

Ernst & Young Leading the ESG Wave: A Deep Analysis of Empowering Companies with New Competitive Advantages

Aoxue Hu*

Department of Accounting, Shanghai University of Finance and Economics Zhejiang College, Jinhua 321000, China

**Corresponding author: Aoxue Hu, E-mail: qinianbenzkan@qq.com.*

Abstract

With the continuous deterioration of the global ecological environment and the rise of energy conservation and emission reduction, low-carbon and green industries have become a new orientation for global economic development. Moreover, all sectors of society are paying increasing attention to sustainable development. In this context, the theories of environment, society and corporate governance (ESG) have gradually been integrated into the core links of enterprise strategic planning and operation decision-making and have become indispensable key elements. However, at this stage, there is still a lack of fine theoretical analysis and comprehensive research on the relationship between ESG management and the sustainable competitive advantage of enterprises. Therefore, on the basis of the global background, this paper explores the importance of the ESG concept to modern enterprise management systems, analyses how it helps enterprises create long-term value, and explores effective paths for enterprises to achieve sustainable development with ESG. This study selects Ernst & Young accounting firms as a case study and comprehensively uses mature management model tools such as SWOT and PESTEL to explore Ernst & Young deeply. This shows in detail the practical process of Ernst & Young's successful construction and strengthening its competitive advantage in the hot competitive market environment by implementing an active ESG strategy. Specifically, it covers the practical measures taken by Ernst & Young in terms of environmental, social, and corporate governance and other ESG dimensions and analyses how ESG theory reshapes the competitive pattern of enterprises and promotes the steady improvement of their competitive advantages. Through an all-round analysis of Ernst and Young's practical examples in the field of ESG, we can accurately reveal the hidden mechanism of action and then provide practical guidance for enterprises in various industries to implement an ESG strategy and achieve a sustainable competitive advantage to help enterprises set a sail on the journey of sustainable development.

Keywords

Sustainable development, environmental, social, and governance management, sustainable competitive advantage, Ernst & Young

1. Introduction

1.1 Research Background

With the deepening of the concept of global sustainable development, the environment, society and governance (ESG) have become important driving forces for enterprise development. Since the concept of ESG was first proposed by the United Nations in 2004, its influence has expanded and profoundly changed the business model of enterprises. In response to the increasingly severe challenge of climate change, the problems of energy consumption, carbon emissions and resource utilization in the production and operation of enterprises are becoming increasingly prominent. For example, energy consumption and pollution emissions from traditional manufacturing have exacerbated environmental degradation, forcing companies to shift to green production. At the social level, employee rights and interests, consumer protection and community coconstruction are related to the rise and fall of enterprises. Ignoring the rights and interests of employees will lead to brain drain, harming the interests of consumers will affect reputation, and actively integrating into the community can win external support. Corporate governance is the cornerstone of the steady development of enterprises. A reasonable organizational structure, transparent decision-making mechanism and effective risk control system can help enterprises balance the interests of all parties and maximize long-term value. In this context, ESG performance has become a key factor for enterprises to increase competitiveness, which can help enterprises reduce costs, attract investment and customers, and enhance their brand image.

1.2 Literature Review

In recent years, scholars have extensively researched the relationship between ESG performance and enterprise development, laying the foundation for this study. In 2021, *Mohammad, W.M.W. and Wasiuzzaman, S.* used Malaysian enterprises as research objects, reported that ESG disclosure helps enhance the competitiveness of enterprises, and verified the positive role of ESG practices. In 2023, *Reichert, P.* identified a positive relationship between ESG ratings and the cost advantage of listed companies. *Wan Mohammad, W. M.* and others focused on female directors of Malaysian companies and reported that they promoted ESG practices and helped shape competitive advantage. The next year, Taking Walmart as an example, *MI, Y.* uses management model tools such as SWOT to analyse the contribution of ESG performance to the construction of enterprise competitive advantage. By studying European enterprises, *Taliento, M., Favino, C., and Netti, A.* confirmed the relationship between ESG information disclosure and economic performance, proposed the concept of “sustainable advantage”, and emphasized the role of ESG in ensuring the long-term, steady development of enterprises. There have generally been studies on the relevance of ESG performance from multiple perspectives, but there is still a lack of in-depth research on professional services, especially accounting firms. This study takes Ernst & Young accounting firms as the research object, aiming to fill this gap and explore the unique path through which ESGs transform into competitive advantages in this field.

