

# Dodging the bullet: overcoming the financial impact of Ukraine armed conflict with sustainable business strategies and environmental approaches

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## Abstract

**Purpose** – The purpose of this study is to evaluate the influence of sustainable business models in building corporate reputation and resilience. Specifically, the financial performance of listed companies will be evaluated following the beginning of the armed conflict in Ukraine on 24 February 2022. Taking as a standpoint the triple bottom line (TBL) theory, the case of firms listed in the Spanish IBEX-35 index is analysed. The present paper evaluates financial performance and corporate reputation, based on the usage of Environment, Social and Corporate Governance (ESG) strategies to adhere to their Corporate Social Responsibility (CSR).

**Design/methodology/approach** – To achieve this goal, energy firms operating in Spain are evaluated. Specifically, companies operating in the energy sector listed in the IBEX35, benchmark index of Spain's largest trading platform are considered. The analysis comprises evaluating the fluctuation in the value of their stock and the influence of usage of renewable and other power sources that limit dependency on foreign events. In addition, communication and dissemination of non-financial information, and usage of international standards within these areas, are considered as well.

**Findings** – Results show long-term CSR commitments and ESG strategies significantly impact firm's ability to overcome crises and improve financial performance. Additionally, energy firms that adhered to the energy transition into renewables display stronger performance and lower dependency on uncertain and weakened markets during the Ukraine armed conflict.

**Practical implications** – The results contribute to the advancement of the TBL theory and the creation of sustainable business models. By introducing ESG strategies, firms are able to improve the people-profit-planet balance and at the same time improve their resilience. This contributes to an overall enhancement of their capacity to overcome crises and sustain their financial performance and corporate reputation over time. Policy makers can also benefit from this knowledge, introducing regulation that promotes and supports companies' development of their CSR through ESG strategies, to ensure more sustainable organisations that can support the economy in a context of hardship.

**Originality/value** – The analysis evaluates the results of a firm's long-term commitment to the TBL through adequate ESG strategies when operating in unexpected and unprecedented hostile environments. Previous research has focused on the link between some variables concerning financial performance and ESG strategies yet not considering the specific context of an enhanced crisis (i.e. a pandemic and armed conflict). This can provide significant insight into the contribution that people, profit and planet can provide in building sustainable and



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successful organisations. Lastly, the paper outlines the key factors that contributed to the firm's ability to overcome extreme hardships, such as operating in an environment affected by a combination of two crises.

**Keywords** Sustainable Development, Financial performance, Resiliency, ESG, Ukraine

**Paper type** Research paper

## 1. Introduction

The role of firms in society, and at large in the environment in which they operate, has been one of the most debated topics in recent years. This relationship is bilateral, implying that business actions will directly affect the environment and society, and therefore the changes they generate will in turn impact the company. For instance, if an entity depletes natural resources in the geographical area where they operate, there will be no future input for its operations. Likewise, if their actions negatively impact society, it may be the case that the citizens will not be able to work properly, and have the resources or knowledge to do so. Because of this, companies have been increasingly considering these aspects when designing their business strategies, thus taking ownership of their Corporate Social Responsibility (CSR).

This link between balancing profit, people and planet is the baseline of the triple bottom line (TBL) theory (Elkington, 1994), as well as the stakeholder theory (Freeman, 1994). Both frameworks consider the relevance of taking into account a company's stakeholders in the strategic decision-making process as they have a significant impact on the business' operations. In addition, considering the effect of a firm's operations in the socio-economic and environmental context where they operate can be crucial to the organisation's long-term sustainability. By considering these two elements, firms can create a holistic approach to ensuring not only a successful business in the present, but also a flourishing company in the future. This win-win context is created thanks to the combination of a focus on obtaining profits while preserving the planet and ensuring there is a positive impact on people.

To achieve this objective, there have been several tools and standards that emerged to create a holistic framework for businesses to design their strategic approach. On the one hand, the United Nations' Global Compact (UNGC) management model allowed firms to integrate the three Ps into their business design. On the other hand, the Global Reporting Initiative (GRI) which allowed firms to understand what, how and when information should be disclosed and to improve transparency and stakeholder engagement. Furthermore, the United Nations' Sustainable Development Goals (SDGs) outline 17 areas where all agents of society, including companies, should work towards to ensure improvements in our overall well-being by 2030. These have been significant milestones that firms have also taken into consideration within their business strategies.

What is more, the stakeholder theory and TBL approaches can contribute to identifying new opportunities for product and service development, while understanding better the characteristics of the market where the company operates. The strategies undertaken should specifically tackle Environmental, Social and Corporate Governance (ESG) aspects of the business, to truly commit to the three Ps and address the firm's CSR. Recent authors have evaluated some of these variables. For example, Al-Mamun *et al.* (2022) analysed how green finance strategies contributed to decarbonisation. Specifically, in developed markets and economies with higher climate change exposure and higher innovation, green bonds issued to support pollution control, improve energy efficiency and support waste management were very effective.

In the specific case of a context of hardship, firms can use the TBL approach in order to build stronger and more resilient organisations. Boubaker *et al.* (2020) concluded through an analysis of the 1991 and 2012 period, which includes the dotcom crash as well as the financial credit crunch crisis of 2008 that better CSR performance increases a company's reputation

and credibility. In this context, it can provide the firm with a greater possibility to access financing sources, reducing their probability of financial default and improving their long-term performance. Other authors evaluated the impact of the pandemic caused by the virus SARS-COV-2 that impacted the world in 2020. [Mattera et al. \(2021\)](#) and [Mattera et al. \(2022\)](#) determined that long-term ESG strategies had played a key role in better preparing firms to face the uncertainty, socio-economic and health difficulties during the first period of the 2020 pandemic.

In addition, [Boubaker et al. \(2022a, b\)](#) analysed the effect of companies upholding their CSR and customer relationships. They concluded that CSR could improve the customer's willingness to cooperate and support companies during the pandemic, implying that clients of high-CSR firms would pay invoices faster and have a lower rate of debt. This positively affects the firm's financial resources together with their resilience in the context of hardships. [Akhtaruzzaman et al. \(2022\)](#) evaluated the importance of communication, which affected more certain markets such as the USA. The authors concluded that media coverage and information that was shared regarding different companies specifically affected their stocks, and in turn the indices where they are included. These provide valuable insights into firms' financial performance and corporate reputation during a context of hardship regarding consumer and investor perception.

