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Beyond ESG: A Regenerative Strategy Framework for the Net-Positive Firm

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ABSTRACT

The growing prominence of Environmental, Social, and Governance (ESG) frameworks has reshaped corporate responsibility, yet increasing criticism highlights their limitations in addressing systemic ecological and social challenges. ESG often emphasizes risk mitigation and compliance rather than transformative impact. This study advances the concept of the net-positive firm as a strategic evolution beyond ESG, proposing a regenerative approach that enables organizations to create more value for society and the environment than they consume. Using a descriptive qualitative and conceptual synthesis approach, this research integrates insights from sustainability, strategic management, and regenerative systems theory. The analysis identifies three core pillars of regenerative strategy: value restoration, systemic circularity, and stakeholder co-creation. These pillars reframe firms as active contributors to ecological regeneration and social well-being rather than passive minimizers of harm. The study proposes a multi-layered framework that aligns corporate purpose, operational practices, and ecosystem engagement toward net-positive outcomes. It also highlights key tensions between short-term financial performance and long-term regenerative impact, as well as between measurement standardization and contextual complexity. This research contributes to the sustainability and strategy literature by introducing a regenerative paradigm that extends beyond ESG metrics and compliance. It offers practical implications for organizations seeking to transition toward net-positive models, emphasizing the need for systemic thinking, innovation, and collaborative governance. Ultimately, the regenerative firm represents a transformative pathway toward sustainable and inclusive economic systems.

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Introduction

Over the past two decades, Environmental, Social, and Governance (ESG) frameworks have become a central mechanism for evaluating corporate sustainability and responsibility. Investors, policymakers, and stakeholders increasingly rely on ESG indicators to assess how organizations manage non-financial risks and opportunities, reflecting a broader shift toward stakeholder-oriented capitalism (Eccles et al., 2020). ESG has played a significant role in raising awareness of environmental degradation, social inequality, and governance failures, encouraging firms to adopt more responsible practices. However, despite its widespread adoption, ESG has come under increasing scrutiny for its limited capacity to drive systemic and transformative change.

One of the primary critiques of ESG lies in its orientation toward risk mitigation and compliance rather than value creation. Many firms engage in ESG practices to satisfy regulatory requirements, improve investor perceptions, or manage reputational risks, rather than to fundamentally redesign their business models (Porter & Kramer, 2011). As a result, ESG initiatives often produce incremental improvements—such as marginal reductions in carbon emissions or enhanced reporting transparency—without addressing the underlying drivers of ecological and social crises. This has led to concerns that ESG may reinforce a "business-as-usual" approach rather than catalyzing meaningful transformation.

Another limitation of ESG is the fragmentation and inconsistency of measurement frameworks. ESG ratings vary significantly across providers due to differences in methodologies, data sources, and weighting schemes (Berg et al., 2022). This divergence creates confusion for investors and undermines the

credibility of ESG as a reliable indicator of corporate performance. More importantly, it raises fundamental questions about whether ESG metrics capture the actual impact of corporate activities on ecological systems and societal well-being. In many cases, firms with high ESG ratings may still contribute to environmental degradation or social inequities, highlighting a disconnect between measurement and reality.

The growing recognition of these limitations has prompted a search for alternative paradigms that move beyond ESG toward more transformative and impact-oriented approaches. One such paradigm is the concept of the net-positive firm, which aims to create more environmental and social value than it consumes. Unlike traditional sustainability models that focus on minimizing harm, the net-positive approach emphasizes regeneration, restoration, and value creation (Hawken, 2021). This represents a fundamental shift in how firms conceptualize their role in the economy, from extractive entities to regenerative agents embedded within socio-ecological systems.

The notion of regeneration is rooted in ecological thinking, where systems are understood as dynamic, interconnected, and capable of renewal. In contrast to sustainability, which often focuses on maintaining equilibrium, regeneration emphasizes the enhancement of system capacity, resilience, and vitality (Folke, 2006). Applying this perspective to business implies that firms should not only reduce their negative impacts but actively contribute to the restoration of natural and social systems. This includes practices such as restoring ecosystems, enhancing biodiversity, supporting community development, and creating inclusive economic opportunities.

A key implication of this shift is the need to rethink the purpose of the firm. Traditional economic models prioritize shareholder value maximization, often at the expense of broader societal and environmental considerations. While stakeholder theory has challenged this narrow focus by emphasizing the importance of multiple stakeholders (Freeman, 1984), many firms continue to operate within a framework that prioritizes short-term financial performance. The net-positive paradigm, by contrast, calls for a redefinition of corporate purpose that integrates economic, social, and environmental objectives in a holistic and mutually reinforcing manner.

