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Closing the ESG Act Gap through Service-Dominant Logic and Ethical Leadership

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Abstract

This conceptual study examines the systemic failure of ESG initiatives—the ESG Act Gap—where symbolic reporting substitutes for substantive transformation. Employing systematic conceptual synthesis of institutional theory and Service-Dominant Logic (SDL), the analysis identifies paradigmatic misalignment between Goods-Dominant Logic (GDL) and the relational nature of sustainability as the root cause of persistent decoupling. The article introduces the novel Impact Coupling framework as a process mechanism, enabled by leadership reconceptualized as the Ethical Institutional Architect—a leadership agency that aligns ESG commitments, operational practices, and realized socio-environmental value through stakeholder co-creation and co-validation. This framework carries practical implications for boards, investors, and organizational leaders: evaluating leaders' architectural capacity and the robustness of stakeholder feedback loops becomes a prerequisite for substantive ESG, replacing mere compliance auditing. The study proposes that substantive sustainability requires an ontological shift from managing firm outputs to architecting service ecosystems in which substantive impact becomes inherent to value creation. Ultimately, closing the ESG Act Gap depends on leaders' capacity to enact this SDL-based logic, transforming integrity from a reported outcome into the core process of organizing.

Keywords: ESG, Ethical Leadership, Service-Dominant Logic, Sustainability, Value Co-Creation.

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INTRODUCTION

The adoption of Environmental, Social, and Governance (ESG) frameworks has become a global mandate, promoted as a pathway toward responsible and sustainable business (Gillan et al., 2021; Sneideriene & Legenzova, 2025). Yet, despite their rapid institutionalization, ESG initiatives frequently fail to translate formal commitments into substantive organizational change. This persistent gap between policy rhetoric and operational practice has given rise to a pervasive phenomenon of decoupling, in which ESG functions symbolically rather than transformatively. As a result, ESG adoption often devolves into impression management, greenwashing, or ESG-washing, eroding stakeholder trust and undermining the normative aspirations of sustainability (Graafland & Smid, 2019; Sneideriene & Legenzova, 2025). The greenwashing phenomenon has been documented in various cases, such as oil and gas industry sustainability claims unsupported by actual emission reductions, and financial firms marketing green-labeled investment products without substantive green asset portfolios (Sneideriene & Legenzova, 2025).

Despite extensive scholarship on ESG governance and ethical leadership, a coherent theoretical explanation is lacking for why ESG so often collapses into symbolic compliance—even within organizations boasting formal commitments, sophisticated metrics, and external oversight (Wang et al., 2025). Dominant explanations emphasize regulatory strength, incentive alignment, and governance mechanisms, framing ESG primarily as a tool for risk management and capital market discipline (Gillan et al., 2021). While illuminating proximate drivers, these perspectives leave the fundamental assumptions of value creation unexamined—assumptions that are central to understanding ESG's structural vulnerability to symbolic adoption (Asif & Searcy, 2026). Institutional theory further demonstrates that organizational responses to legitimacy pressures often result in decoupling, whereby formal structures are adopted symbolically without substantive change (Bromley & Powell, 2012; Scott, 2008).

This article argues the persistence of ESG decoupling reflects not merely implementation failure, but a paradigmatic misalignment between goods-dominant conceptions of value and the ethical and relational aspirations embedded in ESG. This paradigmatic difference specifically affects ESG practices in the following ways: within GDL framing, ESG is treated as a measurable, reportable, exchangeable commodity—a logic that structurally drives organizations to optimize reporting rather than transform operations. Conversely, within SDL framing, ESG is understood as a relational process emerging from interactions among multiple ecosystem actors (Vargo & Lusch, 2016). This difference is not merely theoretical but has direct practical implications: GDL encourages the creation of easily manipulable metrics, while SDL demands authentic stakeholder engagement and participatory co-validation of impact. Service-Dominant Logic explicitly addresses this misalignment by reconceptualizing value as co-created within service ecosystems (Vargo & Lusch, 2016).

At the core of this misalignment lies the dominance of Goods-Dominant Logic (GDL), which implicitly frames value as a static output produced by firms and subsequently measured, reported, and exchanged. Within this logic, ESG is easily reduced to a reporting commodity—an object of disclosure rather than a lived process of ethical and sustainable value creation (Parfitt, 2024). Such an ontological framing reinforces transactional leadership roles and legitimizes symbolic conformity, thereby structurally enabling decoupling.

