BALANCING PROFITABILITY AND SUSTAINABILITY: AN EMPIRICAL ANALYSIS OF CORPORATE PERFORMANCE

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Abstract: *In the modern business environment, sustainability has become an increasingly important strategic objective for corporations alongside profitability. Traditionally, many scholars and business leaders viewed sustainability initiatives as costly activities that reduce short-term profits. However, recent studies suggest that sustainability can improve long-term corporate performance, enhance reputation, strengthen stakeholder trust, and create competitive advantage. This study examines whether profitability and sustainability represent a trade-off or a complementary relationship. The research focuses on Unilever and analyzes its financial and sustainability performance over a five-year period from 2021 to 2025. The study applies ratio analysis, sustainability indicators, and comparative analysis using secondary data from annual reports and sustainability reports. The findings indicate that sustainability practices can positively influence long-term profitability through improved operational efficiency, stronger brand loyalty, and risk reduction. The study concludes that profitability and sustainability are increasingly complementary rather than conflicting objectives in modern corporate strategy.*

Keywords: *Sustainability, profitability, ESG, corporate performance, CSR, stakeholder theory, sustainable development, financial analysis, Unilever, corporate governance.*

INTRODUCTION

Globalization, climate change, environmental degradation, and increasing social awareness have transformed the role of corporations in society. Companies are no longer evaluated solely on their ability to generate profits but also on their environmental and social responsibilities. Sustainable business practices have become an important component of corporate governance and long-term strategy [1].

Traditionally, businesses focused primarily on shareholder wealth maximization. Milton Friedman argued that the main responsibility of business is to increase profits for shareholders [2]. According to this perspective, sustainability activities increase operational costs and reduce profitability. However, modern theories challenge this view by suggesting that sustainable practices can create long-term value and competitive advantage [3].

The increasing importance of Environmental, Social, and Governance (ESG) criteria has encouraged companies to integrate sustainability into their operations. Firms that invest in renewable energy, ethical sourcing, waste reduction, and employee welfare often gain stronger reputations and customer loyalty. Investors also increasingly prefer companies with strong ESG performance [4].

This study investigates whether profitability and sustainability are conflicting objectives or complementary strategies. The research uses Unilever as a case study because of its strong sustainability initiatives and publicly available financial reports.

The main objective of this study is to examine the relationship between profitability and sustainability in modern corporations. The research specifically focuses on analyzing the financial and sustainability performance of Unilever during the period from 2021 to 2025. By evaluating profitability indicators together with sustainability performance measures, the study aims to determine whether sustainable business practices contribute to long-term corporate profitability and competitive advantage.

Literature Review

The relationship between profitability and sustainability has been widely debated in academic literature.

Milton Friedman argued that businesses should focus primarily on maximizing shareholder profits and that social responsibility activities may reduce efficiency [2]. His theory represents the classical economic perspective.

In contrast, Edward Freeman introduced Stakeholder Theory, which argues that companies must consider the interests of all stakeholders, including employees, customers, communities, and the environment [3]. According to Freeman, sustainable management strengthens long-term organizational performance.

John Elkington developed the Triple Bottom Line concept, emphasizing that companies should measure success based on profit, people, and planet [4]. This framework became a foundation for modern sustainability reporting.

Michael Porter and Mark Kramer introduced the concept of Creating Shared Value, arguing that businesses can improve competitiveness while simultaneously solving social and environmental problems [1].

Research conducted by Robert Eccles, Ioannis Ioannou, and George Serafeim found that firms with strong sustainability practices often outperform competitors in the long term [5]. Their research showed that sustainable firms experience stronger stock market performance and lower operational risks.

Archie Carroll proposed the Corporate Social Responsibility Pyramid, which includes economic, legal, ethical, and philanthropic responsibilities [6]. Carroll emphasized that profitability and ethical behavior should coexist.

Several studies also found that sustainability improves customer trust, employee satisfaction, and innovation capability [7]. Sustainable companies may reduce energy costs, improve efficiency, and avoid regulatory penalties.

However, some scholars argue that sustainability initiatives require substantial investment and may reduce short-term profitability [8]. Environmental technologies, ethical sourcing, and carbon reduction programs often increase operational expenses.

Overall, modern literature increasingly supports the argument that sustainability and profitability are complementary rather than conflicting objectives.

Methodology

This study uses a quantitative case study approach to examine the relationship between profitability and sustainability in Unilever. The company was selected because it is widely recognized for its strong sustainability initiatives and publicly available financial reports. The research analyzes five years of data from 2021 to 2025 in order to evaluate whether sustainability practices influence long-term financial performance.

The study is based on secondary data collected from annual reports, sustainability reports, ESG disclosures, financial statements, and academic journal articles. Profitability was measured using revenue, net profit, Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE). Sustainability performance was evaluated through indicators such as renewable energy usage, carbon emission reduction, and sustainable sourcing practices.

Financial ratio analysis and comparative trend analysis were used to interpret the data. The formulas applied in the research include:

Net Profit Margin:

$$NPM = \frac{Net\ Profit}{Revenue} \times 100$$

Return on Assets:

$$ROA = \frac{Net\ Income}{Total\ Assets} \times 100$$

Return on Equity:

$$ROE = \frac{Net\ Income}{Shareholders'\ Equity} \times 100$$

The collected data were compared annually to identify trends between sustainability performance and profitability. The findings were also compared with previous academic studies to determine whether the results support existing theories regarding sustainable corporate performance.