Despite this, there is still a need to further deepen the implications of ESG strategies and CSR in the long-run and how these elements can create sustainable business models and resilient firms. This is especially true in the context of severe hardship, such as the combination of a post-pandemic shock and the beginning of an armed conflict in Europe during the first trimester of 2022. While companies had been able to overcome operating in an adverse context in 2020–2021, they were faced with yet another challenge in 2022. The present study aims at providing insight on this matter by establishing the links between stakeholder and TBL theory, evaluating the role sustainable business models play in not only helping companies overcome one context of hardship but to continue persevering through multiple negative shocks. To achieve this goal, the paper analyses the context of firms operating in the European Union (EU) which was one of the regions most impacted by the events.

The present study addresses the gaps identified by [Mattera et al. \(2021\)](#) and [Boubaker et al. \(2022a, b\)](#) further providing insights into the links between ESG and financial performance, as well as CSR and corporate reputation. Specifically, [Mattera et al. \(2021\)](#) explore the long-term impact of commitments and strategies initiated in 2012 and 2014, and how they contributed to the firm's ability to overcome contexts of hardship a decade later. The authors determine as a future line of research to evaluate financial performance in the years following the beginning of the SARS-COV-2 virus outbreak. This will determine whether their findings and the positive correlation between ESG and financial performance can be sustained when a context of hardship is prolonged in time.

To address this research gap, the present study will evaluate the impact of companies' CSR adherence through their ESG strategies two years after the beginning of the pandemic. During this context, a new hardship arose, which was the Ukraine armed conflict, creating an environment with a double hazard. The concrete case of Spanish energy firms and their performance in the stock market is evaluated, corporate reputation and overall performance. Companies operating in this sector have a greater sensitivity because of the dependency on commodities exported by Russia and Ukraine, as well as limitations in the supply chain due to the pandemic.

Firstly, the conceptual model and hypotheses are developed in Section 2 Secondly, the methodology is described in Section 3, followed by a thorough analysis and detailed results in Section 4. Finally, in Section 5, the study concludes by addressing the contributions of researchers and practitioners, main limitations and suggestions for future research in this area. While some recent studies have explored the impact of ESG during a crisis, there has not

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yet been enough evidence in an environment affected by two simultaneous negative contexts. In addition, the specific case of energy companies, which are severely affected by the dependency on commodities from the Ukraine armed conflict, has not yet been analysed. To the author's knowledge, there are no empirical studies testing these effects in a context where there is a double crisis effect (pandemic and armed conflict). This will be our contribution.

## 2. Literature review

During recent years, there has been an increasing interest both in academia and practice to improve the understanding of corporate approaches to a long-lasting strategy that allows for sustainable value creation for consumers and shareholders alike. In addition, there has been an increase in the depletion of non-renewable resources, together with a negative impact on resources that are essential for human life. Because of this, there is great concern and willingness to re-evaluate corporate business models. How business operations use resources can create limitations to the availability of these inputs for future production, as well as for any other need of our future generations. For example, fresh water is one of the key elements for human life as well as an essential input in many production processes, and it is one of the resources mostly being negatively affected.

Therefore, companies have been reviewing their business models and their approach towards all stakeholders, going beyond shareholders' interests. Considering all individuals and organisations that are involved in, or can be affected by their business operations, is one of the basic elements to produce a good or provide a service in the long run (Osterwalder *et al.*, 2010). The strategic approach will vary according to the industry, company size and context where they operate. However, it is crucial for firms to deliver products and services with a specific-added value, in harmony with society and the environment. In order to achieve this objective, Teece (2010) signalled out the following five characteristics of a business model that will contribute to obtaining this objective:

- (1) Identifying the market segments that will be targeted with the product or service offering,
- (2) Determining which are the benefits that the consumer will obtain with the purchase,
- (3) Choosing technologies and features to be incorporated into the product or service,
- (4) Ratify available revenue streams and
- (5) Establish mechanisms to capture value.

As the creation of goods and services needs as input diverse natural resources (out of which the majority are non-renewable), it is important to consider the environment usage and impact in point 3. Technologies used could significantly contribute to an improvement of how these resources are obtained and used throughout the production process as well as being incorporated into the products and services themselves. Following this baseline, recent studies such as Mattera and Gava (2022) have concluded that aspects 3 and 5 will be tied into the creation of a sustainable business model, enabled by the technological inputs that can improve the company's CSR approach as well as long-term profits. In addition, a lack of understanding of social implications can lead to a misunderstanding of consumer benefits (point 2) or adequate mechanisms that allow for value capturing (point 5). Hence in this context, both environment and social aspects have a direct impact on the corporate reputation and perception of value creation. Thus, both people and the planet are essential elements when ensuring the long-term creation of value and profitability.

The theory that combines the three "Ps", people, profit and planet, also known as triple bottom line theory (TBL), considers there should be an optimal balance between these

three aspects (Elkington, 1994). Under this framework, when analysing a company's operations and including the environment and society at the core of strategic design, long-term success can be achieved. Furthermore, creating a holistic perspective that evaluates all aspects requires constant evaluation of the firm's performance in these three areas. By doing so, a business can achieve and sustain development in the long-run (Norman and MacDonald, 2004; Venkatesh, 2010; among others). In addition, Osterwalder *et al.* (2010) established the key elements to consider when designing a strategy which include a quantitative and qualitative value proposition, the channels to communicate and deliver, the infrastructure and relationships with all stakeholders.

Other authors, such as Battisti and Iona (2009), determined that management practices are multi-dimensional and it is the links between all these dimensions and areas that yield the final positive outcome. Hence, there is a need for a great understanding of how different variables affect a business model, not only relying on the unidirectional cause-consequence relationship between certain management practices and a firm's performance. This is the reason why achieving long-term financial results and a high corporate reputation, that is sustainable business development, companies should consider a holistic framework where Osterwalder *et al.* (2010)'s business model variables are combined with Teece (2010)'s five elements in a CSR approach.

Building on this premise, Mattera and Baena (2015) evaluated the impact of CSR strategies and innovation on a firm's corporate reputation and long-term performance. They were able to confirm that these two aspects allow a company to incorporate stakeholder's interests into the knowledge-creation process of the firm, thus improving the value added to their product proposal. In addition, these elements enabled better approaches towards environmental issues through innovation, creating a TBL business model. The authors also commented on the importance of reporting and informing stakeholders. On these lines, Brunton *et al.* (2015) added that transparent and accurate communication proved to be a key element, to communicate the firm's CSR engagement and specific sustainable strategies. Therefore, strategies that specifically address a company's CSR, together with proper and transparent communication of these initiatives and actions, have become essential in helping organisations achieve a sustainable business model.

