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Sustainable Value Creation And ESG-Driven Digital Infrastructure In Corporate Integration: Strategic Implications Of Cloud Adoption In Contemporary Mergers And Acquisitions

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Abstract:

Environmental, Social, and Governance (ESG) principles have emerged as one of the most decisive frameworks shaping corporate strategy in the twenty-first century, particularly within mergers and acquisitions and in the digital transformation of enterprise infrastructure. As corporations increasingly shift from traditional on-premise hosting to cloud-based architectures, ESG considerations are no longer peripheral ethical concerns but strategic drivers of long-term value creation, regulatory compliance, reputational capital, and stakeholder trust. This article develops a comprehensive theoretical and empirical synthesis of ESG-oriented infrastructure decisions in the context of mergers and acquisitions, focusing especially on the strategic superiority of cloud infrastructure over traditional hosting from an ESG perspective. Drawing on contemporary ESG scholarship, corporate governance literature, sustainability economics, and digital infrastructure theory, this study situates cloud adoption as a core mechanism of sustainable corporate integration rather than merely a technological upgrade.

The analysis is grounded in a qualitative, interpretive synthesis of academic research, professional governance frameworks, sustainability reporting studies, and ESG-driven M&A practice. Particular emphasis is placed on the work of Goel and Bhatiya (2025), who articulate a foundational ESG case for cloud infrastructure that reframes digital systems as ecological, social, and governance assets rather than neutral operational tools. Their framework is extended and embedded into the wider literature on shareholder value creation, risk mitigation, stakeholder theory, and legitimacy theory. By integrating ESG-focused due diligence models, post-merger integration strategies, and digital sustainability frameworks, this article demonstrates how cloud infrastructure becomes a structural enabler of ESG performance, reducing environmental externalities, enhancing governance transparency, and strengthening social accountability.

The findings indicate that firms adopting cloud-based infrastructures during or following M&A transactions experience superior ESG alignment, lower integration risk, higher brand legitimacy, and more resilient long-term financial performance when compared with firms relying on legacy hosting systems. These outcomes emerge not only from the energy efficiency and scalability of cloud computing but from its embedded governance architectures, auditability, and stakeholder visibility. This study contributes a conceptual model of ESG-digital convergence, showing how technological infrastructure choices function as governance instruments that directly shape corporate sustainability outcomes. The article concludes that ESG-oriented cloud adoption is not a supplementary corporate responsibility initiative but a fundamental strategic determinant of competitive advantage in modern corporate ecosystems.

Keywords

Environmental, Social and Governance, Cloud Computing, Mergers and Acquisitions, Sustainable Infrastructure, Corporate Governance, Digital Sustainability, Stakeholder Value

INTRODUCTION

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Environmental, Social, and Governance (ESG) frameworks have undergone a dramatic transformation over the past two decades, shifting from peripheral ethical reporting instruments into central determinants of corporate valuation, regulatory legitimacy, and strategic sustainability (Amel-Zadeh and Serafeim, 2018; Henisz, Koller and Nuttall, 2019). In parallel, the global corporate landscape has been reshaped by a second structural force: the digitalization of enterprise infrastructure through cloud computing. While these two developments have traditionally been examined as distinct domains, a growing body of scholarship demonstrates that they are deeply interdependent, particularly in the context of mergers and acquisitions where organizational systems, governance regimes, and stakeholder expectations converge (Barrett et al., 2024; Deloitte, 2019). The intersection of ESG and digital infrastructure thus represents one of the most consequential yet under-theorized domains of contemporary corporate strategy.

Mergers and acquisitions are inherently disruptive processes that reconfigure ownership, risk, governance, and operational systems, often exposing firms to ESG vulnerabilities that were previously obscured by organizational boundaries (Labroo, 2014; David, 2024). Environmental liabilities, labor practices, data governance failures, and regulatory non-compliance frequently emerge during due diligence and post-merger integration, making ESG performance not only a reputational concern but a material financial risk (KPMG, 2021; Deloitte, 2019). Simultaneously, the infrastructure that underpins corporate data, operations, and stakeholder communication has become increasingly digitalized, with cloud computing replacing traditional on-premise hosting as the dominant enterprise

architecture. These two transformations intersect in powerful ways, because digital infrastructure determines not only operational efficiency but also environmental footprint, governance transparency, and stakeholder trust (Goel and Bhatiya, 2025; de Grosbois, 2012).

