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Decoupling ESG Executive Incentives, Resilience, and Cost Stickiness in Logistics Firms

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ABSTRACT

Environmental, Social, and Governance (ESG)-linked executive compensation is a tool for aligning managerial decision-making with sustainability goals, but its behavioural effectiveness is uncertain in emerging markets. This study examined the impact of ESG-based executive compensation on cost stickiness and firm resilience in Indonesia's transportation and logistics industry. Using panel data from 30 listed firms over 2022 to 2024 that met the study's reporting and data-completeness criteria, the study applies Random Effects regression to test direct effects, mediation through cost stickiness, and moderation by firm size. The results show that ESG-linked compensation significantly improves firm resilience, while cost stickiness significantly weakens resilience. However, ESG-based compensation does not significantly reduce cost stickiness, cost stickiness does not mediate the ESG–resilience relationship, and firm size does not moderate the link between ESG compensation and cost stickiness. These findings reveal decoupling between strategic ESG intent and operational managerial behaviour. ESG incentives strengthen resilience strategically, but they do not penetrate embedded cost-adjustment routines. The study contributes to management accounting by showing that the same governance mechanism can generate strategic adaptation without comparable change in day-to-day resource adjustment, clarifying its bounded operational reach within emerging-market transportation and logistics firms, despite its broader strategic contribution to resilience.

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1. INTRODUCTION

Organisations face growing pressure to show that sustainability practices go beyond symbolism. One common response is to link ESG goals to executive pay on the assumption that long-term incentives can redirect managerial attention toward sustainability, ethical management, and stakeholder value. In emerging markets, however, this link remains unsettled because ESG disclosure is still uneven and often shaped by profitability, environmental exposure, and institutional readiness rather than big internal change (Istiningrum & Pratama, 2024).

Executive compensation goes beyond rewarding employees; it also serves as a governance mechanism. The incorporation of ESG criteria into executive compensation aims to shape managerial decisions through incentive alignment (Haque & Ntim, 2020). This explanation becomes relevant when considering emerging economies that are still developing their governance systems. In the case of Indonesia, it is important to note that there has been an increased commitment to ESGs, but most of these efforts remain incomplete, compliance-based, or poorly integrated into organisational operations. According to Setiawan et al. (2025) ESG preparedness in this case appears to be driven more by national and industry factors than by company size or compliance. Under such conditions, ESG-based executive compensation (ESG-Comp) may strengthen strategic signalling more easily than operational behaviour (Nasta et al., 2024; van Lieshout et al., 2021; Wang et al., 2023).

Cost stickiness (CS) is not merely an accounting pattern. It reflects managerial decisions about whether to retain, reduce, or redeploy committed resources in response to changes in revenue. Managers may delay cost reductions because they expect recovery, want to preserve capacity, or face adjustment constraints in labour, assets, and service delivery (Bai et al., 2025). ESG-linked compensation may, in principle, affect those decisions. By rewarding sustainability-oriented judgment, firms may encourage more disciplined resource use and more adaptive cost management. Yet this effect should not be assumed. In settings where ESG adoption remains weakly integrated into daily routines, incentive redesign may not reach the level at which cost decisions are actually made. This gap is especially relevant for emerging-market firms, where operational embedding often lags behind formal ESG adoption (Jiang & Yang, 2024; Zeng et al., 2024).

Firm resilience (FR) raises a similar but distinct issue. In transportation and logistics, resilience is the ability to absorb disruptions, adapt to uncertainty, and recover without losing strategic direction. This capacity is important since the sector is characterized by high fixed costs, regulatory pressure, operational interdependence, and environmental risk. ESG-oriented firms are often considered to be more resilient as they invest more consistently in stakeholders' trust, long-term continuity, and risk awareness (Wang et al., 2024). ESG-linked pay can increase resilience, but only if it does not exert too great an influence on day-to-day cost adjustments when executive compensation is aligned with those priorities. Thus, the strategic pathway may precede the operational pathway (Onsori et al., 2025).