To escape this conceptual trap, a paradigmatic shift toward Service-Dominant Logic (SDL) is required. SDL reconceptualizes value as a dynamic, phenomenological outcome of co-creation among multiple actors within service ecosystems (Vargo & Lusch, 2016). From this perspective, ESG cannot be meaningfully realized through static metrics alone, but must be enacted through relational, institutional, and ethical processes that unfold over time.

Importantly, the dominance of GDL and its effects on ESG practices are not uniform across organizational contexts. Decoupling is most pronounced in highly financialized, capital-market-oriented environments subject to intense short-term performance pressures, where ESG is instrumentalized for legitimacy and reputation management. Conversely, organizations characterized by long-term orientations, localized ownership structures, or strong community embeddedness tend to offer a more conducive institutional space for substantively adopting SDL principles. These variations underscore that ESG failure is not merely a technical or regulatory shortfall, but a deeply institutional and paradigmatic condition.

To analytically distinguish the underlying assumptions of Goods-Dominant Logic and Service-Dominant Logic in the context of ESG, Table 1 offers a heuristic comparison across selected conceptual dimensions. The table is not intended as an exhaustive classification, but as an analytical device to illuminate the paradigmatic implications of each logic for leadership and value creation.

Table 1. Paradigmatic Contrasts Between Goods-Dominant Logic and Service-Dominant Logic in ESG

Dimension	**GDL (Goods-Dominant Logic) Approach to ESG**	**SDL (Service-Dominant Logic) Approach to ESG**
Core Logic	Value is Embedded in Outputs (static, company-created)	Value is Co-Created in Process (dynamic, interactive)
Primary Focus	Reporting & Disclosure (external legitimacy)	Relationships & Interactions (systemic engagement)
Leadership Role	Information Controller	Ecosystem Architect & Facilitator
Ultimate Goal	Compliance & Reputation Management (symbolic)	Substantive Systemic Transformation (operational)
Role of Stakeholder	Passive recipients of information	Co-creators & co-validators of value
Nature of Accountability	Vertical (to regulators/investors)	Horizontal (to stakeholder ecosystem)

Source: Authors (2026)

This paradigmatic shift demands a fundamental reconfiguration of leadership. Under SDL, leadership moves from hierarchical decision-making and information control toward the architectural work of ecosystem facilitation—designing the institutional conditions that enable ethical and sustainable value co-creation across stakeholders. Leadership thus becomes an architectural function, shaping the norms, practices, and relationships through which ESG commitments are enacted (Suyoko et al., 2026).

Against this backdrop, this article advances a conceptual-synthetic framework integrating ESG, ethical leadership, and Service-Dominant Logic. It makes both theoretical and practical contributions. Theoretical contributions: first, it reconceptualizes ethical leadership as the architectural work of designing ethical institutions within service ecosystems; second, it introduces the novel concept of impact coupling as a core theoretical mechanism; third, it provides a testable proposition for future empirical research. Practical contributions: it provides a framework for boards and investors to evaluate architectural leadership capacity, and guidance for organizational leaders in designing participatory and equitable stakeholder interaction platforms. The mechanism explains how leadership can structurally align ESG commitments, operational practices, and realized socio-environmental outcomes, thereby providing a critical bridge from theory to actionable organizational design (Ughakpoteni & Meidell, 2026). Unlike symbolic compliance, impact coupling emerges when leaders actively enable transparency, accountability, and sustainable value co-creation across stakeholders, minimizing the structural potential for greenwashing.

The aim of this article is to analyze the limitations of conventional ESG approaches through the lens of decoupling and to propose a leadership framework grounded in Service-Dominant Logic. By synthesizing ethical leadership and service-based value creation, the article outlines a pathway toward substantive ESG, in which sustainability becomes embedded in the operational DNA of organizations rather than confined to annual reports. Without this paradigmatic reorientation of leadership and value creation, ESG will remain structurally vulnerable to symbolic compliance, irrespective of regulatory sophistication or reporting intensity. This framework thus contributes both to ESG scholarship and to broader theory on ethical, service-oriented leadership.