Historically, corporate infrastructure was treated as a neutral operational substrate, largely invisible to sustainability analysis. Traditional data centers, server farms, and in-house IT systems were evaluated almost exclusively on cost, reliability, and control, with little attention paid to their environmental impact, governance implications, or social externalities (Buallay, 2019; Ching and Gerab, 2017). However, as ESG frameworks matured and climate accountability, data ethics, and stakeholder rights became central to corporate legitimacy, it became increasingly clear that infrastructure is itself a governance system that shapes how firms interact with society and the environment (Connelly, Ketchen and Slater, 2011; Zumente and Bistrova, 2022). The rise of cloud computing has therefore not merely changed how companies store data or run applications; it has altered the ethical, regulatory, and ecological architecture of modern capitalism (Goel and Bhatiya, 2025; United Nations, 2015).

The strategic relevance of ESG is now reflected in regulatory developments and investor behavior across global markets. Governments, stock exchanges, and financial institutions increasingly mandate ESG disclosures and link capital access to sustainability performance, transforming ESG from a voluntary reporting practice into a de facto compliance regime (Times of India, 2023; Amel-Zadeh and Serafeim, 2018). Investors, meanwhile, use ESG metrics to assess long-term risk exposure, corporate resilience, and reputational stability, making sustainability a core

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component of valuation models (Aydoğmuş, Gülay and Ergun, 2022; Alareeni and Hamdan, 2020). Within this environment, mergers and acquisitions become ESG flashpoints because they combine the environmental, social, and governance legacies of two or more firms, often revealing hidden liabilities or amplifying stakeholder scrutiny (David, 2024; Barrett et al., 2024).

Cloud infrastructure plays a particularly critical role in this context because it mediates the environmental efficiency, governance traceability, and social accountability of merged entities. As Goel and Bhatiya (2025) argue, cloud platforms embed sustainability into their architecture through energy-optimized data centers, automated compliance controls, and scalable resource allocation, making them structurally superior to traditional hosting from an ESG perspective. This reframing of digital infrastructure as a strategic ESG asset represents a paradigm shift in both information systems theory and corporate governance scholarship. Rather than viewing IT as a cost center or operational utility, it becomes a mechanism through which firms enact their environmental commitments, governance transparency, and social responsibility (Chouaibi et al., 2022; Hennisz, Koller and Nuttall, 2019).

Despite this emerging recognition, the academic literature remains fragmented. ESG research has largely focused on reporting practices, investor behavior, and financial performance, while cloud computing studies have emphasized efficiency, scalability, and innovation without fully integrating sustainability and governance theory (Buallay, 2019; Amel-Zadeh and Serafeim, 2018). Similarly, M&A scholarship has examined ESG primarily through the lens of risk management and post-merger integration, often neglecting the infrastructural foundations that enable

or undermine ESG performance (Deloitte, 2019; Labroo, 2014). This disconnect has produced a significant theoretical gap: there is no comprehensive framework explaining how digital infrastructure choices during M&A shape long-term ESG outcomes and, by extension, corporate value creation.

This article addresses that gap by developing an integrated theoretical model of ESG-driven cloud adoption in mergers and acquisitions. Drawing on Goel and Bhatiya (2025) as a conceptual anchor, it situates cloud infrastructure within the broader ESG value creation literature, showing how digital systems function as environmental, social, and governance instruments rather than merely technical platforms. By synthesizing sustainability economics, stakeholder theory, legitimacy theory, and digital governance, the study demonstrates that cloud adoption during corporate integration is not a technical afterthought but a strategic decision that determines whether ESG commitments are operationalized or merely symbolized (Ching and Gerab, 2017; Connelly, Ketchen and Slater, 2011).

The problem addressed in this research is therefore not simply whether cloud computing is more efficient than traditional hosting, but whether it constitutes a structurally superior governance architecture for ESG-aligned corporate integration. In a world where environmental disasters, labor violations, and data breaches can destroy billions in shareholder value, the infrastructure through which firms manage information, energy, and compliance becomes a central determinant of corporate survival (Gatehouse, 2020; European Greens, 2023). M&A transactions intensify these risks because they combine systems, cultures, and regulatory exposures, making infrastructure harmonization a critical ESG

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battleground (Barrett et al., 2024; David, 2024).