Firm size (FS) adds an additional layer of complexity. Larger firms have more resources, more formal governance systems, and more reporting capacity. These conditions may favour the introduction of ESG-linked pay. At the same time, larger firms often face bureaucracy, slower coordination, and deeper organisational inertia. Smaller firms may respond faster, but they may also lack formal ESG systems and

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depth of implementation. The effect of ESG incentives should therefore not be expected to scale linearly across firms.

Recent studies show that ESG-linked compensation can improve ESG scores, strengthen top management engagement, enhance firm value, and reduce downside risk in unstable environments (Chen et al., 2023; Li et al., 2025; Mahmood et al., 2025). Even so, the literature remains limited in explaining whether ESG incentives reshape the internal behavioural processes through which managers adjust costs and build adaptive capacity.

Prior research has not clearly shown whether ESG-Comp changes managerial resource-adjustment behaviour or remains concentrated at the strategic level. This study addresses that gap by examining ESG-Comp, cost stickiness, firm resilience, and firm size in Indonesia's transportation and logistics sector, showing that ESG incentives can strengthen resilience without materially changing embedded cost-adjustment routines.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Executive remuneration is intended to shape managerial choices. Agency theory explains this role by linking incentives to organisational goals, while stakeholder theory broadens executive accountability beyond shareholders to employees, regulators, customers, communities, and the environment (Afsar et al., 2020; Haque & Ntim, 2020; Lu, 2023). ESG-based compensation should therefore be understood as a behavioural governance mechanism that seeks to shape how executives set priorities, evaluate trade-offs, and allocate resources rather than as a symbolic signal alone. Its effects, however, need not spread evenly across the firm. Incentive redesign can shift strategic attention faster than daily routines, especially in emerging markets where ESG adoption often remains partial and weakly embedded in operating systems. Under such conditions, ESG-linked incentives may influence leadership orientation more quickly than operational behaviour (Haque & Ntim, 2020; Lu, 2023).

This problem becomes particularly clear when considering the concept of cost stickiness. Cost stickiness refers to the tendency for costs to decrease less than revenues in periods of declining revenues and to increase more than revenues in periods of increasing revenues. However, such a tendency has more than a technical character and indicates managers' choices concerning the preservation, cutback, and redistribution of various committed resources, including labour, capital, and others. Managers can be reluctant to cut costs because they expect future improvements, want to save resources, or avoid internal disturbance. Emotion and slack contribute to such a tendency (Agusti et al., 2022). Therefore, cost stickiness can be viewed as a result of management behaviour.

ESG-linked pay may influence this behaviour by encouraging more disciplined cost control, resource reallocation, and investment in adaptive logistics systems (Dell'Erba & Ferrarini, 2024; C. Jiang & Luo, 2025). Cost behaviour can then reflect not only efficiency concerns, but also ethical orientation and stakeholder sensitivity (Liu et al., 2019). Yet the same relationship is constrained by an opposing force. In logistics firms, cost decisions are tied to asset specificity, service continuity, contractual commitments, and the demands of network coordination. These structural conditions can preserve rigidity even when

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executive incentives change. The theoretical issue is therefore not whether ESG-linked incentives matter in principle, but whether they can penetrate routines that are already deeply embedded in operational systems.

H1: ESG-based executive compensation has an effect on cost stickiness.

Firm resilience level is a unique level of analysis. It is defined as the capability to sustain, adapt, and recover during uncertain situations without losing the strategic vision of the organisation (Kyrdoda et al., 2023). Resilience in transportation and logistics is especially relevant because of high fixed costs, the need for coordination, and the frequency of disruptions in such industries (Singh, 2024). The performance measures related to ESG factors may enhance resilience (Chen et al., 2025) through drawing management's attention to the issues of sustainability (Cai et al., 2024). These measures may help to increase the strategic involvement in sustainability goals (Lu, 2023). This will be possible despite slow changes in operational processes, since strategic decision-making always precedes operational changes.

H2: ESG-based executive compensation has an effect on firm resilience.