1.3 Research Questions and Objectives

At present, although ESGs have attracted extensive attention, the specific details and micro mechanism of enterprise practices still need to be further explored. Taking Ernst & Young accounting firms, leaders in the field of international professional services, as the research object, this study aims to systematically analyse the core meaning and internal relationship of ESGs, build a complete theoretical framework, and clarify the path of their impact on enterprise operation and strategic management to break through the traditional profit perspective and conform to the development trend of times. Specifically, this study further explores the specific channels through which ESGs help enterprises enhance their competitive advantage, covering cost control, brand building, customer and investment attraction, risk response and other dimensions, and compensates for the shortcomings of existing theories in micro analysis. This study will disassemble Ernst and Young's ESG strategic layout in detail, integrate it into the diverse considerations of ESG, and use data to quantify its effectiveness in terms of environmental protection, community support, green office, employee diversified security, corporate governance optimization and ESG service product development to confirm the causal relationship between ESG and competitive advantage. Finally, this study will refine Ernst

and Young's successful experience, build a general ESG practice blueprint and strategy guide, provide a reference for enterprises and investors, and help socially sustainable development.

1.4 Research Methods and Innovation Points

To explore the integration context of the development of ESG and accounting firms, this study performs a comprehensive analysis of Ernst & Young via the case analysis method and literature research method with the help of management model tools such as SWOT and PESTEL. The innovation of this study is that it takes accounting firms as the research object and selects Ernst & Young, the industry leader, as a sample, which expands the perspective of ESG research. At the same time, from the unique perspective of professional services, we should tap into the exclusive path of ESG, enabling enterprises to gain competitive advantage, which is in line with the characteristics of the industry. A universal analysis framework is constructed to provide a method reference for similar follow-up research and enhance the application value of the research results.

2. ESG Theory and Industry Characteristics of Accounting Firms

2.1 ESG Connotation Analysis

Detailed analysis of the coverage of the three core elements of environment (E), society (S) and governance (G): environmental aspects include carbon emission management and resource recycling; social aspects include employee rights and interest protection and community participation; and governance involves the board structure and risk management system. This paper reviews the process of the ESG concept from the origin of social responsibility investment to global consensus and emphasizes its strategic significance to the long-term value and competitive advantage of enterprises.

2.2 Industry Characteristics of Accounting Firms are Associated with ESG Performance

As professional service institutions, accounting firms are actively responding to ESG trends (environmental, social and governance) and exploring new service areas on the basis of traditional businesses such as auditing, taxation and consulting. For example, firms provide ESG report audits, strategic planning consulting and other services to help enterprises improve their ESG performance. Moreover, a firm's own operation faces many ESG challenges and opportunities, including energy conservation and emission reduction in office space, a diversified demand for talent, and the optimization of industry self-discipline and governance. These efforts not only contribute to the sustainability of the firm itself but also provide an industry context for understanding the practices of leading institutions such as Ernst & Young.

3. Model Analysis

This study will help to study Ernst & Young in an all-round way with the help of two well-known management analysis tools, PESTEL and SWOT. PESTEL provides comprehensive insight for enterprises at the macro level, covering six dimensions— politics, economy, society, technology, environment and law— and accurately maps the current complex and changeable external environment. For Ernst & Young, using PESTEL, Ernst & Young can forward-looking control the macro trend and enhance strategic adaptability. SWOT focuses on the internal and external interactions of enterprises and decomposes Ernst & Young's own characteristics and external environment into advantages, disadvantages, opportunities and threats. With the help of SWOT, Ernst & Young can know itself and the other, optimize its strategic layout and enhance its competitiveness. This study will cooperate with the PESTEL and SWOT analysis tools to tap the potential of Ernst & Young and provide strong support for its formulation of a sustainable development strategy.