By examining cloud computing through the lens of ESG-driven M&A strategy, this article contributes to multiple strands of scholarship. It extends ESG theory by embedding digital infrastructure into sustainability analysis, enriches M&A literature by integrating technological governance into due diligence and integration frameworks, and advances information systems research by reframing cloud platforms as ethical and regulatory architectures (Goel and Bhatiya, 2025; Deloitte, 2019; Henisz, Koller and Nuttall, 2019). In doing so, it responds to the growing demand from investors, regulators, and civil society for corporations to demonstrate not only what they claim about sustainability, but how their underlying systems make those claims credible.

The introduction thus establishes the central argument of this study: that ESG-aligned cloud infrastructure is a foundational pillar of sustainable corporate integration in the contemporary economy. The sections that follow develop this argument through a detailed methodological framework, an interpretive analysis of ESG-digital convergence, and a theoretical discussion of its implications for long-term value creation and corporate legitimacy.

METHODOLOGY

The methodological approach adopted in this study is qualitative, interpretive, and integrative, reflecting the complex, multidimensional nature of ESG-driven digital infrastructure and its role in mergers and acquisitions (Chouaibi et al., 2022; Connelly, Ketchen and Slater, 2011). Rather than seeking to quantify isolated variables, the research aims to construct a theoretically robust and empirically grounded understanding of how cloud

computing functions as an ESG governance mechanism within corporate integration processes. This approach is consistent with the dominant traditions in sustainability and corporate governance research, where phenomena such as legitimacy, stakeholder trust, and long-term value creation cannot be meaningfully reduced to single metrics without losing their conceptual richness (Buallay, 2019; Zumente and Bistрова, 2022).

The primary data sources for this research consist of peer-reviewed academic literature, professional governance frameworks, sustainability reporting analyses, and ESG-focused M&A studies drawn from the provided references. These sources are treated not merely as repositories of facts but as discursive constructions of corporate reality, reflecting how ESG and digital infrastructure are understood, operationalized, and contested within contemporary capitalism (Ching and Gerab, 2017; Amel-Zadeh and Serafeim, 2018). In this sense, the methodology aligns with interpretive institutionalism, which views corporate practices as embedded in normative, regulatory, and cognitive structures that shape organizational behavior (Henisz, Koller and Nuttall, 2019; United Nations, 2015).

A central pillar of the methodological framework is the conceptual integration of Goel and Bhatiya's (2025) ESG-cloud model with broader ESG and M&A theory. Their work is used as an analytical lens through which the environmental, social, and governance implications of cloud infrastructure are examined, not in isolation but in relation to stakeholder theory, sustainability reporting, and corporate governance research (de Grosbois, 2012; Buallay, 2019). By triangulating this framework with studies on investor behavior, regulatory risk, and post-merger integration, the methodology ensures that

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the analysis reflects the full spectrum of ESG-relevant dynamics rather than privileging any single dimension (Barrett et al., 2024; David, 2024).

The interpretive process involves three interrelated stages. First, the literature is systematically analyzed to identify how ESG value creation, risk management, and legitimacy are conceptualized across different domains, including finance, marketing, governance, and sustainability science (Amel-Zadeh and Serafeim, 2018; Connelly, Ketchen and Slater, 2011). Second, cloud computing is examined not only as a technological innovation but as an institutional structure that shapes environmental externalities, data governance, and stakeholder visibility (Goel and Bhatiya, 2025; de Grosbois, 2012). Third, these insights are synthesized within the context of mergers and acquisitions, where organizational integration, due diligence, and cultural alignment determine whether ESG commitments are realized or undermined (Deloitte, 2019; Labroo, 2014).

This form of qualitative synthesis is particularly appropriate because ESG-digital convergence is a relatively new phenomenon that lacks stable quantitative indicators across industries and jurisdictions (Aydoğmuş, Gülay and Ergun, 2022; Alareeni and Hamdan, 2020). By grounding the analysis in peer-reviewed research and authoritative professional sources, the study ensures analytical rigor while retaining the flexibility needed to explore complex causal pathways. Moreover, the interpretive methodology allows for the inclusion of counter-arguments and competing perspectives, which are essential for understanding contested issues such as greenwashing, regulatory arbitrage, and technological determinism (Ching and Gerab, 2017; Zumente and Bistrova, 2022).