One of the methodologies that has been mostly accepted as a tool that helps firms build sustainable management models is the UNGC. This initiative was born during the World Economic Forum celebrated in Davos in 1999. Currently over 14,000 entities that have adhered to it in over 160 countries, out of which more than 10,000 are firms (United Nations Global Compact, 2020). The UNGC is based on 10 core principles that are linked to the environment, anti-corruption, labour and human rights. These principles are also in direct connection with the 17 SDGs, translating each principle into various specific objectives (UN, 2015). Recently, Mattera and Alba Ruiz-Morales (2021) established the links between the 10 UNGC principles and 17 SDGs in a business model context. The authors evaluated how the 17 SDGs could provide specific guidance in establishing an adequate management model that provided a competitive advantage. They determined that by implementing the UNGC management model, firms can directly tackle the SDGs and ensure sustainable development. This was especially true for firms that operate at an international level, particularly with environmental variables.

Several authors have evaluated the key elements that should be included in the development of sustainable management models. While the SDGs can be a good baseline, other authors such as Bottenberg *et al.* (2017) suggest including adequate corporate governance, managing and mitigating conflicts of interest between stakeholders and minimising negative impact in the context in which they operate. Hence, ESG are key strategic approaches that can enable the creation of a sustainable business model. Because of this, corporate reputation is nowadays dependent not only on profitability, but also on ESG

elements (e.g. El-Kassar and Singh, 2019; Patnaik *et al.*, 2018). In this context, companies that have been honouring their CSR and implementing ESG strategies have been leading the change. This has improved their corporate reputation and visibility in developed markets as well as developing regions, as well as contributing to the transition to a more sustainable and equal society (European Commission, 2019; Cohen, 2020).

Since corporate governance oversees the implementation of strategic approaches, it must be organic in character and should be able to adapt to the fast-changing world. It has been evidenced that practitioners, policy makers, academicians and other interest groups see a need in re-evaluating the post-modern world economy (Mitra and Gaur, 2020; Singh *et al.*, 2020). In addition to this, recent literature has focused on the impact of firms and other stakeholders implementing UNGC at a national level and the degree of impact on national social progress and overall economic development. For instance, Whittingham (2021) considered the impact of firms' ESG strategies on the national Social Progress Index (SPI). Results showed a greater commitment to CSR resulted in higher results in the main components of the index. Other scholars focused on the impact of these elements in helping firms overcome sudden socio-economic crises. Nerantzidis and Filos (2014) evaluated corporate governance developments in the context of the crisis (2007–2010) in Greece. They considered the 2008 financial crisis created new regulations, as well as greater limitations on how firms could operate. These new policies changed firms' business models that required improved corporate governance, transparency and reporting, which were key elements in ensuring companies were able to recover from the negative effects.

During the late 20th and early 21st centuries, major climate change events occurred, which also had a sudden impact on firms' performance. In this context, many companies require financial support from national and international public and private entities, in order to address these issues. Choudhury *et al.* (2021) concluded banks that support the investment in renewable energies and the development of infrastructure for countries to shift their power source could positively impact the financial entity's performance, as well as reduce their default risk. Hence, supporting the transition to a sustainable economic model can benefit the financial industry as well as address climate change.

Boubaker *et al.* (2020) evaluated how CSR affected a firm's level of distress risk. By studying a sample of firms between 1991 and 2012, including several major international events such as the 2008 financial crisis, they concluded better CSR performance increases a company's reputation and credibility, making it more creditworthy and it can access better financing opportunities. This in turn lowers their probability of financial default, and the authors found it to be impacted mainly by the CSR areas of employee relations, diversity, community and environmental impact. Furthermore, the authors found that strong governance mechanisms and high product market competition displayed the strongest links. This shows the overall ESG dimension can contribute to better financial stability and more crisis-resilient environments. The authors identified replicating this study in other contexts of hardship as future research avenue.

At the end of 2019, the fast-pacing spread of the virus SARS-COV-2 endangered individual's health and stressed health systems across the globe. This resulted in a global economic halt across the world during the first semester of 2020, with severe limitations during the second half of 2020, 2021 and the first half of 2022. Most countries introduced regulations to limit companies' operations and enforced strict lockdowns for citizens, in order to halt the spread of the virus. This severely affected supply chains and businesses in all industries, which led to several authors evaluating the impact of CSR and ESG strategies on firm's ability to overcome hardships. Mattera *et al.* (2021) showed that the TBL helped firms create sustainable business models that improved resilience, the organisation's ability to adapt to change and minimise negative impact on market performance. This was especially true in the case of companies that had been implementing these business models for over a

decade, thus consolidating their ESG strategies. The authors identify the need to re-evaluate these results in post-COVID years, to confirm whether the positive resiliency effect is sustained over time.

In early 2022, while Europe was suffering the sixth wave of the SARS-COV-2 virus spread, a new context of hardship emerged. After growing tensions on the border between Russia and Ukraine, on 24 February 2022 Russian troops invaded Ukraine. This increased uncertainty in all markets but impacted Europe the most due to the geographical proximity and trade connectedness with the involved parties of the conflict. In addition, Europe is highly dependent on commodities traded by Russia and Ukraine, with a severe disruption in supply chains in the energy, oil and gas industries. Furthermore, sanctions imposed on Russian corporations and individuals also impacted business operations. As a result, European companies faced an even greater challenge, particularly in the energy sector.

Boubaker *et al.* (2022a, b) evaluated the impact of cumulative returns on global stock market indexes in the context of the Ukraine armed conflict. The authors determined that since February 24th, in general, there was a negative cumulative abnormal return evidenced. Moreover, more globalised economies with greater dependency and vulnerability to international conflicts were mostly affected. In addition to the impact on the companies themselves, Prandi and Lozano (2021) identified the links as a two-way street. This implies firms can have a high potential to improve reconstruction in conflict areas, as well as build economic development through a consolidated CSR policy and ESG strategies. In addition, firms can play a key role as peace-builder through actions such as incorporating employees from war-torn regions or establishing programmes for refugees. In many cases, these expats can be highly-skilled individuals who can bring significant value to the firm, creating a win-win situation. Hence, in different conflicts or post-war reconstruction, companies have played a key role.