3.1 PESTEL Analysis

3.1.1 Political Factors

Governments around the world continue to pay more attention to ESG-related policies and have issued regulations and policies to encourage enterprises to practice ESG concepts. From the perspective of international policy, the European Union's sustainable development reporting directive and its supporting standards, which will take effect in 2024, require nearly 49000 large enterprises to disclose detailed ESG information. Ernst & Young actively responded by providing guidance on the declaration of the carbon border adjustment mechanism (CBAM) for Chinese enterprises in high-carbon-emission industries exported to the European Union to help them avoid fines for declaration errors. The United States plans to issue climate information disclosure rules in 2024, and Ernst & Young used its global network to help multinational companies integrate climate data and help them build a disclosure framework in advance to cope with the new SEC rules. In China, the draft of the guidelines for the sustainable disclosure of enterprises issued by the Ministry of Finance in 2024 has led to a significant increase in the issuance of ESG reports by A-share listed companies. Li Jing, head of ESG at Ernst & Young Greater China, said that 2024 was 40% higher than the same period in 2023. Ernst & Young helped a new energy company optimize its carbon emission accounting model to reduce its reporting cost by 30%. Ernst & Young's management system for a number of listed companies has also been recognized by the market.

Faced with policy changes, as a well-known accounting firm, Ernst & Young has actively changed internally, relying on its global network and professional team to quickly respond to local policy changes, provide ESG services that meet local requirements, and help customers cope with policy risks, thus gaining an advantage in the ESG consulting market. For example, Ernst & Young set up an ESG Management Committee and an interdisciplinary professional team, invested more than \$50 million in ESG technology research and development in 2023, launched the “Ernst & Young ESG palm carbon calculator”, and the number of users exceeded 100000 during the service trade fair in the same year. In 2024, its ESG consulting business revenue increased by 28% year-over-year, accounting for 18% of global consulting revenue, indicating the effectiveness of policy-driven business development. However, the complex international political environment, such as trade frictions and geopolitical conflicts, may affect Ernst & Young's business expansion and operational stability in some regions and may also bring uncertainty to the implementation of customers' ESG strategy, thus affecting Ernst & Young's related business.

3.1.2 Economic Factors

At present, economic development and investors' enthusiasm for sustainable investment have prompted enterprises to pay more attention to ESG practices. According to Ernst & Young's 2024 survey, 97% of investment institutions give priority to ESG reports in decision-making, much higher than 52% in 2015, opening a broad market for Ernst & Young to help companies formulate strategies, evaluate performance and generate consulting revenue.

In the field of green finance, under the CBAM policy of the European Union, Ernst & Young helped Chinese steel enterprises optimize carbon accounting, reduce compliance costs by 30%, and promoted enterprises to enhance international competitiveness. In 2024, the new regulations of China's Ministry of Finance led to a 40% increase in the number of A-share ESG reports, and Ernst & Young assisted more than 500 enterprises in achieving tax relief. In the process of industry transformation, the mining and energy sectors are more risky, and Ernst & Young has helped Chilean copper mines defuse the crisis of community environmental protests. In terms of digitalization, research in 2021 shows that 52% of PE Institutions attach importance to this field, Ernst & Young has invested more than \$50 million in research and development in 2023, and the number of “palm carbon calculator” users has exceeded 100000. Moreover, Ernst & Young's own practice in ESG has also achieved remarkable results. In the fiscal year 2024, the amount of green office emission reduction was 82.15 tons, with a cumulative emission reduction of 391.39 tons in five years. Compared with the practices of some enterprises in Hong Kong, Ernst & Young's “all-in” strategy increased the proportion of ESG revenue to 18% in 2024.

