Case Embryo

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Leadership Due Diligence: Assessing the ESG Impact of AI Tools

Abstract

"Which AI tools your company deploys matters!" (Kirsch, Personal Communication, 2026) As the CEO of ESG.ai, Nicholas Miller highly recommends you do your due diligence on the Artificial Intelligence (AI) tools used. Tools such as GPTChat 5.0, Perplexity, Gemini, DeepSeek Chinese open source Mistral 8 France and so forth all have various demands on water and electricity. If your firm promotes Environmental, Social, and Governance (ESG) goals, then you need our products to maximize your ESG score. "When we show CEOs the ESG.ai calculator, and it flashes a 32 percent reduction in a company's carbon footprint—attributed entirely to which AI tools are used in the company— they feel a surge of vindication" (Miller, personal communication, 2025). In that moment, the promise of AI-powered sustainability collides with the limits of human oversight, raising a deceptively simple question: can leadership truly claim responsibility their environmental impact if they did not carefully design their firm's AI implementation plan?

Learning Outcomes

1. Students will be able to analyze the environmental demand of each AI tool the company uses.
2. Students will be able to evaluate the importance of measuring and reporting ESG goals.
3. Students will be able to determine which AI tools are best for a company with ESG goals.
4. Students will be able to integrate strategic management frameworks (RBV, shared value) with empirical findings on AI-driven ESG to design a coherent, value-creating sustainability strategy that aligns AI capabilities with environmental, social, and governance objectives.
5. Students will be able to critically analyze the causal mechanisms through which AI affects ESG performance and evaluate the contextual conditions under which these mechanisms are most effective, drawing on empirical evidence to inform managerial decisions about AI implementation.
6. Students will be able to identify and critically evaluate the ethical and governance implications of AI-driven ESG initiatives, including the risk of a "digital ESG divide," and propose governance reforms that mitigate inequality and greenwashing.
7. Students will be able to critically evaluate the methodological strengths and limitations of quantitative studies on AI and ESG performance and propose complementary mixed-methods case-study designs that deepen understanding of causal mechanisms and contextual factors.
8. Students will be able to synthesize theoretical, empirical, and practical insights to design a realistic, evidence-based AI-implementation roadmap for a firm pursuing ESG goals, demonstrating advanced judgment in balancing innovation, risk, and stakeholder interests.

Application

This decision-based case would be suitable for graduate student and practitioners in leadership, business management, sustainability and change management with AI implementation.

Key Words

Environment, Social and Governance (ESG) goals, artificial intelligence (AI) implementation, leadership decision-making

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