However, there is still a lack of evidence on how these strategies can operate under a double-stressed environment such as in the context of the COVID-19 pandemic, followed by an armed conflict. Additionally, there is no particular insight into the impact on firms operating in the energy sector in Europe, one of the most affected by both the pandemic and the Ukraine conflict. Furthermore, there is no specific evidence that provides a greater understanding of the impact of long-term ESG strategies and CSR commitment to overcome two major crises. Following the need to re-evaluate the post-modern world economy as defined by Mitra and Gaur (2020) and Singh *et al.* (2020), together with the research gaps identified by Boubaker *et al.* (2020) and Mattera *et al.* (2021), the present study focuses on testing two main hypothesis in a double context of hardship:

- H1. Following sustainable management models helps firms to improve their resilience when facing multiple global crises
- H2. Long-term CSR commitments and ESG strategies positively impact firm's ability to manage multiple crises

### 3. Methodology and data gathering

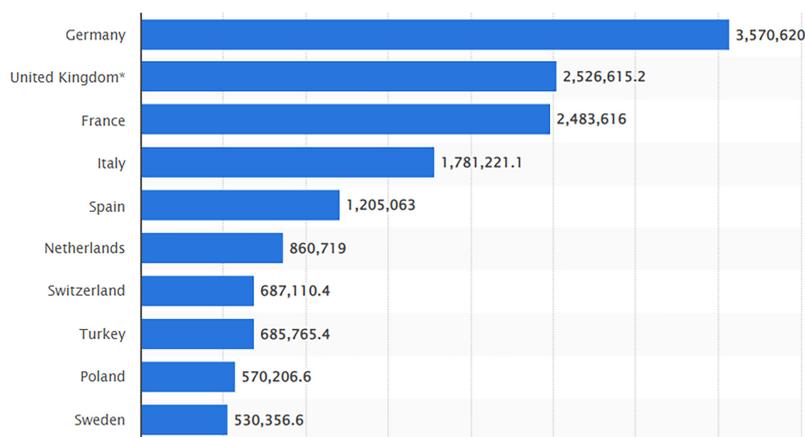
The present paper focuses on the utilisation of diverse methods to address the research problem. In doing so, a combination of objective descriptive information regarding the firms' ESG practices together with an empirical analysis of their market capitalisation evolution has proven to provide an adequate approach to provide robust conclusions (Patton, 2015). This study follows the methodology combining quantitative and qualitative analysis implemented by Mattera *et al.* (2021) as well as the future lines of research addressed by these authors in conjunction with Mitra and Gaur (2020) and Singh *et al.* (2020).

Considering this context, the present study evaluates firms within the context of the EU as it is a geopolitical context taking a strong approach towards ensuring sustainable growth and individual's well-being. The region was significantly impacted by the SARS-COV-2 virus in 2020 and throughout subsequent years. Spain was one of the two countries that were first hit by the spread of the virus, and overall the worst hit in terms of health and socio-economic impact. In addition, when the armed conflict arose in Ukraine at the beginning of 2022, the effect of this new crisis on the Spanish GDP (Figure 1) also was significant. The main cause was the implications of bans and sanctions imposed on Russian firms, mainly affecting oil and gas, particularly impacting the energy sector. As these are essential inputs in most industries, the effect was quickly evidenced across all supply chains.

While there is a global trend in the energy sector to transition from a production-based towards a service-provision business model, there is also great interest to switch to a renewable source-based portfolio with lower dependency on non-renewables. Global challenges and a shift in the essence of the business processes underlying the energy sector have forced firms to diversify their offering (Vella, 2019). However, the EU had been promoting a transition to renewable energies and low carbon emissions societies and thus many firms and countries had already begun this process before both hardships occurred.

As *Mattera et al. (2021)* evidenced, in the specific case of Spain, the national government has established a National Integrated Energy and Climate Change Plan (PNIEC due to its acronym in Spanish). This framework, aligned with the EU's action plans, outlines clear plans and actions to be carried out between 2021 and 2030 (*Electrica, 2019*). In this country, the energy sector is of great importance, as they are also some of the flagship and largest multinationals operating at a worldwide scale, such as is the case of Repsol or Iberdrola. In addition, these firms have a significant impact on the Madrid stock market's main index (IBEX-35) which implies the energy sector has an all-encompassing impact on the national economy. Moreover, despite the Spanish economy not being heavily dependent on intensive-energy industries (tourism is the first contributor to GDP), energy prices are responsible for generating the highest impact on the country's inflation nowadays as seen in *Figure 2*.

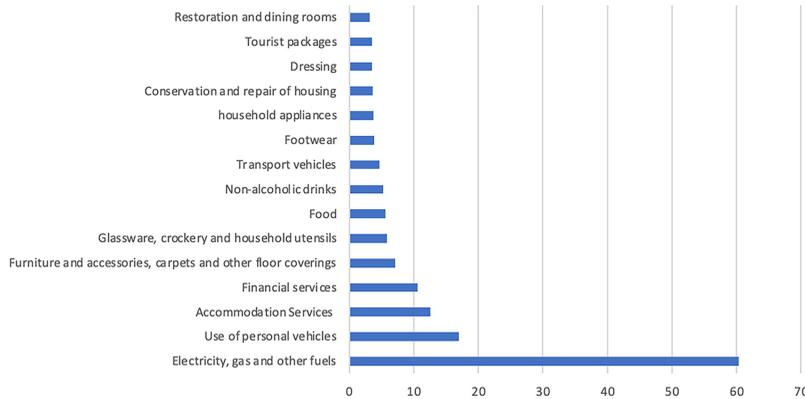
These firms have been transitioning from non-renewable to renewable resources. This implies a modification of their production process as well as their product portfolio. *Figure 3*



Source(s): Statista (2022)

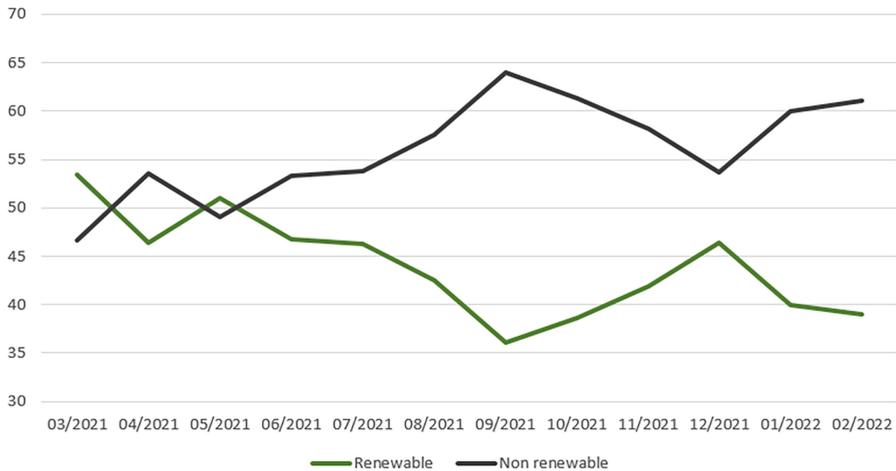
**Figure 1.**  
Gross domestic product at current market prices of selected European countries in 2021 (in million €)

**Figure 2.**  
February inflation in Spain (2021 vs 2022 variation on %)



Source(s): Instituto Nacional de Estadística (March, 2022)

**Figure 3.**  
Energy consumption mix in GWh in Spain during March 2022: Renewable sources vs non-renewable resources



Source(s): Own elaboration based on REE data (2022)

represents the energy sources that are used in Spain during the month of March 2022, after the impact of the Ukraine armed conflict and the sanctions imposed on Russian commodities.