Based on the foregoing discussion, the research questions addressed are: (1) How does Goods-Dominant Logic structurally enable ESG decoupling? (2) How does Service-Dominant Logic provide an alternative paradigmatic foundation for substantive ESG? (3) How can leadership reconceptualized as the Ethical Institutional Architect and the Impact Coupling mechanism bridge the gap between ESG commitments and actual impact?

METHOD

This study adopts a conceptual research design to examine the ESG Act Gap as a manifestation of paradigmatic misalignment between Goods-Dominant Logic (GDL) and the relational nature of sustainability. Rather than relying on empirical data, it employs systematic conceptual synthesis to integrate four key domains: institutional theory (decoupling), Service-Dominant Logic (SDL), ethical leadership, and ESG governance (Moharrak & Mogaji, 2025).

The analysis follows an abductive process, iterating between observed ESG practices, existing theoretical perspectives, and integrative insights to develop a coherent framework (Wei, 2025). In line with established guidance on conceptual research (MacInnis, 2011), the study aims to generate explanatory and generative theory by resolving the identified misalignment through the constructs of Impact Coupling and the Ethical Institutional Architect.

Philosophical Underpinnings: A Constructivist-Interpretive Stance

This study is grounded in a constructivist-interpretive perspective, which views organizational concepts such as value, leadership, and sustainability as shaped through institutional practices and shared meanings. From this standpoint, the ESG Act Gap is not treated as a technical failure, but as a consequence of how value creation is conceptualized and enacted. This perspective supports the study's aim of reorienting ESG from a goods-dominant to a service-dominant understanding of value creation.

Method: Systematic Conceptual Synthesis

To operationalize the constructivist-interpretive perspective, this study employs systematic conceptual synthesis (Jaakkola, 2020) to integrate relevant theoretical domains into a coherent framework. The process was conducted in three iterative phases, moving from problem exploration to integrative model development.

Phase 1: Problem-Centered Literature Exploration.

A focused, problem-driven search was conducted across four domains central to the ESG Act Gap: institutional theory (decoupling), Service-Dominant Logic (SDL), ethical leadership, and ESG governance. Databases utilized included Scopus, Web of Science, and Google Scholar, with publication coverage spanning 2000–2026. Seminal works (Bromley & Powell, 2012; Vargo & Lusch, 2016) served as theoretical anchor points, from which forward and backward citation chaining was employed to identify conceptually adjacent and generatively relevant contributions.

Phase 2: Critical Analysis and Thematic Extraction.

The literature was analyzed to identify core tensions and gaps, particularly the role of GDL in enabling decoupling, the SDL alternative as a relational foundation, and the evolution of leadership toward architectural agency. The abductive reasoning process was conducted iteratively: beginning with the observation that ESG practices frequently fail to produce substantive impact (the surprising fact), then engaging in back-and-forth movement between decoupling literature, value theory, and leadership scholarship to identify the most plausible explanation. The emerging explanation—that GDL paradigmatically steers organizations toward symbolic compliance—was then conceptually tested against alternative literatures and refined through repeated iterations between the developing framework and theoretical insights (Schembera et al., 2023).

Phase 3: Integrative Framework Development.

The final phase involved abductive reasoning, iterating between the identified problem, the extracted theoretical components, and potential integrative solutions to develop a coherent conceptual model. This process resulted in the core constructs of the Ethical Institutional Architect and the Impact Coupling mechanism, which together explain how a shift from GDL to SDL can enable substantive ESG (Shabbir, 2025).

Scope and Delimitations

This conceptual study develops a mid-range theoretical framework at the intersection of paradigm, institutional logic, and leadership agency. It offers an integrative lens and introduces two core constructs—the Ethical Institutional Architect and Impact Coupling—to guide future empirical research and leadership practice.

The scope of the study is defined by three delimitations:

1. Level of Analysis: The focus is on paradigmatic and institutional levels, examining systemic logics and organizational agency. It does not address specific ESG metrics, regulatory design, or individual psychological traits.
2. Theoretical Purpose: The framework proposes an ideal-type leadership archetype and a process mechanism. It is not a prescriptive model detailing specific behaviors or a step-by-step implementation guide, but a conceptual foundation for generating such prescriptions.
3. Contextual Boundaries: While broadly applicable, the framework is most relevant in contexts with strong external legitimacy pressures and financialized governance

(e.g., large publicly traded firms). Its applicability to other contexts remains open for further refinement and empirical testing.