However, economic volatility will also affect Ernst & Young's business, and in a downturn, companies may cut spending, including ESG consulting budgets, which will slow the growth of Ernst & Young's ESG

business. In addition, due to the different levels of economic development in various countries and regions, the demand for ESG services and the ability to pay are also different, and Ernst & Young needs to allocate resources reasonably in market expansion. In short, Ernst & Young accurately grasped the impact of economic factors and led the development of the ESG business.

3.1.3 Social Factors

With increasing market expectations for corporate social responsibility and sustainable development, consumers pay more attention to environmental protection and sustainability when choosing products and services and are more inclined to support enterprises with excellent ESG performance. This change in social attitudes has prompted enterprises to more actively promote ESG work to maintain their brand image and reputation.

Ernst & Young relies on its expertise to help companies develop ESG strategies covering employee welfare improvement and social relations improvement to meet social expectations. By 2022, Ernst & Young had assisted enterprises in issuing green bonds and other certification scales totaling 461.6 billion yuan and launched digital tools such as the 3060 carbon management system version 2.0 to improve the efficiency of customer ESG management. In addition, the growth of social demand for ESG talent provides Ernst & Young with opportunities to attract and retain professionals, which helps to build a stronger ESG service team. In 2023, related positions increased by 64.46% year-over-year, with an average annual salary of 314900 yuan. Moreover, Ernst & Young strengthened the attraction of talent through measures such as the Female Leadership Project (52% of female leaders) and the Ernst & Young ripple public welfare plan (serving 4.53 million people). However, owing to differences in social culture and understanding of ESG, Ernst & Young need to take these factors into account when providing services to ensure their effectiveness and adaptability.

3.1.4 Technical Factors

The rapid development of science and technology has brought new opportunities and tools for ESG practices and services. For example, big data, artificial intelligence and block chain technology enable Ernst & Young to collect and analyse ESG data more efficiently and improve the accuracy and reliability of reports. Through big data analysis, Ernst & Young can dig deep into ESG performance data, identify potential improvement areas, and provide more targeted suggestions. Blockchain technology ensures the authenticity and tamperability of ESG data and enhances the trust of stakeholders in this information. In addition, the application of new technologies promotes Ernst & Young's innovation in service mode and products, improves service quality and efficiency, and meets customers' needs for digital and intelligent ESG services. However, rapid technology updates require Ernst & Young to continue investing resources in technology R&D and personnel training; otherwise, they may face the problem of technological backwardness.

3.1.5 Environmental Factors

Increasingly serious environmental issues, such as climate change and resource shortages, have made environmental issues the focus of global attention. Enterprises face great pressure from regulators, investors and the public and need to take effective environmental management measures. Ernst and Young's ESG services in the field of the environment have broad market prospects, which can help enterprises conduct carbon footprint accounting, formulate energy conservation and emission reduction targets and plans, and implement green supply chain management. For example, in 2023, version 2.0 of the 3060 carbon management system developed by Ernst & Young helped manufacturing customers save 12% of water, highlighting their technology-driven environmental service capabilities. In the fiscal year 2024, Ernst & Young reduced carbon emissions by 850 tons through travel platform optimization, and its 11 offices obtained LEED green certification and completed carbon inventory and decarbonization planning for an e-commerce enterprise. In the field of the green supply chain, Ernst & Young's digital tools help new energy automobile companies design a global low-carbon supply chain system while supporting precise carbon accounting through local LCA databases. In the face of EU carbon tariffs, Ernst & Young suggest that enterprises respond through technological innovation and supply chain optimization and assist a fund company in completing environmental due diligence. However, the complexity and urgency of

environmental issues put forward higher requirements for Ernst & Young's professional ability to continuously track the latest research results and policy changes in Environmental Science and provide cutting-edge services.