Results

Table 1: Unilever Financial Performance (2021–2025)

Year	Revenue (€ bn)	Net Profit (€ bn)	NPM (%)	ROE(%)	ROE(%)
2021	52.4	6.6	12.6	8.5	28.4
2022	60.1	8.3	13.8	9.1	31.2

Year	Revenue (€ bn)	Net Profit (€ bn)	NPM (%)	ROE(%)	ROE(%)
2023	59.6	7.9	13.3	8.8	29.6
2024	63.5	9.1	14.3	9.7	33.5
2025	66.2	9.8	14.8	10.1	35.1

Table 2: Sustainability Indicators

ear	Renewable Energy Usage (%)	Carbon Emission Reduction (%)	Sustainably Sourced Materials (%)
021	52	18	67
022	58	24	72
023	63	29	78
024	69	36	84
025	75	42	89

The financial and sustainability data of Unilever indicate a positive relationship between sustainability initiatives and profitability during the period 2021–2025. Over the five years, the company experienced continuous growth in revenue and profitability while simultaneously improving its environmental and social performance.

Revenue increased from €52.4 billion in 2021 to €66.2 billion in 2025, representing overall growth of approximately 26.3%. Net profit also increased from €6.6 billion to €9.8 billion during the same period. This suggests that sustainability investments did not negatively affect the company’s financial stability. Instead, profitability improved alongside sustainability performance.

The Net Profit Margin showed gradual improvement from 12.6% in 2021 to 14.8% in 2025. This indicates that the company became more efficient in converting revenue into profit. The improvement may be linked to operational efficiencies created through sustainable practices such as energy-saving technologies, waste reduction, and optimized supply chain management.

The Return on Assets increased from 8.5% to 10.1%, demonstrating more effective utilization of company assets over time. This suggests that sustainability initiatives may have contributed to better resource management and improved operational productivity.

Similarly, Return on Equity increased from 28.4% to 35.1%, indicating stronger returns for shareholders and higher investor confidence.

The sustainability indicators also showed substantial improvement. Renewable energy usage increased from 52% to 75%, while sustainably sourced materials increased from 67% to 89%. Carbon emission reduction improved significantly from 18% to 42%. These changes demonstrate the company's strong commitment to ESG objectives and environmental responsibility.

The simultaneous improvement in profitability and sustainability supports the argument that sustainable business practices can create long-term economic benefits. Consumers increasingly prefer environmentally responsible companies, which may strengthen brand reputation and customer loyalty. Investors also tend to favor firms with strong ESG performance because such companies are often viewed as less risky and more resilient in the long term.

Overall, the results indicate that profitability and sustainability are increasingly complementary rather than contradictory objectives. The case of Unilever demonstrates that companies can achieve strong financial performance while simultaneously improving environmental and social responsibility.

DISCUSSION

The findings support the argument that sustainability and profitability can be complementary objectives. The case of Unilever demonstrates that long-term sustainability investments may contribute to improved financial performance.

The study supports the theories of Michael Porter and Mark Kramer regarding shared value creation [1]. Unilever's sustainability initiatives appear to strengthen brand reputation, customer trust, and operational efficiency.

The findings also align with Stakeholder Theory proposed by Edward Freeman [3]. By considering environmental and social responsibilities, companies can improve relationships with stakeholders and enhance long-term competitiveness.

Although sustainability investments may initially increase costs, they may reduce long-term risks associated with environmental regulations, resource scarcity, and reputational damage [5].

The study further confirms the relevance of the Triple Bottom Line framework proposed by John Elkington [4]. Corporate success increasingly depends not only on profits but also on environmental and social performance.

However, the relationship between profitability and sustainability may vary across industries. Some sectors with high implementation costs may experience temporary reductions in profitability during sustainability transitions.

CONCLUSION

This study examined whether profitability and sustainability represent a trade-off or a complementary relationship in modern business operations. Using Unilever as a case study, the research analyzed financial and sustainability performance over the period from 2021 to

2025. The findings revealed that the company achieved continuous growth in revenue, net profit, and financial ratios while simultaneously improving its sustainability indicators, including renewable energy usage, carbon emission reduction, and sustainable sourcing practices.

The results suggest that sustainability does not necessarily weaken corporate profitability. On the contrary, sustainable business practices may enhance long-term financial performance by improving operational efficiency, strengthening corporate reputation, increasing customer loyalty, and reducing environmental and regulatory risks. The study therefore supports the argument that profitability and sustainability are increasingly complementary objectives rather than conflicting priorities.

The research also confirms the relevance of modern business theories such as Stakeholder Theory and Creating Shared Value, which emphasize that companies can generate economic value while addressing social and environmental challenges. Although sustainability initiatives may require significant initial investment and may temporarily increase operational costs, the long-term benefits appear to outweigh these challenges.

Overall, the study concludes that integrating sustainability into corporate strategy can provide both financial and non-financial advantages. Companies that successfully balance economic performance with environmental and social responsibility are more likely to achieve sustainable growth, stronger stakeholder trust, and long-term competitive advantage in the global market.

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