These delimitations ensure conceptual clarity and maintain the analytical focus of the study. They also identify key directions for future research, particularly in refining and empirically testing the proposed framework.

Evaluation of Conceptual Research: Trustworthiness and Contribution

The validity and scholarly contribution of conceptual research are assessed not by empirical fit, but by internal rigor and generative potential (Corley & Gioia, 2011). In this spirit, the present study is evaluated against three criteria: logical coherence, explanatory power, and generative utility.

1. Logical Coherence: The framework exhibits internal consistency through a clear line of reasoning, moving from the diagnosis of GDL-driven decoupling to the identification of SDL as the appropriate alternative, and culminating in the derivation of the corresponding form of agency (the Ethical Institutional Architect) and mechanism (Impact Coupling).
2. Explanatory Power: The framework advances explanation by moving beyond proximate drivers (e.g., incentives, governance) to identify paradigmatic misalignment as the root cause of ESG failure. This perspective accounts for the persistence of decoupling and greenwashing across diverse contexts.
3. Generative Utility: The framework produces:
   a) Novel, Testable Constructs: The core concepts of *Impact Coupling* and the *Ethical Institutional Architect* are formulated to be operationalized in future empirical research.
   b) A Foundational Proposition: Proposition offers a direct, falsifiable claim for subsequent theoretical and empirical examination.
   c) Actionable Insights: By redefining leadership as architectural work within ecosystems, it provides a new conceptual vocabulary and strategic priorities for practitioners seeking to implement substantive ESG.

In sum, the study offers a coherent, explanatory, and generative framework that advances understanding of the ESG Act Gap and provides a foundation for future research and practice.

RESULT AND DISCUSSION

The conceptual synthesis undertaken in this study highlights a fundamental tension in ESG implementation (Bani-Khaled et al., 2025). The conventional approach typically follows a linear, compliance-driven sequence—from external stakeholder pressure to top-down commitments, siloed reporting, and annual disclosure. This model is inherently prone to institutional decoupling, where formal policy (*talk*) becomes disconnected from daily practice (*action*) and tangible outcome (Bromley & Powell, 2012).

In contrast, this study proposes Impact Coupling as a dynamic alternative: a service-ecosystem process that aligns ESG commitments (*Talk*), operational practices (*Action*), and co-validated socio-environmental value (*Outcome*) through iterative, feed-forward learning. Grounded in Service-Dominant Logic (Vargo & Lusch, 2016), the framework shifts the focus from ceremonial adoption to embedded integrity, where sustainable value is continuously co-created, reflexively validated, and reintegrated into organizational practice.

Diagnosis: The GDL Trap and the Structural Roots of the ESG Act Gap

The systematic conceptual synthesis conducted in this study reveals a foundational insight: the persistent failure of ESG initiatives (the ESG Act Gap) is not merely an implementation problem but a systemic outcome rooted in paradigmatic misalignment. The analysis indicates that the prevailing Goods-Dominant Logic (GDL), which frames value as a static, firm-produced output, structurally enables the decoupling of formal ESG commitments from substantive practice.

To understand why this occurs, it is necessary to connect institutional theory with the underlying logic of value creation. Institutional theory explains decoupling as a strategic response to legitimacy pressures, whereby organizations adopt policies ceremonially without substantive change (Bromley & Powell, 2012). However, this explanation alone is incomplete. GDL provides the underlying conditions that make ESG particularly susceptible to such behavior (Alodat & Dong, 2026). By reducing sustainability to a reportable commodity, GDL triggers three self-reinforcing mechanisms: (1) a measurement bias toward manipulable metrics over relational impact (Sneideriene & Legenzova, 2025); (2) a quest for transactional legitimacy, where reporting is exchanged for market access; and (3) the erosion of internal linkages between policy and operational transformation (Graafland & Smid, 2019). Taken together, these mechanisms shift organizational attention from creating sustainable impact to managing ESG image, embedding decoupling as a predictable condition.