One of the methodological strengths of this approach is its ability to capture the dynamic and processual nature of M&A-driven ESG transformation. Rather than treating mergers as static events, the analysis conceptualizes them as ongoing processes of institutional negotiation, where infrastructure choices, governance systems, and stakeholder relationships are continuously reconfigured (Barrett et al., 2024; Deloitte, 2019). Cloud adoption is therefore examined not as a one-time investment but as an evolving governance architecture that shapes environmental performance, data transparency, and social accountability over time (Goel and Bhatiya, 2025; Henisz, Koller and Nuttall, 2019).

Nevertheless, the methodology also has limitations that must be acknowledged. The reliance on secondary sources means that the analysis reflects the interpretive frameworks and empirical contexts of existing studies, which may be shaped by regional, sectoral, or temporal biases (Buallay, 2019; de Grosbois, 2012). Additionally, while qualitative synthesis allows for deep theoretical integration, it cannot provide the statistical generalizability associated with large-scale econometric studies (Alareeni and Hamdan, 2020; Aydoğmuş, Gülay and Ergun, 2022). However, given the exploratory and theory-building objectives of this research, these limitations are outweighed by the methodological advantages of depth, coherence, and conceptual clarity (Connelly, Ketchen and Slater, 2011).

By explicitly situating cloud infrastructure within ESG and M&A theory, the methodology ensures that the analysis does not collapse into either technological determinism or ethical abstraction. Instead, it treats digital systems as socio-technical institutions that mediate corporate responsibility, risk, and value creation (Goel and Bhatiya, 2025; United Nations, 2015).

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This integrated methodological stance provides a robust foundation for the results and discussion that follow, enabling a nuanced exploration of how ESG-driven cloud adoption reshapes the strategic landscape of corporate integration.

RESULTS

The interpretive analysis of the literature reveals a consistent and theoretically coherent pattern: firms that integrate cloud-based infrastructure into their mergers and acquisitions processes demonstrate significantly stronger ESG alignment, risk mitigation, and long-term value creation than those that rely on traditional hosting systems (Goel and Bhatiya, 2025; Barrett et al., 2024). This result emerges not from a single causal mechanism but from the cumulative interaction of environmental efficiency, governance transparency, and stakeholder accountability embedded within cloud architectures (Henisz, Koller and Nuttall, 2019; Chouaibi et al., 2022).

From an environmental perspective, cloud infrastructure reduces the ecological footprint of merged enterprises by consolidating computing resources into energy-efficient, professionally managed data centers that optimize power usage, cooling, and hardware utilization (Goel and Bhatiya, 2025; United Nations, 2015). Traditional on-premise hosting, by contrast, often involves redundant servers, inefficient energy use, and limited capacity to integrate renewable energy sources, making it structurally misaligned with contemporary climate commitments (Buallay, 2019; Zumente and Bistrova, 2022). In the context of M&A, where combined entities inherit the environmental liabilities of multiple data centers, cloud migration emerges as a powerful mechanism for rapid decarbonization and sustainability

reporting alignment (Barrett et al., 2024; de Grosbois, 2012).

The social dimension of ESG is likewise enhanced through cloud-based integration. Cloud platforms enable standardized data governance, secure information sharing, and scalable collaboration tools that support workforce inclusion, labor rights monitoring, and stakeholder communication across organizational boundaries (Chouaibi et al., 2022; Amel-Zadeh and Serafeim, 2018). During post-merger integration, employees, suppliers, and customers must navigate new systems and processes, and cloud-based platforms reduce the friction and inequality that often accompany such transitions by providing transparent, accessible, and interoperable digital environments (Barrett et al., 2024; Ching and Gerab, 2017). Traditional hosting, in contrast, tends to perpetuate fragmented systems and information silos that exacerbate power imbalances and obscure accountability (Goel and Bhatiya, 2025; Connelly, Ketchen and Slater, 2011).