Cost stickiness is also directly related to resilience (Bai et al., 2025; Binhua & Boyuan, 2024). Firms with inflexible costs lack the flexibility to adjust their operations as adverse circumstances unfold. As such, the changes made by these companies occur at a much slower pace, and the levels of committed costs are relatively higher during any disruptive period (Kyrdoda et al., 2023; Singh, 2024).

H3: Cost stickiness has an effect on firm resilience.

Cost stickiness can act as a mediator for understanding the association between ESG-based incentives and organisational resilience. The rationale is simple: ESG-based incentives that lead to adaptive decisions about cost-related resources could make an organisation more resilient by reducing cost stickiness. This reasoning adds a behavioural element to the causal chain underlying the ESG-resilience nexus, offering a glimpse into how CEO incentives affect an organisation’s adaptability (Salunkhe et al., 2023). Previous research has focused on examining the direct associations between these variables while ignoring the role played by cost adjustment processes (Liang & Li, 2023; Thielmann et al., 2021). Even so, the mediating path should not be assumed. A competing tension is present here as well. ESG-linked incentives may strengthen resilience through strategic channels such as long-term orientation, legitimacy, and stakeholder confidence, while the operational routines that produce cost stickiness remain anchored in fixed assets, service obligations, and internal inertia. In that case, the strategic effect may appear without passing through cost adjustment behaviour.

H4: Cost stickiness mediates the relationship between ESG-based executive compensation and firm resilience.

Firm size may further shape the effect of ESG incentives on cost behaviour. Larger firms often have more formal governance systems, more resources, and greater reporting capacity (Drempetic et al., 2020). These conditions may support the implementation of ESG-linked compensation (Chen & Wang, 2023). At the same time, larger firms often face bureaucracy and slower decision processes (Habib & Hasan, 2019). Smaller firms may be more agile, but they may also lack structured ESG systems and implementation depth

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(Fu et al., 2024; Safón et al., 2024). The moderating role of firm size should therefore not be treated as mechanically positive. Its effect depends on whether formal capacity or organisational inertia is more dominant.

H5: Firm size moderates the relationship between ESG-based executive compensation and cost stickiness.

The conceptual framework is presented in Figure 1. The model distinguishes between strategic and operational outcomes from the outset. The firm's route is strategic robustness. Cost stickiness is the operational pathway. The framework thus allows for structured asymmetry within the same governance design. ESG-linked incentives can foster strategic adaptation even when routine cost adjustments are resistant to change. This distinction gives the model more explanatory power and aligns the hypotheses with the possibility that strategic and operational effects may diverge across organisational layers.

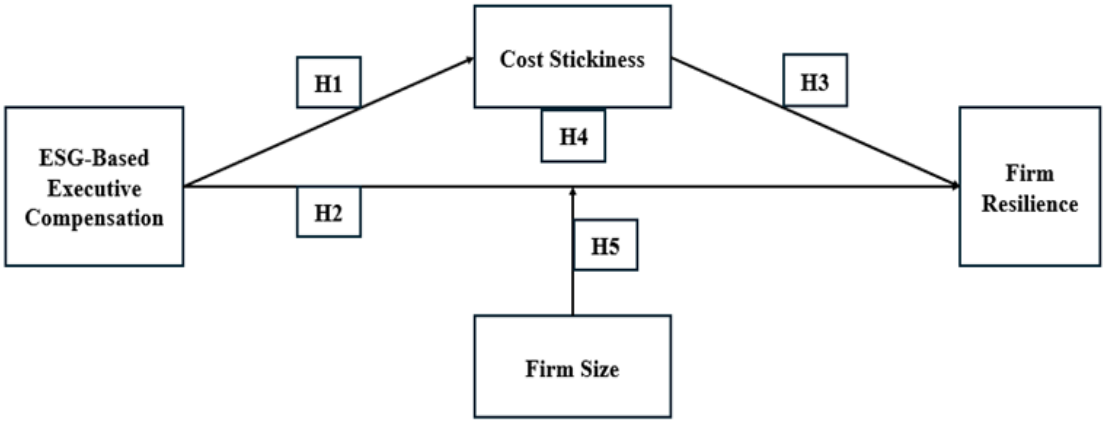

Fig. 1. Conceptual Framework

Source: Author (2026)

3. METHODOLOGY

This study employs panel data to examine whether ESG-Comp influences CS and FR in Indonesia's transportation and logistics sector. The use of the panel design in this case is justified by the inclusion of firm heterogeneity across years in the analysis (Baltagi, 2023).