This leads to a broader implication. The paradigmatic contrast introduced earlier (see Table 1) between the logic that creates the problem (GDL) and the logic required for its solution (SDL) is not merely a theoretical distinction, but an analytical lens for explaining this persistent failure. It clarifies how the core assumptions of GDL steer organizations toward symbolic compliance rather than substantive transformation.

In summary, the central finding of this diagnostic phase is that the ESG Act Gap is fundamentally a paradigmatic issue. As long as ESG is framed within a GDL worldview that treats sustainability as a reportable output, it remains structurally vulnerable to ceremonial adoption and greenwashing. This diagnosis points to the next step: resolving the gap requires a reorientation of the underlying logic of value creation.

The Paradigmatic Alternative: Service-Dominant Logic as a Foundational Shift

Given the systemic nature of the problem diagnosed above, the findings of this conceptual synthesis point to the need for a foundational paradigm shift. The analysis suggests that Service-Dominant Logic (SDL) provides the requisite alternative ontology by reconceptualizing value not as a static output, but as a dynamic, co-created process within service ecosystems (Vargo et al., 2015; Vargo & Lusch, 2016). This represents not a minor adjustment but a fundamental shift in how sustainable value is understood and created.

The synthesis indicates that SDL directly addresses the root causes of the GDL trap: where GDL commodifies, SDL relationalizes. In an SDL-informed framework, value is co-created and realized through interactions among multiple actors. Rather than measuring sustainability solely through standardized ESG reports, firms engage stakeholders, communities, and partners in shaping and validating what constitutes meaningful impact in context. Consequently, substantive ESG emerges not as a firm-produced output but as a relational property of the ecosystem itself, transforming sustainability from a discretionary add-on into an inherent characteristic of the value-creation process.

This paradigmatic shift has practical implications for organizational roles and priorities. Returning to Table 1, which was introduced earlier as a heuristic diagnostic of paradigmatic assumptions, the contrast between GDL and SDL now carries operational significance: the evolution in leadership role from information controller to ecosystem facilitator, and in ultimate goal from compliance to substantive transformation, represent not merely analytical distinctions but the organizational reconfigurations that SDL demands in practice.

Rather than limiting co-creation to external stakeholders, SDL extends to the firm's internal ecosystem. An organization may create structured forums in which employees at different levels actively participate in defining what ESG means in the context of their work. A procurement officer contributes knowledge of supplier relationships, a factory worker surfaces insights about resource use, and a finance analyst integrates cost and impact considerations. Each actor brings distinct operant resources, including knowledge, experience, and judgment, into a shared process of meaning-making, from which an ESG culture organically emerges.

The culture that emerges from this process is not a compliance artifact imposed through top-down policy, but a relational property of the organization, continuously shaped and validated through interaction. When ESG values are internalized through participation rather than imposed as external rules, sustainability ceases to be a boundary condition imposed upon the organization from outside and becomes a generative force within the organization. SDL, in this sense, does not merely restructure how organizations engage their external ecosystems; it reconfigures the internal conditions from which authentic engagement becomes possible. Consequently, sustained decoupling becomes structurally more demanding, as misalignment would have to persist across multiple actors' lived experiences rather than being confined to formal reporting.

The core implication of this analysis is that SDL does not merely offer a new tool for managing ESG; it provides the foundation for a form of ESG that is inherently more resistant to decoupling by embedding impact within the value-creation process itself. Escaping the GDL trap therefore depends on adopting this SDL foundation. Yet a paradigm alone is insufficient; it must be enacted through an appropriate form of agency capable of sustaining SDL principles in complex contexts, which the next section develops.

Synthesis: Introducing the Impact Coupling Framework

The central outcome of this conceptual synthesis is the development of the Impact Coupling framework, which integrates the diagnosed problem of GDL-driven decoupling with the SDL-based solution into a coherent explanatory mechanism.