Governance outcomes show perhaps the most pronounced divergence between cloud and traditional infrastructure. Cloud platforms embed auditability, compliance monitoring, and cybersecurity controls directly into their architecture, enabling firms to meet regulatory and stakeholder expectations with greater consistency and transparency (Goel and Bhatiya, 2025; Deloitte, 2019). In M&A contexts, where governance failures such as data breaches, reporting inconsistencies, and regulatory non-compliance can destroy value and legitimacy, cloud-based systems provide a unified governance layer that integrates policies, controls, and reporting across the merged entity (David, 2024; Henisz, Koller and Nuttall, 2019). Traditional hosting systems, by contrast, require extensive manual harmonization and are more vulnerable to governance gaps that expose

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firms to ESG-related litigation and reputational damage (Gatehouse, 2020; European Greens, 2023).

These environmental, social, and governance advantages translate into measurable strategic benefits. Studies of ESG-aligned firms consistently show higher profitability, stronger market valuation, and greater resilience to external shocks, particularly in sectors exposed to regulatory and reputational risk (Alareeni and Hamdan, 2020; Aydoğmuş, Gülay and Ergun, 2022). When cloud infrastructure is integrated into ESG-driven M&A strategies, these benefits are amplified because the merged entity can rapidly align its operations, reporting, and stakeholder engagement with sustainability expectations (Goel and Bhatiya, 2025; Barrett et al., 2024). The result is a form of digital-sustainability synergy that enhances both financial and non-financial performance.

Importantly, the results also highlight that ESG-cloud alignment reduces the likelihood of post-merger failure. Many M&A transactions fail not because of financial miscalculation but because of cultural, operational, and governance incompatibilities that erode trust and efficiency (Labroo, 2014; Deloitte, 2019). Cloud-based platforms mitigate these risks by providing standardized, transparent, and scalable systems that facilitate organizational learning and stakeholder engagement across newly integrated firms (Chouaibi et al., 2022; Goel and Bhatiya, 2025). In this sense, cloud infrastructure functions as a socio-technical bridge that supports not only operational integration but also ethical and governance alignment.

The interpretive findings therefore support a robust conclusion: cloud adoption during M&A is a strategic ESG intervention that enhances environmental sustainability, social equity, and governance quality while

simultaneously strengthening long-term shareholder value (Henisz, Koller and Nuttall, 2019; Zumente and Bistrova, 2022). This result challenges the conventional view that digital transformation and sustainability are separate corporate agendas, demonstrating instead that they are mutually reinforcing components of modern corporate strategy (Goel and Bhatiya, 2025; United Nations, 2015).

DISCUSSION

The results of this study invite a fundamental rethinking of how corporate infrastructure, sustainability, and strategic integration are theorized within contemporary capitalism. Traditional scholarship has often treated ESG as a reporting framework layered onto existing business models, while digital infrastructure has been framed as a technical substrate that enables efficiency and innovation (Buallay, 2019; Ching and Gerab, 2017). However, the convergence of ESG and cloud computing revealed in this analysis suggests that infrastructure itself has become a primary site of corporate responsibility, governance, and value creation (Goel and Bhatiya, 2025; Henisz, Koller and Nuttall, 2019).

From a theoretical standpoint, this convergence can be understood through the lens of stakeholder theory, which posits that firms derive legitimacy and long-term success from their ability to balance the interests of diverse stakeholder groups rather than privileging short-term shareholder returns (Connelly, Ketchen and Slater, 2011; Amel-Zadeh and Serafeim, 2018). Cloud-based infrastructure enhances this balancing act by making corporate operations more transparent, auditable, and responsive to stakeholder concerns, particularly in the wake of mergers and acquisitions where trust is often fragile (Barrett et al., 2024; Goel and Bhatiya, 2025). By contrast, traditional

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hosting systems obscure information flows and perpetuate organizational silos, undermining stakeholder engagement and increasing the risk of ESG failures (Chouaibi et al., 2022; Gatehouse, 2020).

Legitimacy theory further illuminates why ESG-aligned cloud adoption is strategically advantageous. Firms operate within a social contract that requires them to conform to evolving norms of environmental stewardship, social justice, and governance transparency (Ching and Gerab, 2017; United Nations, 2015). When companies merge, this social contract is renegotiated, as stakeholders reassess whether the combined entity deserves their trust and support (David, 2024; Barrett et al., 2024). Cloud platforms, by embedding sustainability metrics, compliance monitoring, and data security into their architecture, provide a visible and verifiable means of demonstrating that the firm is meeting its ESG obligations (Goel and Bhatiya, 2025; Deloitte, 2019). This infrastructural legitimacy is difficult to replicate with legacy systems that lack real-time monitoring and standardized reporting capabilities (Buallay, 2019; Zumente and Bistrova, 2022).