3.1 Research Design and Data Source

The population consists of transportation and logistics firms listed on the Indonesia Stock Exchange from 2022 to 2024. The initial population included 37 firms. Three firms were excluded because they reported in foreign currency. Four firms were excluded because of incomplete data. The final sample, therefore, consists of 30 firms and 90 firm-year observations. This final sample represents the entire viable population of listed transportation and logistics firms on the Indonesia Stock Exchange that met the study's reporting and data-completeness criteria during the observation period. The sample selection process is presented in Table 1.

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Table 1. Sample Selection Process

Description	Total
Transportation sub-sector firms listed on the Indonesia Stock Exchange (2022–2024)	37
Firms reporting financial statements in foreign currency (USD)	(3)
Firms with incomplete data	(4)
Final sample	30
Total observations (30 firms × 3 years)	90

Source: Processed data

3.2 Operationalization Variables

The main variables in this study are firm resilience, ESG-Comp, CS, and FS. The financial measures were derived from the published annual financial statements of listed transportation and logistics firms. ESG-Comp was identified from remuneration disclosures in the firms' annual reports. Details are shown in Table 2.

Table 2. Operational Variable Definition

Variable	Operational meaning	Measurement rule	Interpretation
Firm Resilience (FR)	Adaptive financial capacity under disruption	Composite index based on reverse-standardised revenue volatility, standardised post-decline recovery, and reverse-standardised operating margin instability. The final FR score was calculated as the unweighted arithmetic mean of the three component scores after each dimension was transformed to the same 0 to 1 scale.	Higher FR indicates stronger resilience.
ESG-Based Executive Compensation (ESG-Comp)	Formal integration of ESG metrics into executive pay design	Dummy variable. ESG-Comp = 1 only when the remuneration section of the annual report explicitly links executive compensation to ESG-related targets, sustainability performance, or comparable non-financial criteria. ESG-Comp = 0 otherwise. Coding was based on manual content analysis by two independent coders, with discrepancies resolved through discussion.	Higher value indicates formal ESG-pay adoption.
Cost Stickiness (CS)	Asymmetric adjustment of costs when revenue falls relative to when revenue rises	Derived from the standard sticky-cost specification using dummy-interacted log-difference regressions between cost and revenue. The measure captures whether committed resources are adjusted less readily during revenue decline than during revenue growth.	Higher CS indicates greater cost rigidity.
Firm Size (FS)	Organisational scale and structural complexity	Natural logarithm of total assets.	Higher FS indicates larger firm size.

Source: Processed data

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3.3 Firm Resilience Standardisation Process

FR was operationalised as a composite index of adaptive financial capacity under disruption. The index combines three firm-year dimensions: revenue volatility, post-decline recovery, and operating margin stability. Annual revenue growth was first calculated for each firm-year observation relative to the previous year. Revenue volatility was then represented by the absolute year-on-year change in revenue. Because lower volatility indicates stronger resilience, this dimension was reverse-standardised using min–max scaling. Post-decline recovery was represented by the observed year-on-year revenue rebound and standardised so that a stronger recovery produced a higher score. Operating margin stability was represented by year-on-year stability, with lower instability treated as more favourable and therefore reverse-standardised. After all three dimensions were transformed to the same 0 to 1 scale, the final FR value was computed as the unweighted arithmetic mean of the three component scores. All standardisation procedures were applied across the full estimation sample of 90 firm-year observations. Higher FR values indicate stronger adaptive financial capacity under disruption.