1. **Agency Component:** Enacting the SDL paradigm within ecosystems still dominated by GDL pressures requires a redefined form of leadership. The literature traces an evolution from the ethical leader as a moral agent to a designer of processes; this study advances that trajectory by proposing the construct of the

Ethical Institutional Architect. This leadership archetype is reconceptualized not as a managerial controller within a hierarchy, but as a catalyst of institutional work within a service ecosystem (Lawrence & Suddaby, 2006). Its primary function is the deliberate design, disruption, and maintenance of institutional conditions (rules, norms, interaction platforms, and governance structures) that enable ethical value co-creation. This represents a fundamental shift from managing firm outputs to enabling ecosystem potential, with success assessed not by producing specific ESG metrics but by the quality of the enabling conditions for stakeholder dialogue, resource integration, and collaborative action.

2. **Process Mechanism:** The synthesis further proposes Impact Coupling as the core mechanism through which the Architect's work yields substantive ESG. Impact Coupling is defined as a dynamic process that aligns ESG commitments (Talk), operational practices (Action), and realized socio-environmental value (Outcome) within a service ecosystem (Vargo & Lusch, 2016). Under SDL, this alignment is not a post-hoc reconciliation but a performative cycle of service exchange and feed-forward learning, as visualized in Figure 1. This moves beyond mere ceremonial adoption (Bromley & Powell, 2012) toward a constitutive logic where integrity is embedded in the process of organizing itself. The mechanism operates through a self-reinforcing, iterative loop:
   a) Talk (Co-Creative Service): Commitments are formulated not as top-down mandates but as proposals for co-creation, continuously shaped through structured stakeholder dialogue. ESG reporting becomes a live artifact of this ongoing negotiation of value.
   b) Action (Collaborative Projects): Implementation is decentralized; guided by the Architect, the firm provides a dynamic institutional framework—adaptive platforms, governance arrangements, and interaction formats—that enables ecosystem actors to engage in collaborative projects, making action the enactment of shared logic.
   c) Outcome (Co-Validated Value): Impact is not a unilaterally calculated metric but a phenomenological experience verified by the stakeholders who live its effects. This decentralized co-validation embeds accountability into the process, making greenwashing structurally apparent and unsustainable.
   d) The Feed-Forward Loop: The co-validated outcome functions not merely as feedback, but as an input that directly shapes the next iteration of Talk and Action. This feed-forward dynamic keeps the system adaptive, learning-driven, and continuously aligned.

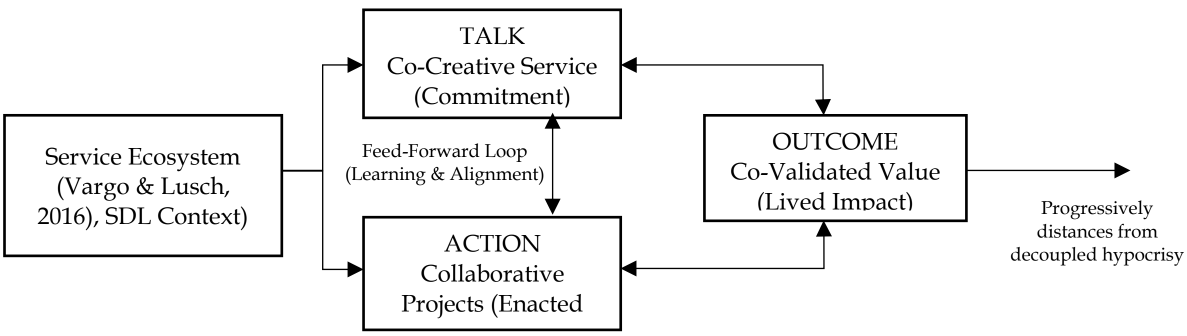

Figure 1: Impact Coupling Loop in an SDL-Based Service Ecosystem: Conceptual Model

The figure illustrates the Impact Coupling loop within an SDL-based service ecosystem, showing how Talk, Action, and Outcome are continuously aligned through iterative feed-forward learning. This dynamic process progressively reinforces alignment between commitments, practices, and stakeholder-validated value. This learning-driven alignment progressively distances the organization from decoupled hypocrisy toward embedded ESG integrity.