Therefore, studying the Spanish energy sector is of high relevance to understanding the implications of long-term TBL business model and CSR practices to overcome two consecutive crises. This paper evaluates the long-term results, as firms evaluated have consolidated ESG strategies and more than a decade of operating under UNGC sustainable business models. The study was focused on companies that were publicly traded in the IBEX-35 during the months of February and March 2022. This index includes the 35 firms with the most stable business conditions considering profitability, liquidity and creditworthiness (Bolsa de Madrid, 2020).

Taking as a standpoint the methodological approaches implemented in similar studies by Nerantzidis and Filos (2014), Brunton *et al.* (2015) and Mattered *et al.* (2021), this study combines qualitative analysis by retrieving investment information platforms such as Reuters, Forbes and Bloomberg; and other specialised sustainability data sources such as UNGC. In addition,

quantitative data was obtained from the Madrid Stock Market website and companies' corporate sites, in conjunction with the investment information platform previously mentioned.

Table 1 includes the distribution of companies currently present in the IBEX-35 according to their sector of activity.

Based on the herein disclosed information, Endesa, Enagas, Iberdrola, Naturgy, Repsol, Red Eléctrica de España (REE) and Solaria were analysed. Data concerning the evolution of their performance in the stock market compared to the IBEX35 general stock exchange was studied.

#### 4. Discussion

Each of the companies included in the IBEX35's classification of energy and petrol has a strong impact not only on the Spanish economy but also worldwide given its international character and assets. To better comprehend the outreach, a brief description is outlined:

Company (in alphabetical order)	Ticker	Sector
ACS	ACS.MC	Raw materials, industry and construction
ACERINOX	ACX.MC	Raw materials, industry and construction
AENA	AENA.MC	Consumer services
ALMIRALL	ALM.MC	Consumer goods
AMADEUS	AMS.MC	Consumer services
ACCIONA	ANA.MC	Raw materials, industry and construction
ARCELORMITTAL	MTS.MC	Raw materials, industry and construction
BBVA	BBVA.MC	Financial services
BANKINTER	BKT.MC	Financial services
CAIXABANK	CABK.MC	Financial services
CIE AUTOMOTIVE	CIE.MC	Raw materials, industry and construction
CELLNEX	CLNX.MC	Information and Communication Technologies
COLONIAL	COL.MC	Real estate
EBRO FOODS	EBRO.MC	Consumer goods
ENDESA	ELE.MC	Energy and petrol
ENAGAS	ENG.MC	Energy and petrol
FERROVIAL	FER.MC	Raw materials, industry and construction
FLUIDRA	FDR.MC	Raw materials, industry and construction
GRIFOLS	GRF.MC	Consumer goods
GRIFOLS	GRF.MC	Consumer goods
IAG	IAG.MC	Service goods
IBERDROLA	IBE.MC	Energy and petrol
INDRA	IDR.MC	Information and Communication Technologies
INDITEX	ITX.MC	Consumer goods
MAPFRE	MAP.MC	Financial services
MELIA HOTELES	MEL.MC	Consumer goods
MERLIN	MRL.MC	Real estate
NATURGY	NTGY.MC	Energy and petrol
PHARMA MAR	PHM.MC	Health
RED ELÉCTRICA DE ESPAÑA (REE)	REE.MC	Energy and petrol
REPSOL	REP.MC	Energy and petrol
ROBI	ROVI.MC	Health
BANCO SABADELL	SAB.MC	Financial services
BANCO SANTANDER	SAN.MC	Financial services
SIEMENS GAMESA	SGRE.MC	Raw materials, industry and construction
VISCOFAN	VIS.MC	Consumer goods
SOLARIA	SLR.MC	Energy
TELEFONICA	TEF	Information and Communication Technologies

Source(s): Own elaboration based on [Expansión \(2022\)](#)

**Table 1.**  
IBEX 35 firms  
(Q1 2022)

- (1) *Endesa (energy)*: an energy firm involved in generating, distributing, transmitting and commercialising energy, in diverse markets mainly the Iberian Peninsula and North Africa (Bloomberg and Endesa, 2019). It is one of the largest electricity providers in Spain, currently transitioning into other sources of energy (Nair and Baigorri, 2019).
- (2) *Enagas (energy)*: is a Spain-based company with three business segments: Technical management, Infrastructure and Unregulated activities. The portfolio includes regasification (transforming liquid gas into gas), gas transport and storage; coordinating the access, storage, transportation and distribution process; maintaining gas infrastructure and ensuring the continuity and security of gas supply; while also managing deregulated operations and transactions. The Company carries out its activities mainly in Spain but also in Albania, Italy, Greece, Chile, Mexico and Peru (Enagas, 2020).
- (3) *Iberdrola (energy)*: is a public limited Spanish corporation, engaged in carrying out electricity and gas activities in the Spanish market and abroad. In addition, it holds renewable energies segments operating in the UK, US, EU, LATAM and other regions, as well as having a non-power business portfolio focused on engineering (Iberdrola, 2020).
- (4) *Naturgy (energy)*: formerly known as Gas Natural SDG SA, is a Spain-based firm with four key business segments: gas and electricity (including renewables); supply, marketing and logistics of liquefied natural gas at a global scale; gas and electricity network infrastructure – Spain and the Maghreb gas pipelines (North West Africa region); and lastly the Latin America gas and electricity network infrastructures and its businesses in Chile, Argentina, Brazil, Perú, Mexico and Panama (Reuters, n.d.).
- (5) *Repsol (energy and petrol)*: one of the largest multinationals exploiting hydrocarbon processing as well as energy. In 2010, the Environmental Investment Organisation was awarded the Emissions Tracking Carbon Verification Leaders Award as the firm was one of the most transparent organisations in the industry. In addition, the sector has acknowledged the company for diversifying its business and expanding into more sustainable models, investing in electricity, digitalisation and other business units to balance their product portfolio and transition into a greener economy by investing significantly in renewable energies and diversifying their portfolio (Repsol, 2020).
- (6) *REE (energy-electricity)*: is partly state-owned, partly public limited Spanish corporation. It was the first firm in the world to be dedicated exclusively to the transportation of electricity while operating the electrical grid. The company holds assets in Portugal, Peru and Bolivia by being a shareholder in each of the national operating electrical grid firms (Electrica, 2014).
- (7) *Solaria (energy-electricity)* Is a Spanish company dedicated, together with its subsidiaries, to the renewable energy sector. The company's activities encompass the design and installation of solar, thermal, photovoltaic and wind power plants. The company has a pipeline of more than 14,200 MW distributed in southern Europe. It became part of the IBEX 35 in 2020. The company's own energy usage is obtained mainly from renewable resources (approximately 90%) (Solaria, 2022)

These firms have high CSR commitments with a strong track-record of strategic implementation. Out of these, five have participated in the 2014 UNGC's survey commenting on the relevance of the UNGC management model in their business.