3.4 Independent, Mediating, and Moderating Variables

ESG-Comp assesses whether ESG metrics are formally incorporated into executive pay design. The primary specification is binary. A value of 1 is only assigned when the remuneration section of the annual report makes a clear link between executive compensation and ESG-related targets, sustainability performance, or other comparable non-financial criteria. Where no such linkage is disclosed, a value of 0 is assigned. This specification was retained because disclosure quality varies across firms, and the presence of an explicit ESG-pay linkage is more reliably identified than its exact weight or intensity.

CS is treated as an operational manifestation of managerial resource-adjustment behaviour. It reflects the tendency for costs to decline less when revenue falls than they increase when revenue rises. This asymmetry is relevant because it captures whether managers retain, release, or delay the adjustment of committed resources in response to changing activity levels.

FS is considered a moderator in the relationship between ESG-Comp and CS. FS denotes the natural logarithm of total assets and serves as an indicator of organisational size and formalisation. However, FS cannot be viewed as a measure of organisational ESG development; rather, it is used to recognise that large organisations have more resources and better governance, yet also have higher levels of bureaucracy and poorer operational adaptability.

3.5 Model Specification and Statistical Analysis

Two-panel regression models were estimated. Model 1 tests the effect of ESG-Comp and cost stickiness on firm resilience. Model 2 tests the effect of ESG-Comp on cost stickiness and includes firm size together with the interaction term ESG-Comp × FS. Control variables include leverage, firm age, sub-sector, and market capitalisation. Random Effects was selected after Chow, Breusch–Pagan, and Hausman tests indicated that panel effects were present but not significantly correlated with the regressors. This choice is statistically supported. It is also theoretically consistent with the study's focus on governance variation across firms, rather than on fixed firm-specific intercepts alone (Wooldridge, 2023). Mediation was assessed through a three-step procedure, Sobel testing, and bootstrap resampling with 5,000 iterations. Moderation was assessed through the interaction term between ESG-Comp and firm size. The tests of model stability involved detecting heteroscedasticity by means of the Breusch-Pagan test, multicollinearity by

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calculating the variance inflation factor, and serial correlation with the help of the Durbin–Watson statistic. Winsorization at the 1st and 99th percentiles was implemented to handle extreme values.

3.6 Scope of Inference

This design links the governance structure to both strategic and behavioural outcomes within a single empirical framework and relies on publicly available secondary data. The evidence comes from one sector, one country, and 90 firm-year observations. At the same time, the final sample represents the entire viable population of listed transportation and logistics firms on the Indonesia Stock Exchange that met the study's reporting and data-completeness criteria during 2022 to 2024. The findings should therefore be read as sector-specific evidence from that population rather than as a universal account of ESG incentive effects across settings.

4. RESULTS

This section reports the results of two Random Effects panel models used to test the five hypotheses. The empirical pattern is clear. ESG-based executive compensation is positively associated with firm resilience, but it does not significantly affect cost stickiness. Cost stickiness, by contrast, has a significant negative association with firm resilience. The mediation and moderation paths are not supported. These results show a clear distinction between strategic and operational effects. ESG-linked incentives appear to matter at the strategic level of resilience, but not at the operational level of cost adjustment. This pattern is the central result of the study.

4.1 Descriptive Statistics

Table 3 presents the descriptive statistics for the main variables. ESG-Comp has a mean of 0.267, which shows that only 26.7 percent of firm-year observations disclose ESG-linked executive compensation. This suggests that formal ESG-pay adoption remains limited among the sampled firms. FR and CS both exhibit meaningful dispersion, indicating substantial variation in adaptive capacity and cost adjustment behaviour across firms. FS also varies widely, reflecting differences in organisational scale across the sector.