Taken together, the Impact Coupling framework integrates the agency of the Ethical Institutional Architect with the process of the Impact Coupling loop to explain how SDL can be operatively enacted. It demonstrates how substantive ESG emerges when commitments, practices, and outcomes are structurally aligned through ecosystem-based co-creation. Based on this framework, the following proposition is advanced for future empirical testing: organizations in which leadership enacts the Ethical Institutional Architect role will demonstrate higher degrees of Impact Coupling, reflected in greater alignment between ESG commitments, operational practices, and co-validated outcomes, with the robustness of stakeholder feedback loops serving as the critical enabling condition for this alignment. This proposition is advanced as a generative claim intended to anchor future empirical investigation of the framework's core mechanism.

Implications, Boundary Conditions, and the Architect's Double Bind

The proposed Impact Coupling framework carries significant theoretical and practical implications. Theoretically, it shifts the locus of sustainable value from firm-centric production to ecosystemic co-creation and redefines leadership success from output control to institutional enablement. Practically, it suggests that boards and investors should evaluate leaders not only on financial results but also on their ecosystem-design capabilities and the robustness of stakeholder feedback loops, providing a conceptual blueprint for moving ESG from a peripheral compliance function to the core of strategic value creation.

However, to translate this framework into organizational practice, several concrete steps are necessary. First, organizations should conduct a diagnostic audit of their current ESG logic—identifying whether existing metrics and reporting practices primarily serve compliance or genuinely inform operational transformation. Second, leaders must establish structured stakeholder forums that move beyond token consultation to genuine co-creation, ensuring that affected communities and internal actors have meaningful influence over ESG strategy. Third, organizations should develop indicators of coupling effectiveness, such as the frequency and quality of stakeholder feedback integration, the proportion of ESG metrics that are co-validated externally, and the alignment between reported commitments and operational changes visible to stakeholders. Fourth, performance evaluation systems should be redesigned to reward architectural capacity—the ability to design, maintain, and adapt interaction platforms and governance structures—rather than merely compliance with reporting standards.

In comparing the Impact Coupling framework with existing ESG frameworks such as GRI (Global Reporting Initiative), SASB (Sustainability Accounting Standards Board), and TCFD (Task Force on Climate-related Financial Disclosures), several distinctions emerge. GRI, SASB, and TCFD primarily operate within a GDL logic: they provide standardized metrics and disclosure protocols that, while valuable for transparency, do not inherently address the relational and co-creative dimensions of sustainability. These frameworks focus on what firms should report, not on how they should engage stakeholders in shaping and validating impact. The Impact Coupling framework complements these existing standards by providing the relational and institutional infrastructure through which reporting becomes substantively meaningful. Rather than replacing GRI or SASB, Impact Coupling offers a process logic that ensures reported metrics emerge from and are continuously validated by genuine stakeholder interaction, thereby reducing the structural potential for greenwashing.

The framework also anticipates potential resistance to SDL-based ESG implementation. Resistance may arise from multiple sources: managers accustomed to hierarchical control may perceive participatory processes as threatening; financial departments may resist moving beyond easily quantifiable metrics; and investors conditioned to standardized disclosures may be skeptical of more contextual, stakeholder-validated impact assessments. Overcoming this resistance requires the Ethical Institutional Architect to engage in strategic institutional work: (1) demonstrating early wins through pilot projects that show participatory approaches yield more robust and credible ESG outcomes; (2) translating SDL logic into the language of risk management and long-term value creation familiar to financial stakeholders; (3) building coalitions with progressive investors and regulators who support more substantive sustainability approaches; and (4) gradually redesigning internal incentive systems to reward ecosystem-enabling behaviors rather than mere reporting compliance.

Yet, as an ideal-type model derived from a paradigmatic logic, its application is subject to critical boundary conditions that define its domain and challenge.

Power asymmetry constitutes a primary boundary condition. The model presupposes stakeholders' capacity to act as co-validators of ESG outcomes, yet marginalized groups—local communities, small-scale suppliers, or individual consumers—often lack the leverage, resources, or safe channels to provide honest feedback or contest a powerful organization's narrative. Without explicit intervention, participatory processes risk reproducing the very inequities the framework seeks to transcend. The Ethical Institutional Architect must therefore design interaction platforms not as neutral channels but as politically-engaged structures that actively counteract power imbalances, ensuring equitable voice, accessible redress, and protected dissent. This expands the Architect's role from facilitation to actively redistributive design, a necessary precondition for Impact Coupling to avoid becoming another form of ceremonial inclusion that merely decouples stakeholder "talk" from genuine influence.