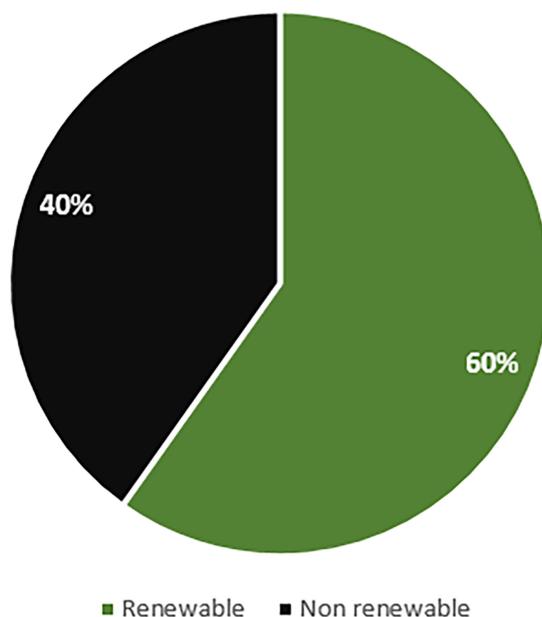
Furthermore, these companies have been collaborating with other businesses in their sector, international organisations, etc. designing services that are aligned with social and environmental matters (such as clean energy provision, an eco-friendly lodging experience, travelling with low CO2 emissions, etc.).

Regarding the energy generation market, companies generating energy in Spain have a joint installed capacity as shown in [Figure 4](#). This confirms the growing tendency to replace non-renewable sources with renewable ones, and the transition Spanish energy companies have been going through in the past years with renewables being more than half of the installed capacity.

To properly analyse the behaviour of the energy sector within the IBEX-35, two new sub-indexes were created. The “IBEX 29” has been calculated without the energy sector firms, while another index named “IBEX Energy” was created with the six energy companies. This enables a comparison of performance between the sector being analysed and the remaining components of IBEX35, as seen in [Figure 5](#).

The results show that energy firms have been able to perform better than the rest of the companies included in the index. In addition, when comparing the composition of the IBEX-35 and the firms that were included in 2020 vs 2022, the number of energy-related companies has increased from 6 to 8. This shows the growing relevance of this sector in the Spanish economy. Moreover, the commitment to the PNIEC has enhanced the industry’s operating environment with great support from the national government, as well as credit institutions, to support the green transition. This has been translated also into every region where these global companies operate, creating a knowledge-diffusion effect of their ESG strategies.

Results are consistent with other studies focused on the same sector and period ([Nerlinger and Utz, 2022](#)) that aimed to understand the impact of the Russia–Ukraine military conflict on



Source(s): Own elaboration based on REE data (2022)

**Figure 4.**  
Installed power capacity in Spain: renewable vs non-renewable sources



Source(s): Own elaboration based on Yahoo Finance data (2022)

**Figure 5.**  
IBEX 27 vs IBEX  
Energy daily variation  
(24th Feb–12th  
March 2022)

energy firms by conducting an [event study](#) in which the start of the military operation acts as the event date. These studies found clear evidence that energy firms significantly outperformed the stock market around the event. Additionally, other authors that studied the phenomena focusing on G7 firms concluded there were markets with greater dependency, such as Germany or the UK had negative cumulative returns. This can show how the links between energetic transition and other ESG strategic approaches can improve market results ([Abbassi et al., 2022](#)).

In the case of the present analysis, it was evidenced that companies such as Naturgy have shown a strong commitment to UNGC which helped them create better ESG strategies ([Naturgy, 2020](#)). They translate the TBL approach to all areas, including key elements that are visible to all stakeholders, such as the brand. This firm used to be called “Gas Natural - Unión Fenosa” and switched its trademark to “Naturgy” which combines words such as “nature” and “energy” inspiring stakeholders to perceive the brand image as aligned with CSR, particularly the environment. This decision is the result of large negotiations between business leaders in the firm and investors, to truly integrate CSR commitments into every aspect of the organisation. This ESG strategy proved to be a valuable asset for Naturgy, translating the process and portfolio transformations to their name and aligning all aspects of the organisation.

In other cases, firms have shown to be constantly re-evaluating its corporate governance system and including in their financials an evaluation of their ESG impact. Iberdrola, for instance, began in 2018 including firm’s contribution to UN’s SDGs in their annual statements ([Iberdrola, 2022](#)). They seek to ensure value creation not only for its consumers but also for society, shareholders and mainly communities where it operates, while contributing to the success of its business ([Iberdrola, 2020](#)). However, it could also expose areas of improvement in the firm, which was a concern for business leaders. Yet once it was instated, it proved to increase the trust its stakeholders had and the brand image, as the firm was perceived with greater honesty than some competitors. Because of this, the firm’s results in the 2021 Top of Trust analysis conducted by iTRUST Country Brand Intelligence were excellent, being the number one in the energy sector and number 14 of a total of 100 companies evaluated in all sectors in Spain ([MESIAS, 2021](#)).

Other firms have taken different strategic approaches to address ESG matters. In the case of Endesa, the organisation participates in the European project INTEGRIS, which evaluates

telecommunication systems in real time and how electricity can be better managed. In doing so, the initiative allows firms participating in the project to access real-time data exchange that can improve citizen's lives (Endesa, 2020). This requires a high degree of information-sharing and data-processing integration, which implies a high degree of collaboration with stakeholders. Some business leaders are weary of these decisions as it can expose the firm to a high risk of cyber security threats. However, by properly addressing the issue with stakeholders, they were able to consolidate their infrastructure and conduct the project to benefit all agents while protecting their assets. By addressing their CSR, the network was also able to understand the usage of diverse types of sources and types of energy used in Ukraine and how the situation in eastern Europe could affect them.