Table 3. Descriptive Statistics

Variable	Mean	Std. Dev	Min	25%	Median	75%	Max
Firm Resilience (FR)	0.134	0.116	0.004	0.032	0.104	0.209	0.477
Cost Stickiness (CS)	0.173	0.155	0.006	0.050	0.143	0.251	0.958
ESG Compensation (ESG-Comp)	0.267	0.445	0.000	0.000	0.000	1.000	1.000
Firm Size (FS)	24.471	4.553	13.678	24.799	26.163	27.068	29.675

Source: Processed data

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4.2 Model Specification and Estimation Diagnostics

Table 4 reports the model specification tests. For Model 1, where FR is the dependent variable, the Chow test rejects the pooled model. For Model 2, where CS is the dependent variable, the Lagrange Multiplier test indicates the presence of panel effects. In both models, the Hausman test is not significant. These results support the use of Random Effects for both specifications. The estimator is therefore consistent with the panel structure and with the assumption that unobserved effects are not systematically correlated with the regressors.

Table 4. Model Specification Tests

Test	Model I (FR)	Model II (CS)
Chow Test (p-value)	0.0000	0.1205
Lagrange Multiplier (p)	0.0000	0.0408
Hausman Test (p-value)	0.2145	0.8785
Final Model	Random Effects	Random Effects

Source: Processed data

4.3 Hypothesis Testing and Main Effects

Table 5 presents the main estimation results. Two relationships are supported. First, ESG-Comp has a positive and significant effect on FR, which supports H2. Second, CS has a significant negative effect on FR, supporting H3. These results indicate that resilience is associated with both governance design and the degree of cost rigidity, but in opposite directions. ESG-linked incentives are associated with stronger resilience, whereas rigid cost adjustment is associated with weaker resilience.

The operational side of the model shows a different pattern. ESG-Comp has no significant effect on CS, so H1 is not supported. The interaction term ESG-Comp × FS is also not significant, so H5 is not supported. These results indicate that ESG-linked incentives do not materially alter cost stickiness and that this effect is not conditioned on firm size. This pattern is consistent with the theoretical argument that strategic adaptation may arise without equivalent change in routine resource-adjustment behaviour.

https://doi.org/10.24191/MAR.V25i02-03

Table 5. Hypothesis Testing Results

Items	Relationship	Coefficient	t-Statistic	p-Value	Supported
H1	ESG-Comp → CS	0.0765	0.3853	0.7009	No
H2	ESG-Comp → FR	0.0786	2.7898	0.0065	Yes
H3	CS → FR	-0.1025	-2.0161	0.0469	Yes
H4	ESG-Comp → CS → FR	-	-	-	No
H5	ESG-Comp × FS → CS	-0.0026	-0.3395	0.7350	No

Source: Processed data

4.4 Mediation and Moderation Results

The mediation test for H4 is not supported. A mediating effect requires ESG-Comp to predict CS, and that path is not significant. Because the first stage of the indirect pathway fails, cost stickiness does not mediate the relationship between ESG-based executive compensation and firm resilience. The moderation test also fails. There is no evidence that firm size changes the relationship between ESG-Comp and CS. These two non-significant paths reinforce the same conclusion. The influence of ESG-linked compensation does not extend into the operational routines captured by cost behaviour.

4.5 Model Fit Summary

To improve completeness and consistency in reporting, Table 6 consolidates the model-level fit statistics reported in the manuscript. Both models are significant overall. The explanatory power is modest, but this is not unusual in firm-level governance and behavioural research, where outcomes are shaped by many organisational factors that are not fully observable in panel data.

Table 6. Model Fit Summary

Statistic	Model I (FR)	Model II (CS)
Overall model p-value	0.0050	0.0041
Adjusted R-squared	0.094	0.111
Estimator	Random Effects	Random Effects

Source: Processed data

The results show a consistent asymmetry. ESG-based executive compensation is associated with firm resilience, but not with cost stickiness. Cost stickiness itself is negatively associated with resilience. The indirect path through cost stickiness is absent, and firm size does not alter the ESG-Comp-to-CS relationship. The empirical pattern is therefore not mixed in a random sense. It is structured. ESG incentives appear to operate at the strategic level of resilience, but not at the operational level of cost adjustment.