3.1.6 Law Factors

An increasing number of countries and regions have introduced ESG-related laws and regulations to regulate the behavior of enterprises in terms of the environment, society and governance. Ernst & Young relies on its professional legal compliance team to help companies understand and comply with these regulations to avoid legal risks. For example, the European Union's CBAM regulations require enterprises to provide carbon data for the whole industry chain, and Ernst & Young help some steel enterprises optimize their carbon footprint accounting to avoid fines due to HS coding errors. In 2024, Ernst & Young helped more than 50 companies understand ISSB guidelines through ESG workshops and adjusted the disclosure framework for multinational customers to meet CSRD requirements. In addition, Ernst and Young's green tax guidelines cover policies in 66 countries to help enterprises take advantage of China's energy and water conservation project relief policies. However, if Ernst & Young deviates from its understanding and application of laws and regulations in its services, customers may face legal risks, thus damaging Ernst & Young's reputation and business. For example, Ernst & Young was punished for audit compliance issues in 2024, highlighting the reputational risks posed by deviations in legal understanding. Therefore, Ernst & Young should continue to improve the accuracy of compliance services by establishing cross-functional departments and applying digital tools.

3.2 SWOT Analysis

3.2.1 Strengths

As a world-renowned accounting firm, Ernst & Young enjoys a high degree of brand awareness and good reputation. In the field of ESG, its brand image provides a trust endorsement for customers and attracts many enterprises to choose Ernst & Young's ESG services. Ernst & Young's brand edge sets it apart from many large multinational companies that favour brand influence when choosing ESG consulting partners. In addition, Ernst & Young has an interdisciplinary professional team covering accounting, auditing, environmental science, sociology, law and other disciplines. These professionals have extensive ESG knowledge and experience and can provide comprehensive and in-depth services. For example, accounting experts ensure the accuracy of financial data and ESG indicators in the preparation of corporate ESG reports, whereas environmental science experts scientifically assess corporate environmental performance. Ernst & Young has many branches around the world, extensive business networks and rich resources, so that it can quickly grasp the ESG dynamics and market needs of various countries and provide multinational enterprises with ESG services with unified standards that are in line with local realities. Through global resource sharing, Ernst & Young integrate best practices everywhere to provide customers with innovative and adaptable solutions.

3.2.2 However, Weaknesses

Although Ernst & Young is actively expanding its ESG business, traditional audit and tax businesses still account for a large proportion, which may lead to uneven allocation of resources and relatively insufficient investment in ESG business. In the process of shifting from traditional business to ESG business, we may encounter challenges in internal management and business process adjustment, such as how to effectively combine ESG services with existing business and how to establish a performance evaluation system suitable for ESG business development. In addition, the ESG consulting service market is highly competitive; in addition to the four major international firms, there are many professional ESG consulting companies. Some small consulting firms may provide services at lower prices, whereas Ernst & Young may be at a disadvantage in the price-sensitive customer market because factors such as brand costs and professional compensation affect further growth in market share.

3.2.3 Opportunities

As mentioned earlier, global attention to ESGs continues to increase, and the demand for ESG services by enterprises has risen sharply. To meet regulatory requirements and investor expectations, both large enterprises and SMEs, which aim to increase competitiveness, are actively looking for professional ESG services. This provides a broad development space for Ernst & Young, which can achieve the rapid growth of ESG business by expanding its business areas and customer base. With the progress of digital technology, the integration trend of ESGs and new technology is becoming increasingly obvious. Ernst & Young can seize this opportunity to use innovative technologies such as big data and artificial intelligence to improve the ESG service mode and launch new ESG service products. For example, ESG risk assessment software, which is based on artificial intelligence, was developed to provide customers with real-time and accurate ESG risk monitoring and early warning services to further increase market competitiveness.

3.2.4 Threats

In addition to competition from other large accounting firms, emerging ESG consulting firms are also emerging. These companies often have flexible business models and innovative service concepts, can quickly respond to market changes, and pose challenges to Ernst & Young in certain segments. Small companies that focus on carbon accounting and sustainable energy consulting, for example, may attract Ernst & Young's customers through in-depth research and technical expertise in specific areas. In addition, ESG-related regulations and policies are constantly developing and improving, and their changes are uncertain. If Ernst and Young fail to grasp the trend of regulations and policies in a timely and accurate manner, it may lead to the provision of services that do not meet the latest requirements, which may affect customer relations and corporate reputation. Moreover, frequent changes in regulations and policies have increased Ernst & Young's business risks and operating costs, and service contents and processes need to be constantly adjusted to meet new requirements.