Another critical dimension of regenerative strategy is the adoption of systemic and circular approaches to resource use. Linear models of production and consumption—characterized by extraction, use, and disposal—are inherently unsustainable, leading to resource depletion and environmental degradation. Circular economy principles seek to address this issue by designing systems that minimize waste and maximize resource efficiency through reuse, recycling, and regeneration (Geissdoerfer et al., 2017). However, while circularity represents an important step toward sustainability, it does not necessarily ensure net-positive outcomes. Regenerative strategies go further by aiming to restore and enhance natural capital rather than merely preserving it.

The transition toward regenerative business models also requires a shift in how firms engage with stakeholders and ecosystems. Traditional models of corporate governance often treat stakeholders as external entities to be managed, rather than as active partners in value creation. In contrast, regenerative approaches emphasize co-creation and collaboration, recognizing that complex challenges such as climate change and social inequality cannot be addressed by individual organizations alone. This requires new forms of governance, partnership, and accountability that enable collective action across sectors and boundaries.

Despite the growing interest in regenerative business, the literature remains fragmented and lacks a comprehensive framework for guiding organizational transformation. Existing studies often focus on specific elements, such as circular economy, corporate social responsibility, or sustainable innovation, without integrating these components into a coherent strategic model. Moreover, there is limited understanding of how firms can operationalize regenerative principles in practice, particularly in complex and dynamic environments.

This study seeks to address this gap by developing a regenerative strategy framework for the net-positive firm. Specifically, it aims to answer three key research questions: (1) What are the core principles and dimensions of regenerative strategy? (2) How can firms transition from ESG-based approaches to net-positive models? and (3) What organizational structures and capabilities are required to support this transformation?

The central argument of this study is that achieving net-positive outcomes requires the integration of three interdependent dimensions: value restoration, systemic circularity, and stakeholder co-creation. Value restoration focuses on repairing and enhancing ecological and social systems. Systemic circularity emphasizes the redesign of resource flows to eliminate waste and regenerate natural capital. Stakeholder

co-creation involves collaborative approaches to value creation that engage multiple actors across the value chain.

Importantly, the transition to a net-positive model involves navigating several strategic tensions, including the trade-off between short-term financial performance and long-term regenerative impact, as well as the challenge of measuring complex and context-specific outcomes. These tensions highlight the need for new performance metrics, governance mechanisms, and leadership approaches that align organizational behavior with regenerative objectives.

This study advances the literature by proposing a novel regenerative strategy framework that extends beyond ESG by shifting the focus from impact mitigation to impact generation. Unlike traditional sustainability approaches that emphasize compliance and reporting, this framework conceptualizes the firm as an active agent of regeneration embedded within socio-ecological systems. Furthermore, it introduces a multi-layered perspective that integrates strategic intent, operational transformation, and ecosystem engagement, providing a comprehensive pathway for achieving net-positive outcomes.

In conclusion, the limitations of ESG underscore the need for a more transformative approach to corporate sustainability. The concept of the net-positive firm offers a compelling vision for the future of business, emphasizing regeneration, collaboration, and systemic thinking. By developing a comprehensive framework, this study contributes to the ongoing evolution of business strategy in the context of global sustainability challenges and provides a foundation for future research and practice.

Method

This study adopts a regenerative systems-oriented and normative design approach to develop a strategic framework for the net-positive firm. Given the emerging nature of regenerative business models and the limitations of existing ESG-based frameworks, this research is positioned within conceptual theory development, aiming to integrate and extend interdisciplinary insights rather than test empirical hypotheses (Whetten, 1989).

The methodological foundation combines integrative literature synthesis with systems-based conceptual modeling, drawing on three primary knowledge domains: (1) sustainability and ESG literature, which provides the baseline understanding of corporate responsibility and its limitations (Eccles et al., 2020); (2) regenerative systems theory and ecological economics, which emphasize restoration, circularity, and system vitality (Folke, 2006; Hawken, 2021); and (3) strategic management and stakeholder theory, which inform organizational transformation and value creation processes (Freeman, 1984; Porter & Kramer, 2011). These domains are synthesized to construct a forward-looking and practice-relevant framework.

The analytical process consists of three iterative stages. First, conceptual extraction was conducted to identify key constructs such as regeneration, circularity, stakeholder engagement, and value creation across the literature. Second, systems mapping was applied to examine the interdependencies between these constructs within socio-ecological and organizational systems. This stage emphasizes feedback loops, resource flows, and multi-stakeholder interactions. Third, a normative framework design phase synthesized these insights into a multi-layered regenerative strategy model that aligns corporate purpose, operational practices, and ecosystem engagement.