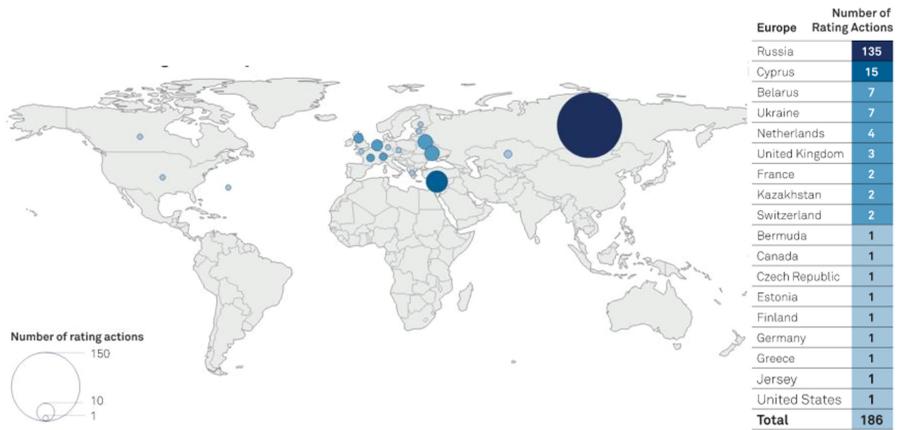
All in all, these initiatives and effectively communicating them have not only contributed to these firms outperforming in the Spanish Stock Market during this context of hardship but also for the general public to see their strong commitment to sustainability. CSR strategies can establish a cornerstone upon which firms can build and create shared value. REE, for instance, participates in GRID 2030, which is a joint initiative between state-owned firms, other corporations, Universities and research institutes. These can significantly contribute to better crisis management as all stakeholders are already linked and the grid can shift easily when demand changes. As with the case of Endesa's participation in INTEGRIS, there were diverse risks evaluated in the case of integrating multiple stakeholders' data and infrastructure systems, especially ensuring the accuracy and type of data. However, results have shown this decision provided excellent results. Among other initiatives outlined is REE's implementation of PRODINT system (Eléctrica, 2019) which incorporates high technology to manage the environmental impact, detect potential fires in its infrastructure as well as enable greater data gathering for decision-making.

Regarding the impact of the two consecutive hardships in the stock exchange markets, Boungou and Yatié (2022) found a negative relationship between the Ukraine–Russia conflict and world stock market returns, taking a sample of 94 countries. More precisely, G20+ stock exchange markets had abnormal returns before and after 24 February 2022. The aggregate stock market analysis indicates a significant and negative impact of the conflict (Yousaf *et al.*, 2022) that can also be evidenced through the recently published report by S&P global ratings. In this report, the list of entities that have seen a rating change includes more than 180, out of which many are banks that had issued over speculative investment products. However, there are several energy companies that have been negatively affected. Only two were positively impacted and were located in the USA (S&P, 2022). From Figure 6, it can be evidenced that these actions did not impact entities operating in the Spanish market, which shows the resilience of organisations operating in this national sphere.

Energy firms in Spain have a strong commitment to CSR, employ specific actions regarding ESG and with the support of the national government have been able to create a consolidated sustainable business model. In addition, the financial sector has also aligned with the objectives set by the Spanish government and the energy industry has been able to access multiple financial instruments to carry out the energy transition. As a result, the usage of renewable energy has significantly increased. This can also be evidenced through the joint installed capacity that different sources of energy have and how businesses at a local level are striving to increase the percentage of renewables (60%) previously mentioned in Figure 4. Currently, as observed in Figure 7, there have been major investments in diverse renewable sources, to create a multi-source energy mix that supports the national market. Kick and Rottmann (2022) conducted a study in the same period considering also companies with strong CSR commitment. The study found that the abnormal returns of companies with high ecological scores are positively influenced in the pre and post-event window. However, the effects are of no economical relevance.

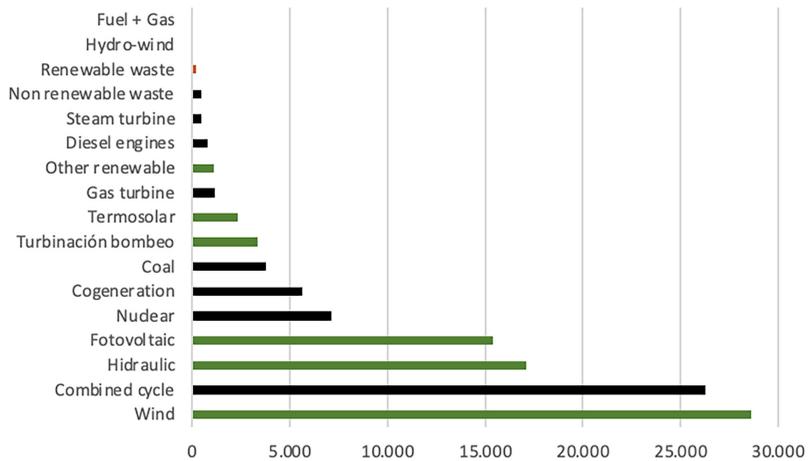
Additionally, the companies have used their existing network to support refugees and provide humanitarian assistance during the armed conflict in late February and throughout

**Figure 6.** Changes in corporate ratings following the Ukraine armed conflict, number of companies with downgrades based on the country where they are headquartered



Source(s): S&P (2022)

**Figure 7.** Installed power generation capacity in Spain by source



Source(s): Own elaboration based on REE data (2022)

March 2022, establishing strong ties with local communities and contributing to alleviating suffering. For instance, Iberdrola has sent over eight tons of humanitarian material to Ukraine through pre-existing connections and links with NGOs in Spain and abroad, as well as adding new collaborations (Iberdrola, 2022). This has created a significantly positive impact in terms of the social perception of the firm, and their true commitment to ESG strategies, thus having a direct enhancement of brand awareness and corporate reputation. As a result, it was ranked among the top companies chosen by major investment stakeholders such as UBS during the month of April 2022 (Gómez-Jiménez, 2022). In fact, this was the only Spanish firm to be suggested by this entity in the first quarter of 2022, showing the importance of the combination of environmental, social and corporate governance matters in general terms, but more relevant during times of crisis.

## 5. Conclusions, limitations and future lines of research

During the last decades, changes in the environment as well as in social perception have contributed to modifications in the way in which firms create and capture value. The TBL and stakeholder theory frameworks provide a solid basis for ensuring a win-win context in which companies can thrive while respecting society and the environment. The present paper outlines the impact of consolidated CSR management models, such as the UNGC one, in contributing to companies' financial results, strengthening corporate resiliency and overcoming diverse types of hardships, in this case, the Ukraine armed conflict.

The present study follows the research gap identified by [Mitra and Gaur \(2020\)](#), [Singh et al \(2020\)](#) and [Mattera et al \(2021\)](#), re-evaluating the post-modern world economy. By providing greater insight into the implications of sustainable business models, it can be understood that during this new period, firms should uphold their CSR through concrete and long-term ESG strategies. This will result in an increased resiliency and capacity to positively impact their own financial results, the environment in which they operate, their direct stakeholders and society at large.