4. Practices in the ESG Field

4.1 Environment (E) Aspects

Ernst & Young significantly reduced carbon emissions in fiscal year 2024 by adopting direct drinking water systems to reduce the use of bottled water, encouraging rail travel to replace short-distance air travel, and introducing didi enterprises. In addition, Ernst & Young prioritized LEED-certified buildings in selecting and upgrading office locations, designed office spaces to make full use of natural light, and supported flexible office spaces to improve space utilization. At present, 11 offices of Ernst & Young in Greater China have obtained LEED green office certification, of which the Beijing office has obtained platinum certification.

4.2 Social (S) Aspects

In the fiscal year of 2024, Ernst & Young's public welfare projects covered Shanghai, Guangzhou, Yunnan, Hong Kong, Taiwan and other regions, with a total of 8133 employees participating, contributing 19579 hours of professional volunteer service, benefiting more than 45 million people, and fully demonstrating the corporate sense of social responsibility. In addition, Ernst and Young are committed to workplace diversity and oppose gender and racial discrimination. The data show that 65% of Chinese employees and 52% of female leaders are female and have been awarded the honour of "Forbes China's best ESG practice employer in 2024".

4.3 Governance (G) Aspects

Ernst & Young strengthened organizational building, established 23 Party organizations in Greater China with 2263 party members, enhanced cohesion and execution within the company, and promoted the deep integration of Party building and corporate governance. In addition, Ernst & Young independently developed the ESG management system, becoming the first company in the industry to use the system to automatically generate ESG reports, which improved the efficiency, accuracy and standardization of data analysis and

report preparation. The report follows the latest international and domestic sustainable development standards, ensures its authority and standardization, and is displayed electronically and visually to improve transparency and interaction.

5. Ernst & Young ESG Practices to Shape Their Competitive Advantage Mechanism

5.1 Enhancing Brand Image and Reputation

Ernst & Young demonstrated its responsibility for environmental protection by implementing several environmental protection measures, such as using direct drinking water instead of bottled water, encouraging green travel and choosing LEED-certified buildings for office, and conveying positive environmental information to the public to establish a green brand image. In addition, Ernst & Young held offline seminars to explain sustainable development standards, issued “read ESG in one book” and other materials, actively promoted ESG concepts, demonstrated its leadership in the industry, and enhanced the brand's popularity and reputation in the ESG field, thus promoting the sustainable development of the industry.

5.2 Enhancing Customer Attraction and Cooperation Opportunities

Ernst & Young integrates its various superior resources, provides customized ESG services according to the specific needs of customers in different industries, meets diversified needs, helps customers explore sustainable development goals, attracts more customers with ESG needs, and expands its business scope. In addition, Ernst & Young has helped customers improve ESG performance, enhance their climate risk response ability and ESG governance level, and make customers more advantaged in market competition by developing an ESG intelligent management system and digital tools such as Ernst & Young capes, thus strengthening cooperative relationships with customers.

5.3 Attract and Retain Talent

Ernst and young people actively practice the concept of ESG, take measures related to environmental and social aspects that are highly consistent with the values of many talents, and attract many outstanding talents who pay attention to ESG and pursue social value through value resonance. Ernst & Young, for example, hosts the ESG Undergraduate Innovation Challenge and related research events to attract like-minded professionals. Moreover, through cooperation with educational institutions, we will continue to cultivate reserve forces and inject new vitality into the company. In addition, Ernst & Young attach great importance to employee development and diversification, with women accounting for 65% of employees in Greater China, 52% of whom are women in leadership. These social practices create a fair and inclusive working environment, promote the healthy development of the job market, reflect the social responsibility of enterprises, help improve employee satisfaction and loyalty, and reduce the brain drain rate.