To ensure rigor, the framework is evaluated based on conceptual coherence, integrative capacity, and transformative potential (Gregor & Hevner, 2013). The resulting model is designed to explain how firms can transition from impact mitigation (ESG) to impact generation (net-positive outcomes).

Although this study does not involve primary data collection, it contributes by developing a holistic and systems-oriented conceptual framework that can guide future empirical research and organizational implementation in the transition toward regenerative business models.

Results and Discussion

From ESG Compliance to Regenerative Value Creation

The findings of this study indicate a fundamental shift in corporate sustainability from ESG-based compliance toward regenerative value creation. While ESG frameworks have successfully institutionalized sustainability considerations within corporate governance, they remain largely rooted in a paradigm of risk mitigation and harm reduction (Eccles et al., 2020). In contrast, regenerative strategy reframes the firm as an active contributor to ecological and social system renewal, emphasizing the creation of net-positive outcomes.

This transition reflects a broader evolution in sustainability thinking, moving from "do less harm" to "create more good." ESG metrics, while useful for benchmarking and disclosure, often fail to capture the dynamic and systemic nature of ecological and social impact (Berg et al., 2022). As a result, firms may achieve high ESG scores without fundamentally altering their underlying business models. The regenerative approach addresses this limitation by focusing on system-level impact, requiring organizations to redesign their value creation processes to enhance rather than deplete natural and social capital.

Core Pillars of the Regenerative Strategy Framework

The analysis identifies three interdependent pillars that define the regenerative strategy of the net-positive firm:

1. Value Restoration

   Value restoration refers to the firm's capacity to actively repair and enhance ecological and social systems affected by its operations. Unlike traditional sustainability approaches that focus on minimizing negative externalities, value restoration emphasizes positive externalities, such as ecosystem regeneration, biodiversity enhancement, and community well-being (Hawken, 2021).

   This dimension requires firms to adopt a restorative logic of value creation, where business activities are designed to generate benefits beyond organizational boundaries. For example, companies may invest in reforestation, regenerative agriculture, or community development initiatives that restore natural and social capital. Importantly, value restoration is not treated as a peripheral corporate social responsibility activity but as a core strategic objective embedded within the firm's value proposition.

   However, operationalizing value restoration presents significant challenges. Measuring positive impact is inherently complex, as it involves long-term and context-specific outcomes. This necessitates the development of new metrics and evaluation frameworks that go beyond traditional financial and ESG indicators.

2. Systemic Circularity

   Systemic circularity represents the redesign of resource flows to eliminate waste and regenerate natural systems. Building on circular economy principles, this pillar extends beyond efficiency to emphasize regenerative cycles, where resources are continuously renewed and enhanced (Geissdoerfer et al., 2017).

   In a regenerative framework, circularity is not limited to recycling or reuse but involves system-level redesign, including sustainable sourcing, renewable energy integration, and closed-loop production systems. Firms must consider the entire lifecycle of products and services, ensuring that resource use contributes to ecological regeneration rather than depletion.

   The implementation of systemic circularity also requires collaboration across value chains, as no single firm can achieve circularity in isolation. This highlights the importance of ecosystem-level coordination, where multiple actors work together to create regenerative systems.

   Nevertheless, tensions arise between circularity and economic efficiency. Circular systems often require significant upfront investments and may challenge existing business models based on linear production. Firms must therefore balance short-term financial considerations with long-term regenerative benefits.

3. Stakeholder Co-Creation

   Stakeholder co-creation refers to the collaborative processes through which firms engage multiple stakeholders in creating shared value. Unlike traditional stakeholder management, which often involves balancing competing interests, co-creation emphasizes collaborative value generation (Freeman, 1984).

   In the context of regenerative strategy, stakeholders—including employees, customers, communities, and even natural ecosystems—are viewed as active participants in value creation. This requires new governance models that facilitate dialogue, participation, and shared decision-making. For example, firms may engage local communities in designing sustainability initiatives or collaborate with suppliers to develop regenerative supply chains.

   Co-creation also enhances innovation, as diverse perspectives contribute to the development of new solutions. However, it introduces complexity in decision-making, as aligning multiple stakeholders with different interests can be challenging. Effective governance mechanisms are therefore essential to manage these interactions.