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5. DISCUSSION

The results show a structured asymmetry in the behavioural reach of ESG-Comp. ESG-linked pay improves firm resilience, but it does not significantly reduce cost stickiness, support mediation through cost behaviour, or become more effective in larger firms. This pattern matters because it shows that a single governance mechanism can shape strategic adaptation without producing comparable changes in operational adjustment. The findings therefore support a decoupling view in which strategic ESG intent and operational managerial behaviour do not move in parallel.

The positive association between ESG-linked compensation and firm resilience suggests that incentive design can redirect executive attention toward continuity, stakeholder trust, and risk awareness. This result is consistent with evidence that ESG-oriented governance can strengthen resilience and sustainability-focused leadership behaviour (Cai et al., 2024). It also aligns with the argument that ESG-based remuneration broadens executive accountability beyond short-term financial outcomes (Lu, 2023). In the Indonesian logistics sector, this strategic effect is plausible because firms operate under disruption, regulatory pressure, and high asset commitment. Leadership practices that reinforce governance and engagement can further support this pathway in settings where coordination and continuity matter directly to performance (Haryanto et al., 2023).

The non-significant relationship between ESG-linked compensation and cost stickiness defines the study's main boundary. Agency logic helps explain why this boundary matters. Incentives can align executive intent, but alignment at the top does not guarantee behavioural change in the routines where cost decisions are made. In logistics firms, these routines are tied to asset specificity, contractual commitments, and network operating demands. Transport assets, warehousing capacity, service routes, labour deployment, and delivery obligations cannot be adjusted as easily as executive incentives can be revised. Managers may therefore face stronger ESG signals from above while still operating within rigid adjustment conditions below. This helps explain why ESG-linked pay can remain strategically visible without materially changing cost behaviour.

This interpretation is stronger in the logistics context. Asset specificity limits redeployment. Contractual commitments constrain short-term cost reversals. Network coordination demands make service continuity difficult to interrupt without broader operational consequences. These structural conditions create routine-level resistance to top-down mandates. They also explain why the H1 pathway should not be read as a simple failed relationship. It reflects a real tension between strategic incentive alignment and embedded adjustment routines at the operational level. Prior research has already suggested that ESG-related practices do not always penetrate internal cost behaviour or adjustment systems (Jiang & Yang, 2024). Similar limits appear when sustainability reforms remain weakly embedded in daily practice (Zeng et al., 2024).

The negative association between cost stickiness and resilience reinforces this interpretation. Rigid cost structures reduce a firm’s ability to respond when revenues deteriorate. They slow adaptation, preserve commitments that may no longer be efficient, and weaken recovery capacity under pressure. In this sense, cost stickiness is not a peripheral accounting outcome. It is a behavioural barrier to resilience. This reading is consistent with evidence that persistent rigidity can weaken managerial resilience and limit adaptive capacity under pressure (Bai et al., 2025). It is also consistent with work showing that rigidity in adjustment

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systems can constrain innovative response under uncertainty (Tao & Liu, 2024). The result, therefore, supports the view that cost stickiness should be interpreted as an operational manifestation of resource-adjustment behaviour rather than as a narrow technical asymmetry.

The unsupported mediation result sharpens the same point. The strategic effect of ESG-linked compensation does not pass through the operational channel tested here. The indirect path fails because ESG-linked pay does not significantly alter cost stickiness in the first place. This means that resilience improves through another route. A more plausible explanation is that ESG-linked incentives strengthen long-term orientation, executive risk posture, legitimacy, and stakeholder confidence. These gains can improve adaptive capacity without requiring immediate change in embedded cost routines. H4 was therefore not unsupported because the argument was weak. It was unsupported because the strategic pathway and the operational pathway appear to remain decoupled within the same governance design (Liang & Li, 2023).