5.4 Optimize Risk Management and Compliance

Ernst & Young has reduced potential risks due to changes in environmental regulations and climate change by reducing carbon emissions and other environmental measures to ensure the stability of business operations. In terms of governance, Ernst & Young continued to strengthen the ESG governance structure and improve the level of information disclosure. This enhances the transparency and responsibility awareness of enterprises, reduces legal and compliance risks, prevents losses caused by violations, and ensures the stable development of enterprises.

5.5 Obtaining Investment and Financing Advantages

With the increasing attention of investors to ESG factors, Ernst & Young's excellent ESG performance makes it more attractive in the capital market, can attract more sustainable investment concerns, and can provide more financial support for the development of enterprises. Moreover, good ESG practices help enhance Ernst & Young's credit rating and market reputation and enable financial institutions to provide

more favourable conditions in risk assessment to obtain more favourable interest rates and financing terms in the financing process, reduce financing costs and enhance the financial competitiveness of enterprises.

6. Enlights and References

6.1 Strategic Level: ESG Leads Long-term Development

Enterprises should incorporate ESG into their core strategy, be promoted by senior management, and formulate ESG objectives and action plans in combination with industry pain points and their own advantages. For example, Tesla focuses on sustainable energy, aiming at the carbon emissions of traditional fuel vehicles, and uses its battery technology advantages to enter the electric vehicle market. In the past five years, the annual compound growth rate of global sales has exceeded 30%, and the stock price has risen by more than 200%. Drawing on Ernst and Young's experience, enterprises need to keep up with the global ESG trend, flexibly adjust their strategies, seize opportunities in emerging areas, and achieve sustainable growth.

6.2 Operation Level: Comprehensive Implementation of ESG

In terms of environmental protection, with respect to the achievements of energy conservation and emission reduction by Ernst & Young in the fiscal year of 2024, energy conservation projects are implemented according to their own energy consumption and emission characteristics, and green operations are actively adhered to. For example, Unilever's "green factory" plan has reduced energy consumption per unit output by 15% and increased waste recycling to 60%, not only reducing operating costs but also increasing market share by 8%, successfully establishing a good green image. In terms of social responsibility, we should attach importance to employee rights and interest protection and community feedback, organize employee skills training and sponsor local public welfare activities. For example, Google values employee rights, has an internal promotion rate of 30%, employee satisfaction of more than 85%, and sponsors more than 50 public welfare activities. At the governance level, a perfect ESG governance structure has been established to strengthen professional guidance. Taking Microsoft as an example, an independent ESG Committee has been established to focus on core issues, optimize processes, disclose information in detail, ensure the effective implementation of the ESG strategy, and escort the stable development of enterprises.

6.3 Technical Level: Through ESG Digitization

Enterprises increase their digital investment, introduce or independently develop an ESG management system, and realize the intellectualization and automation of data collection, analysis and report compilation. For example, the Schneider Electric Eco Struxure system monitors factory energy consumption in real time, saves energy by 12%, reduces operation and maintenance costs by 20%, and automatically generates compliance reports to assist decision-making to comprehensively improve the operational efficiency of enterprises.

6.4 Foreign Cooperation Level: Expand ESG and Influence

SMEs can learn from Ernst and Young's customer experience and enhance their capabilities through external forces such as cooperation with professional institutions. After cooperation, some SMEs optimize the procurement process, reduce carbon emissions by approximately 25%, ensure compliance disclosure through audits, obtain green credit from banks, and reduce financing costs by 3 percentage points. Large companies can follow Ernst and Young's lead in standard setting and knowledge dissemination. For example, Hua Wei participates in the formulation of 5G green communication standards, drives the upstream and downstream of the industrial chain to improve the ESG level and promote the development of the industry. In addition, we should actively participate in offline seminars, share ESG practical experience, enhance overall competitiveness and jointly create a sustainable business ecosystem.

