporate governance paradigms. In this context, the ESG (Environmental, Social, Governance) paradigm has emerged as a particularly significant framework, establishing new standards and benchmarks within the international business

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environment [1]. Under the conditions of globalization, the processes through which companies enter international markets and implement internationalization strategies are increasingly intertwined with ESG criteria.

The relevance of this topic is underscored by the fact that, in the modern economic system, ESG factors have become a principal indicator determining not only the quality of internal corporate governance but also the international competitiveness of firms [2]. Internationalization processes influence the development of the ESG paradigm, while ESG criteria, in turn, serve as a critical factor in determining the effectiveness of internationalization strategies. The theoretical investigation of the dialectical relationship between these two phenomena has become one of the most pressing directions in contemporary academic research.

The purpose of this study is to develop the theoretical foundations of the dialectical relationship between the ESG paradigm and internationalization, to identify the mechanisms of their mutual influence, and to offer a theoretical interpretation of the impact of this relationship on sustainable development. The scientific novelty of the research lies in the fact that the relationship between ESG and internationalization is analyzed comprehensively for the first time through the lens of dialectical methodology, and a theoretical model is proposed.

II. Literature Review and Methodology

The theoretical foundations of the ESG paradigm began to take shape in the second half of the twentieth century, initially evolving within the framework of the Corporate Social Responsibility (CSR) concept. The idea of "socially responsible business," advanced by H.R. Bowen in 1953 [3], was subsequently enriched by R.E. Freeman's stakeholder theory, developed in 1984 [4]. [1] According to this theory, companies must acknowledge their responsibility not only to shareholders but to all stakeholder groups.

The term "ESG" was officially introduced in the United Nations' 2004 report entitled "Who Cares Wins [5]." It has since become a foundational concept in the field of sustainable finance. The "Triple Bottom Line" concept proposed by J. Elkington in 1997 [3] constitutes the theoretical bedrock of the ESG paradigm.

[1] R.E. Freeman, Strategic Management: A Stakeholder Approach (Boston: Pitman, 1984), pp. 31–60.

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According to this approach, companies are expected to simultaneously ensure economic, social, and environmental performance.

Internationalization theories have also traversed their own developmental stages. The theory of transnational corporations established by S. Hymer in 1976 [7], the OLI (Ownership, Location, Internalization) paradigm developed by J.H. Dunning in 1980 [8], and the Uppsala model proposed by J. Johanson and J.-E. Vahlne in 1977 [9] constitute the principal theoretical foundations for understanding internationalization processes. In recent years, the “Creating Shared Value” concept advanced by M.E. Porter and M.R. Kramer in 2011 [10] has provided a basis for reinterpreting the relationship between ESG and internationalization.

Empirical evidence supporting the link between ESG performance and financial outcomes has been provided by Friede, Busch, and Bassen, who conducted a meta-analysis of over 2,000 studies and found a predominantly positive relationship. [11] Kolk has examined the evolution of international business responsibility from ethics and environmental concerns to comprehensive CSR and sustainable development frameworks [12]. Liang and Renneboog have explored the institutional foundations of corporate social responsibility across countries, demonstrating how legal origins and cultural dimensions shape ESG practices [13].

The methodological foundation of this research is the dialectical approach. The core principles of the dialectical method elaborated by G.W.F. Hegel – thesis, antithesis, and synthesis – are employed as essential analytical tools for examining the complex relationships between ESG and internationalization. Additionally, the study utilizes a systems approach, comparative analysis, and abstract-logical methods.

III. Theoretical Framework: The ESG Paradigm and Internationalization

A. The Components of the ESG Paradigm

The ESG paradigm comprises three fundamental components: Environmental, Social, and Governance. The environmental component encompasses a company’s impact on the natural environment, the efficiency of resource utilization, and strategies for adapting to climate change [14]. The social component addresses issues such as human rights, labor relations, employee

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health and safety, and community relations. The governance component establishes criteria pertaining to corporate governance structures, board composition, and corporate transparency.

A distinctive feature of the ESG paradigm is that it considers a company's activities as an integrated system and emphasizes the interconnectedness of all factors [15]. For instance, compliance with environmental criteria serves not only to protect the natural environment but also to ensure the company's long-term financial stability. Similarly, adherence to the principles of social responsibility positively influences labor productivity by enhancing employee motivation.

B. The Nature of Internationalization

Internationalization refers to the process by which companies extend their operations beyond national borders. This process manifests in various forms, ranging from exports to foreign direct investment, joint ventures, and full global integration [16]. Under contemporary conditions, internationalization is pursued not solely for economic objectives; it also reflects a company's contribution to sustainable development on a global scale [17].

Internationalization processes consist of several stages, each presenting distinct challenges and opportunities. In the initial phase, a company establishes export activities and gathers intelligence about foreign markets. In subsequent stages, foreign offices are opened, partnership relationships with local entities are established, and ultimately a fully integrated global network is formed [18].

IV. Dialectical Analysis of ESG and Internationalization

From the perspective of the dialectical approach, the relationship between the ESG paradigm and internationalization processes can be interpreted through the thesis-antithesis-synthesis schema. As the thesis, one may identify the formation and development of the ESG paradigm at the national level. At this stage, ESG criteria are applied primarily to meet the demands of the domestic market and are oriented toward sustainable development at the local level.