The discussion must also address the counter-argument that cloud computing itself has environmental and social costs, including energy consumption, electronic waste, and the concentration of data power in a small number of technology firms (Aydoğmuş, Gülay and Ergun, 2022; Alareeni and Hamdan, 2020). Critics argue that outsourcing infrastructure to cloud providers may simply shift environmental burdens rather than eliminating them, and that dependence on large platforms could create new governance risks (Chouaibi et al., 2022; Connelly, Ketchen and Slater, 2011). While these concerns are valid, the literature indicates that professional cloud providers are subject to far greater

regulatory scrutiny, sustainability reporting requirements, and technological innovation than most corporate data centers, making them more capable of reducing environmental externalities and improving governance over time (Goel and Bhatiya, 2025; United Nations, 2015).

Moreover, in the context of M&A, the alternative to cloud adoption is not a neutral baseline but a patchwork of legacy systems with opaque energy use, inconsistent security standards, and fragmented governance structures (Deloitte, 2019; Labroo, 2014). When two firms merge, the environmental and governance inefficiencies of their combined data centers can quickly become material ESG liabilities, particularly in industries subject to public scrutiny and regulatory oversight (European Greens, 2023; Gatehouse, 2020). Cloud migration, therefore, should be understood not as an optional upgrade but as a strategic response to the structural ESG risks inherent in corporate integration (Goel and Bhatiya, 2025; Barrett et al., 2024).

The implications for corporate strategy are profound. If digital infrastructure is a primary determinant of ESG performance, then M&A due diligence must expand beyond financial and legal assessments to include a rigorous evaluation of IT systems, data governance, and environmental efficiency (David, 2024; Deloitte, 2019). Post-merger integration strategies must likewise prioritize cloud-based harmonization as a means of aligning sustainability goals, regulatory compliance, and stakeholder engagement across the merged entity (Barrett et al., 2024; Henisz, Koller and Nuttall, 2019). Failure to do so risks creating ESG blind spots that can undermine both legitimacy and long-term value creation.

From a policy perspective, the findings suggest that regulators and standard-

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setters should incorporate digital infrastructure into ESG reporting frameworks, recognizing that data centers, cloud platforms, and information systems are critical components of corporate sustainability (Times of India, 2023; United Nations, 2015). Investors, too, must refine their ESG analytics to account for the quality and governance of a firm's digital architecture, particularly in the context of mergers and acquisitions where infrastructure integration can determine whether ESG commitments are realized or diluted (Amel-Zadeh and Serafeim, 2018; Zumente and Bistrova, 2022).

Future research should build on this study by examining sector-specific dynamics, cross-border regulatory environments, and the evolving sustainability practices of cloud providers themselves (Aydoğmuş, Gülay and Ergun, 2022; Alareeni and Hamdan, 2020). As digital and sustainability agendas continue to converge, understanding how infrastructure mediates corporate responsibility will become increasingly critical for scholars, practitioners, and policymakers alike (Goel and Bhatiya, 2025; Connelly, Ketchen and Slater, 2011).

CONCLUSION

This article has demonstrated that cloud-based digital infrastructure constitutes a foundational pillar of ESG-aligned corporate integration in contemporary mergers and acquisitions. By synthesizing ESG theory, M&A scholarship, and digital governance research, it has shown that infrastructure choices are not merely technical decisions but strategic interventions that shape environmental performance, social accountability, and governance quality (Goel and Bhatiya, 2025; Henisz, Koller and Nuttall, 2019). The superiority of cloud computing over traditional hosting in this context arises from its ability to embed sustainability, transparency, and scalability

into the very architecture of corporate operations.

In an era where ESG considerations increasingly determine access to capital, regulatory legitimacy, and stakeholder trust, firms cannot afford to treat digital infrastructure as an afterthought. Particularly in the high-risk, high-visibility environment of mergers and acquisitions, cloud-based systems provide a unifying governance framework that enables firms to align their sustainability commitments with operational reality (Barrett et al., 2024; Deloitte, 2019). By reframing cloud adoption as a strategic ESG decision, this study contributes a new perspective on how corporations can achieve sustainable value creation in a rapidly digitalizing world.

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