7. Conclusions and Prospects

7.1 Research Conclusions and Prospects

In the global context, this study deeply discusses how ESGs can help enterprises enhance their competitive advantage and takes Ernst & Young accounting firms as an example for a comprehensive analysis. On the environmental front, Ernst & Young has actively responded to the green initiative by reducing costs and expanding its business through energy-saving office equipment. At the social level, Ernst & Young attach importance to employee welfare and social welfare, establish a training system, actively participate in assistance activities, establish a good image and win a reputation. In terms of governance, Ernst & Young's structure is rigorous and transparent, effectively controlling risks, enhancing confidence and reaping returns. In summary, ESG practices enable Ernst & Young to achieve synergy and win-win results in economic, social and environmental benefits, comprehensively strengthening competitive barriers. However, ESGs still face many challenges, such as inconsistent rating standards, which make it difficult for enterprises to benchmark and investors confused. SMEs are limited by factors such as capital, technology and talent, and implementing an ESG strategy is difficult. However, in the future, with the concept of sustainable development deeply rooted in the hearts of the people, ESG will eventually become the mainstream development model of enterprises. Ernst & Young and other pioneers need to continue innovating, use new technologies to improve environmental management, expand the scope of public welfare, optimize governance, and establish industry benchmarks. Industry associations and regulators should unify rating standards to help SMEs transform. Academia needs to study the quantitative relationship between ESG performance and corporate performance in depth to provide a theoretical basis for decision-making. All parties should work together to encourage enterprises to achieve high-quality and sustainable development, reshape their business patterns, and realize the harmonious coexistence of economic prosperity, ecological balance and social welfare.

References

- Li, L., & Wang, H. (2024). The influence of green transformation on ESG management and sustainable competitive advantage: an empirical comparison of companies in the Pearl River Delta and Yangtze River Delta. *Sustainability*, 16(18), Article 7911.
- Marques Peralta, L., Fava Neves, M., Franco Martinez, L., & Ruhnke Valério, F. (2024). The competitive advantages of implementing an ESG agenda. *RAIMED: Revista de Administração IMED*, 14(1), 44.
- Mi, Y. (2024). ESG performance and enterprise competitive advantage construction: A case study of Walmart. *Journal of Applied Economics and Policy Studies*, 11, 55-61.
- Mohammad, W. M. W., & Wasiuzzaman, S. (2021). Environmental, social and governance (ESG) disclosure, competitive advantage and performance of firms in Malaysia. *Cleaner Environmental Systems*, 2, Article 100015.
- Reichert, P. (2023). *Identifying a positive relationship between the environmental, social, and governance (ESG) rating and a cost-based competitive advantage in publicly traded firms* (Publication Number 30992245) [Doctoral dissertation, University of the Cumberland]. ProQuest.
- Taliento, M., Favino, C., & Netti, A. (2019). Impact of environmental, social, and governance information on economic performance: Evidence of a corporate 'sustainability advantage' from Europe. *Sustainability*, 11(6), Article 1738.
- Wan Mohammad, W. M., Zaini, R., & Md Kassim, A. A. (2023). Women on boards, firms' competitive advantage and its effect on ESG disclosure in Malaysia. *Social Responsibility Journal*, 19(5), 930-948.
- Xu, S., Li, H., Chen, J., Huo, J., & Kuang, X. (2024). Sustainable competitiveness through ESG performance: An empirical study on corporate resilience. *Journal of Competitiveness*, 16(3), 53-72.

Funding

This research received no external funding.

Conflicts of Interest

The authors declare no conflict of interest.

Acknowledgment

When the final chapter of the paper falls into ink, looking back, I am filled with gratitude. The professional elites at Ernst & Young are key contributors to my research. Thank you for your willingness to sincerely share Ernst & Young's practical experience in the ESG wave and add luster to the paper. I would like to thank my best friends for sitting around and discussing, which inspired new ideas for me. I am more grateful for yourself, face massive amounts of data, overcome difficulties, and gain academic achievements with perseverance and sweat. At this moment, standing at a new starting point and looking forward to the academic road, I will carry this enthusiasm, take dreams as a horse, continue to cultivate in the vast world of ESG, commit myself to contributing to the grand vision of promoting the sustainable development of enterprises, and live up to every expectation and love.

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal. This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).