In addition, the results are aligned with [Boubaker et al. \(2022a, b\)](#)'s findings, as more globalised economies such as the case of Spain are highly vulnerable to international conflicts. It also confirms the findings identified by [Choudhury et al. \(2021\)](#) and it also shows that by having had access to proper finance, the energy sector was able to install greater renewable capacity that lowered their dependency on foreign non-renewable resources. This has had a positive impact on the firms as well as on the overall economy. Because of this, following sustainable management models can help firms to improve their resilience when facing multiple global crises, as is the case of the Ukraine armed conflict following COVID-19. Therefore, hypothesis 1 can be accepted.

The joint analysis of quantitative and qualitative data shows the increased capacity to overcome crisis and the ability to improve their image in global markets, as it was shown in [Figure 6](#). This can provide valuable information for practitioners in managerial positions working in the energy sector to better design their business strategies in the current uncertain, volatile, complex, and ambiguous environment in which they operate. The energetic transition and diversification of portfolios with long-term investments, M&A approaches and especially collaborations with other stakeholders proved to be the most efficient initiatives. It can also contribute to identifying which agents can be key to creating solid networks that support value creation and improve competitiveness and resiliency for the company, which are key for practitioners' decision-making processes.

In addition, strong HR policies aligned with helping qualified professionals to relocate during contexts of hardship in their home countries have also significantly contributed to the companies' retention of talent, increased corporate reputation and attractiveness for job-seekers. This strengthens the results described by [Prandi and Lozano \(2021\)](#) and adds on valuable insights into this body of literature. While firms have a high potential to help reconstruction in conflict areas, as well as playing a key role as peace-builders as identified by the author in 2021, this study shows it also allows firms to strengthen their corporate reputation in other geographical areas as well as strengthening its resiliency in global markets. These evidence are also derived from the ongoing period of conflict and thus also add on the valuable role firms play during the crisis, not only during post-war periods.

This study further deepens the results obtained by [Mattera and Alba Ruiz-Morales \(2021\)](#) understanding the impact of UNGC management models in building sustainable business models in the long-term. The firms analysed to show the energy sector in Spain following the UNGC management model and having long-term sustainable strategies can positively impact long-term financial performance and the ability to better manage a crisis. As companies are operating at an increasingly international scale while relying on elements from diverse contexts throughout their production chain, the consolidation of a sustainable business model is fundamental. CSR strategies can establish a cornerstone upon which firms can build

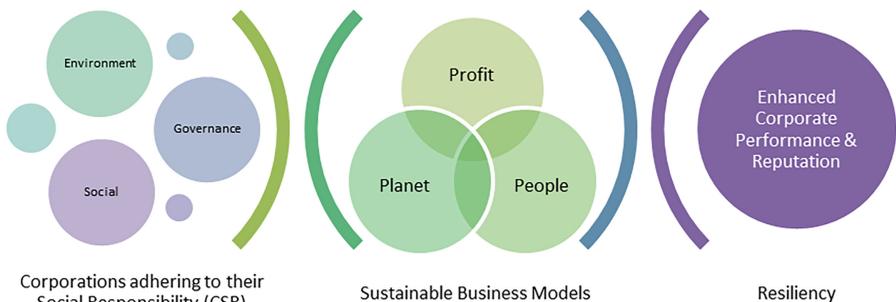
and create shared value, thus generating a win-win situation with a holistic perspective. Thus, hypothesis H2 can be accepted.

Furthermore, there is a need for a proper communication approach to ensure all stakeholders and society at large are aware of the initiatives that the firm is undertaking. Given these results, practitioners can consolidate the usage of sustainable business models and ensure proper management and controlling tools are in place. It does have a strong impact when there is a general knowledge of the commitments a company has and its actions that goes beyond a proper management model. Hence, practitioners can take into consideration this factor as an additional element when designing their CSR policies. The results are consistent with previous studies' highlighting the importance of CSR policies for investment decision-making such as the ones conducted by Verbeeten *et al.* (2016). Additionally, Clark and Viehs (2014) evidenced that "investors have responsibility to ensure that returns are created in a sustainable and responsible matter". This implies CSR is important not only to decide in which firm to invest, but also to the fiduciary duty related to the investment.

Moreover, these results can provide valuable insights for policy makers and regulators, as stronger and more resilient businesses that are operating in the stock market can directly affect the nation's economy. In Spain, there has been an increasing number of regulations to support the 2030 energy objectives, yet this study provides more insight into the effectiveness of specific business strategies, such as the creation of networks with other stakeholders, investment in research, development and innovation in product portfolio and production processes, or HR policies addressed at individuals coming from war-torn areas. Therefore, new regulations could use these as a standpoint to continue pursuing Spain's 2030 PNIEC.

In the case of policy makers, it is also of high relevance to evaluate the implications of ESG strategies in a firm's resiliency and capacity to have a positive contribution to the post-modern economy. Because of this, considering the possibility of creating subsidies and other strategies that can support firms that uphold their CSR can have a positive impact on the organisations as well as on society as a whole. These can be supported by local, regional, national or transnational clusters where the financial sector and the energy sector can interact and support one another, in order to create synergies that will support sustainable development.

With the results obtained through this study, it can also be concluded that companies that uphold their CSR and create a sustainable business model that includes ESG strategies will be able to establish an adequate balance between obtaining profits while preserving the environment and contributing to the wellbeing of society. This generates an enhanced brand awareness and image that results in a positive impact on the Corporate Performance and Reputation, and as such, the firm can build their resilience and capacity to overcome crisis. Therefore, as depicted in Figure 8, there is a need for stronger management models that



**Figure 8.** Impact of sustainable business models in contexts of crisis to ensure TBL

Source(s): Own elaboration

provide a TBL alignment so firms can not only generate a win-win context but also have a solid basis to face adverse unforeseen circumstances.

While this study provides significant insights and contributions to the stakeholder theory and TBL frameworks, it has certain limitations that shall be addressed by future research. Firstly, the present study focuses on results from a single stock market index (Spain) and a specific sector (energy). It would be valuable for future research to evaluate other contexts, such as Italy, where COVID-19 and the Ukraine crisis have also been impactful. It would be also of high interest to evaluate other industries that have been significantly affected by both events, such as the food industry, which has been suffering major supply-chain and production disruptions. In addition, it would be of value to consider replicating this study in the case of other industries, such as construction or materials, which have also been significantly impacted in a direct manner by the ongoing conflict. Lastly, it would be of interest for both academia and practice to evaluate the impact post-crisis and each firm's recovery in the medium term.

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