Strategic Tensions in the Transition to Net-Positive Models

The integration of regenerative principles into business strategy reveals several inherent tensions that firms must navigate.

a) Short-Term Profit vs. Long-Term Regeneration
Traditional business models prioritize short-term financial performance, while regenerative strategies emphasize long-term system health. This creates a temporal tension, as investments in regeneration may not yield immediate financial returns (Porter & Kramer, 2011).
b) Standardization vs. Contextual Complexity
ESG frameworks rely on standardized metrics, whereas regenerative strategies require context-specific approaches tailored to local ecological and social conditions. Balancing comparability with contextual relevance remains a key challenge (Berg et al., 2022).
c) Efficiency vs. Resilience
Efficiency-driven systems minimize costs but often lack resilience. Regenerative systems, by contrast, prioritize diversity, redundancy, and adaptability, which may increase costs but enhance long-term sustainability (Folke, 2006).
d) Control vs. Collaboration
Traditional firms operate through hierarchical control, while regenerative strategies require decentralized and collaborative governance. This shift challenges existing organizational structures and leadership models.

A Multi-Layered Regenerative Strategy Framework

Building on the identified pillars and tensions, this study proposes a multi-layered framework for the net-positive firm:

a) Strategic Level
At the strategic level, firms redefine their purpose to align with regenerative goals. This includes embedding net-positive objectives into corporate strategy and decision-making processes.
b) Operational Level
At the operational level, firms implement practices that support circularity and restoration, such as sustainable sourcing, waste reduction, and regenerative production systems.
c) Ecosystem Level
At the ecosystem level, firms engage with stakeholders and partners to create regenerative systems that extend beyond organizational boundaries. This includes collaboration with governments, NGOs, and communities.

Organizational Implications

The transition to a net-positive model requires significant organizational transformation. Firms must develop new capabilities, including systems thinking, stakeholder engagement, and innovation. Leadership plays a critical role in driving this transformation, as it requires a shift in mindset from efficiency to regeneration.

Digital technologies can support regenerative strategies by enabling better monitoring, coordination, and transparency. However, technology alone is insufficient; it must be integrated with organizational and cultural change.

Theoretical Contribution and Synthesis

This study contributes to the literature by introducing a regenerative strategy framework that extends beyond ESG. It integrates insights from sustainability, ecology, and strategic management, providing a comprehensive perspective on net-positive business models.

By conceptualizing the firm as a regenerative actor embedded in socio-ecological systems, the study advances the understanding of corporate sustainability and highlights the importance of systemic thinking. It also bridges the gap between fragmented research streams, offering a unified framework for future research.

Synthesis: Toward the Net-Positive Firm

Overall, the findings suggest that the future of business lies in regenerative and net-positive models. Firms that embrace this approach can transform sustainability from a constraint into a source of innovation and competitive advantage.

By integrating value restoration, systemic circularity, and stakeholder co-creation, organizations can move beyond ESG toward a more transformative and impactful paradigm. In doing so, they contribute not only to their own success but also to the resilience and vitality of the broader systems in which they operate.

Conclusion

This study has examined the limitations of ESG frameworks and proposed a regenerative strategy framework for the net-positive firm as a transformative alternative. While ESG has played a critical role in integrating sustainability into corporate practices, it remains largely focused on risk mitigation and incremental improvement. In contrast, the net-positive paradigm shifts the focus toward value creation, regeneration, and systemic impact, redefining the role of firms within broader socio-ecological systems.

A key contribution of this study is the identification of three interdependent pillars—value restoration, systemic circularity, and stakeholder co-creation—that collectively enable organizations to generate positive environmental and social outcomes. These pillars emphasize that achieving net-positive performance requires more than operational adjustments; it demands a fundamental reorientation of corporate purpose, strategy, and governance. Firms must move beyond minimizing harm toward actively contributing to the regeneration of natural and social capital.

The proposed multi-layered framework highlights the importance of aligning strategic intent, operational practices, and ecosystem engagement. It also underscores the inherent tensions between short-term financial performance and long-term regenerative impact, as well as between standardized metrics and context-specific realities. Successfully navigating these tensions requires adaptive leadership, systems thinking, and a commitment to innovation and collaboration.

From a practical perspective, the findings suggest that organizations must invest in new capabilities, including stakeholder engagement, circular design, and impact measurement. Theoretically, this study contributes by extending sustainability and strategic management literature toward a regenerative paradigm.

The net-positive firm represents a forward-looking model for business in an era of global sustainability challenges, offering a pathway toward resilient, inclusive, and regenerative economic systems.

AI Usage Statement

This study utilized artificial intelligence (AI) as a supporting tool to assist in improving language clarity, structure, and readability of the manuscript. The research ideas, conceptual development, analysis, and conclusions were independently formulated by the author. The author takes full responsibility for the accuracy, originality, and integrity of the content presented in this article.

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