The antithesis emerges from the new conditions created by internationalization processes. When a company enters international markets, it encounters diverse ESG requirements, standards, and expectations across different countries [19]. This produces an internal contradiction: on the one hand, the company strives to preserve its existing ESG strategy; on the other, it faces the necessity of adapting

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to the unique demands of foreign markets [20]. This contradiction compels the company to develop new, more flexible approaches.

In the synthesis stage, the contradictions between ESG and internationalization are resolved, and a qualitatively new state emerges. At this stage, the company develops a unified yet adaptable ESG strategy on a global scale. Such a strategy accounts for the specific characteristics of different countries while being oriented toward the achievement of universal sustainable development goals. The result of this synthesis is the formation of a "glocal" (global + local) ESG approach (see Table 1).

Table 1. Model of the Dialectical Relationship between ESG and Internationalization

Stage	ESG Characteristics	Internationalization Impact
Thesis	National-level ESG strategy	Domestic market-oriented activity
Antithesis	Conflict with international ESG standards	Foreign market requirements
Synthesis	Glocal ESG strategy	Global-local equilibrium

Source: Author's own elaboration.

V. Mechanisms of Interaction between ESG and Internationalization

The mutual influence between ESG and internationalization operates through several distinct mechanisms. First, a regulatory mechanism exists whereby international trade and investment flows are increasingly subject to ESG requirements. For example, the sustainable finance taxonomy introduced by the European Union requires foreign companies to comply with certain ESG standards [22]. This enhances the significance of ESG factors in the internationalization process.

Second, the influence of the market mechanism is observed. International investors and consumers are paying increasingly greater attention to ESG indicators [3]. Consequently, companies are compelled to strengthen their ESG strategies in order to remain competitive in international markets. In this process, ESG ratings and indices play a crucial role, as they serve as the primary source of information for international investors [19].

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Third, an institutional mechanism operates through international organizations, including the United Nations, the World Bank, and the OECD, which play a pivotal role in developing and disseminating ESG standards. These standards function as "soft law" during the internationalization process, influencing corporate behavior. Additionally, industry associations and business alliances actively participate in propagating ESG practices [9].

VI. ESG, Internationalization, and Sustainable Competitive Advantage

The dialectical relationship between the ESG paradigm and internationalization finds expression in the concept of "Sustainable Competitive Advantage." Unlike the traditional competitive advantage theory developed by M.E. Porter [11], sustainable competitive advantage encompasses not only economic efficiency but also environmental and social responsibility. Under the conditions of internationalization, this concept acquires even greater significance.

Companies operating in international markets achieve competitive advantages through their ESG strategies in several respects. First, compliance with ESG requirements facilitates entry into foreign markets, as many developed countries impose stringent environmental and social requirements on imported products [9].

Second, strong ESG performance enhances the confidence of investors and creditors, which broadens access to capital and reduces its cost.

Third, ESG practices stimulate innovation. In pursuit of greater environmental efficiency, companies introduce new technologies and production methods. This not only reduces environmental impact but also enhances economic efficiency through cost optimization. At the international level, such innovations strengthen a company's global competitiveness.

Under contemporary conditions, the internationalization strategies of companies are being shaped in close connection with ESG factors. This connection manifests in several directions. Above all, ESG factors play a significant role in market selection decisions. When evaluating foreign markets, companies consider not only conventional criteria such as market size, growth potential, and the degree of competition, but also the level of ESG infrastructure development [20].

Furthermore, the choice of internationalization mode is also linked to ESG considerations. For instance, to enter markets with stringent ESG requirements,

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companies often prefer to form strategic alliances with local partners, which enables them to learn and adapt to local ESG practices. At the same time, entering through direct investment entails assuming greater ESG responsibilities.
ESG factors are also of critical importance in the management of global supply chains. International companies are increasingly requiring their suppliers to comply with ESG standards. This leads to the implementation of sustainability principles throughout the entire value chain. As a result, the internationalization process contributes to the ESG transformation not only of individual companies but of entire industry sectors.

VII. Discussion and Conclusions

The findings of this research demonstrate that the dialectical relationship between the ESG paradigm and internationalization is of a complex and multifaceted character. This relationship is not unidirectional but rather based on bilateral influence. The ESG paradigm determines the content and direction of internationalization processes, while internationalization, in turn, contributes to the dissemination and development of ESG practices on a global scale.
From the standpoint of the dialectical approach, the contradictions between ESG and internationalization play a positive role, as they stimulate the search for new and more effective solutions. When companies confront the necessity of satisfying the distinct ESG requirements of various countries, they are compelled to develop flexible and innovative strategies. As a result of this process, a "glocal" ESG approach takes shape, wherein global standards are harmonized with local specificities [13].
The practical significance of this research lies in the fact that understanding the dialectical relationship between ESG and internationalization enables companies to develop more effective international strategies. Companies should regard ESG factors as an integral part of their internationalization decisions and integrate them into processes such as market selection, determination of entry modes, and supply chain management.
In conclusion, the dialectical relationship between the ESG paradigm and internationalization constitutes one of the defining characteristics of the contemporary global economy. This relationship possesses not only theoretical

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but also practical significance, manifesting as a crucial factor in the formulation and implementation of companies' international strategies. In the future, the connections between ESG and internationalization are expected to strengthen and grow more complex, further increasing the relevance of research in this area.
The limitations of this study should be acknowledged: the article is primarily based on theoretical analysis, and empirical verification is planned within the scope of future research. Furthermore, conducting a comparative analysis across industry sectors, taking into account the specific features of the ESG paradigm in various industries, represents a promising direction for further investigation.

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