The non-significant moderating role of firm size leads to a similar conclusion. Larger firms often have more formal governance systems, more reporting capacity, and more resources to implement ESG-linked compensation. Yet those advantages do not guarantee behavioural responsiveness. Scale can also intensify bureaucracy, slow coordination, and reinforce routine inertia. In logistics firms, larger size may further increase the complexity of assets, service obligations, and network dependencies. Under those conditions, operational change can remain difficult even when formal governance capacity is stronger. Prior research on ESG and cost behaviour already shows that formal structure does not automatically produce flexible adjustment (Chen & Wang, 2023). Related study also suggests that formalisation and firm size can coexist with uneven ESG implementation (Solimene et al., 2025). The findings, therefore, challenge the assumption that larger firms should translate ESG incentives into operational change more effectively.

These findings show that ESG-Comp has limited behavioural reach. It can strengthen resilience at the strategic level, but it does not automatically change embedded cost routines. This reinforces the view that cost stickiness is a managerial adjustment problem rather than a narrow accounting anomaly, and it explains why ESG governance can appear substantive in strategic outcomes while remaining weak in everyday practice. The practical implication is clear. Firms should not expect ESG-linked pay alone to reduce cost rigidity. If operational change is the goal, incentive reform must be supported by budgeting routines, internal controls, performance measures, and accountability across organisational levels. This is especially important in logistics, where asset specificity, service obligations, and network coordination constrain day-to-day adjustment. The policy implication is similar. Formal ESG adoption may increase through disclosure rules and remuneration guidance, but meaningful implementation in emerging markets still depends on internal capability, organisational learning, and operational integration.

6. CONCLUSION

This study examines whether ESG-based executive compensation influences firm resilience and cost stickiness in Indonesia's transportation and logistics sector. The results show a clear boundary in the effect of ESG incentives. ESG-linked pay improves firm resilience, but it does not significantly reduce cost stickiness. Cost stickiness also does not mediate the ESG-resilience relationship, and firm size does not moderate the link between ESG compensation and cost stickiness. The main contribution lies in this

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asymmetry. ESG-based executive compensation appears to shape strategic adaptation more readily than operational adjustment.

This pattern supports a decoupling view of the firm. Strategic ESG intent can become visible in resilience outcomes even when operational managerial behaviour remains resistant to change. In the logistics context, this distinction is especially important because asset commitments, contractual obligations, and network operating demands make day-to-day cost adjustment difficult to reconfigure through top-down incentive reform alone. The practical implication is direct. ESG-linked compensation should not be treated as a stand-alone solution. If firms seek lower cost rigidity, incentive reform must be reinforced by budgeting systems, performance measures, internal controls, and cross-level accountability.

These findings should be read within the study's scope. The evidence is drawn from one sector, one country, and 90 firm-year observations representing the entire viable population of listed transportation and logistics firms on the Indonesia Stock Exchange that met the study's reporting and completeness criteria during 2022 to 2024. Future research should test whether this pattern holds across sectors and institutional settings and should examine when ESG incentives move beyond strategic signalling to reshape operational routines.

7. ACKNOWLEDGEMENTS/FUNDING

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8. CONFLICT OF INTEREST STATEMENT

The authors declare no conflict of interest.

9. AUTHORS' CONTRIBUTIONS

Haryanto Haryanto: Conceptualisation, methodology, formal analysis, investigation, writing-original draft, writing-review and editing, visualization, supervision and project administration; **Eva Herianti**: Conceptualisation, methodology, formal analysis, writing-review and editing, and validation; **Amor Marundha**: Conceptualisation, investigation, resources, and writing-review and editing; **Rino Dwi Putra**: Formal analysis, resources, writing-review and editing, visualization, and validation. All authors have read and approved the final version of the manuscript and agree to be fully responsible for its content.

10. DECLARATION OF GENERATIVE AI IN THE WRITING PROCESS

During manuscript preparation, the authors used Grammarly to improve language and readability. The authors reviewed all changes and take full responsibility for the final manuscript.

11. DATA AVAILABILITY/SUPPLEMENTARY MATERIALS

The data of this study are openly available in Zenodo at https://doi.org/10.5281/zenodo.19235355

12. ETHICS STATEMENT

This study used publicly available secondary data and did not involve human participants or animals. Therefore, ethical approval was not required.

13. REFERENCES

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