The Architect's operational double bind presents a second, related boundary condition. Although tasked with building an SDL-based ecosystem of co-creation, the Architect operates within broader institutional and market contexts still governed by goods-dominant logic (GDL)—marked by short-term financial pressures, commodified ESG reporting, and capital-market incentives that often reward symbolic compliance over substantive impact. This tension is amplified by institutional complexity, where competing demands from regulators, activists, investors, and communities create a contested, multi-logic environment. Consequently, the Architect's work is inherently subversive and entrepreneurial: they must construct SDL-aligned structures within the ecosystem while strategically navigating, translating, and at times contesting the surrounding GDL-dominated field. Rather than a conventional manager, the Architect functions as an institutional entrepreneur who "hacks" entrenched logics, embedding new forms of value co-creation within systems still optimized for transactional exchange.

A further boundary condition concerns the temporal and scalability constraints of maintaining Impact Coupling over time. The framework assumes the continuous functioning of feedback loops, stakeholder engagement, and institutional alignment, all of which require sustained organizational attention and resource commitment. In practice, these processes are vulnerable to fatigue, shifting strategic priorities, and leadership turnover. As organizations grow in scale and complexity, maintaining dense, high-quality interaction across diverse stakeholders becomes increasingly difficult, raising the risk that co-creation processes devolve into routinized or symbolic practices. Without ongoing renewal and adaptive redesign, the very mechanisms that enable alignment may become institutionalized in ways that reproduce rigidity rather than responsiveness. This highlights that Impact Coupling is not a one-time structural solution, but a continuously maintained condition that depends on the persistence of organizational commitment and adaptive capacity.

Taken together, these boundary conditions underscore that the Impact Coupling framework is both normative and contingent: it advances a more substantive vision of ESG while depending critically on the Architect's capacity to confront power asymmetries and navigate GDL-dominated institutional fields. Recognizing these constraints is integral to applying the model responsibly and to designing future empirical and practical work that tests and extends its viability across diverse organizational and cultural contexts.

CONCLUSION

This conceptual study concludes that the persistent ESG Act Gap is fundamentally a problem of paradigmatic misalignment rather than mere implementation failure. The dominance of Goods-Dominant Logic (GDL) reduces ESG to a reportable commodity, structurally enabling decoupling and symbolic compliance. In response, the proposed Impact Coupling framework, enabled by leadership reconceptualized as the Ethical Institutional Architect, offers a constitutive alternative grounded in Service-Dominant Logic (SDL). This framework demonstrates that substantive ESG emerges when commitments, operational practices, and socio-environmental outcomes are continuously aligned through stakeholder co-creation and co-validation, embedding integrity within the core process of organizing rather than treating it as an external reporting outcome.

The theoretical contribution of this study lies in providing a paradigmatic explanation for ESG decoupling, redefining ethical leadership as architectural institutional work, and introducing Impact Coupling as a novel mechanism for achieving substantive sustainability. Practically, the framework shifts the evaluative focus of boards and investors from compliance auditing to assessing architectural capacity—the ability to design and sustain robust stakeholder feedback loops and participatory governance structures. While subject to boundary conditions such as power asymmetries and institutional complexity, the framework provides a coherent pathway for moving ESG from symbolic conformity to embedded, enduring value creation.

RECOMMENDATION

Based on the findings, organizations are recommended to conduct a diagnostic audit of their existing ESG logic to identify whether current practices primarily serve compliance or genuinely drive operational transformation. Boards should prioritize the appointment and evaluation of leaders based on their architectural capacity to design adaptive interaction platforms and sustain co-creative stakeholder engagement, rather than solely on financial metrics. Investors are encouraged to integrate assessments of stakeholder feedback loop robustness and co-validation mechanisms into their due diligence processes. Furthermore, organizations should establish structured, politically-aware forums that actively counteract power imbalances, ensuring equitable voice for marginalized stakeholders, and gradually redesign internal incentive systems to reward ecosystem-enabling behaviors. Future research should employ longitudinal and comparative designs to empirically test the Impact Coupling proposition, develop metrics for assessing coupling efficacy, and examine the micro-processes of equitable platform design across diverse cultural and institutional contexts.

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