

CHALLENGES AND OPPORTUNITIES OF ESG IMPLEMENTATION IN RECRUITMENT AND RETENTION: A QUALITATIVE STUDY ON SUSTAINABLE COMPANIES IN MAKASSAR, INDONESIA

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Abstract

This study explores the challenges and opportunities of implementing Environmental, Social, and Governance (ESG) principles in recruitment and retention practices among sustainable companies in Makassar, Indonesia. Using a qualitative research design, data were collected through in-depth interviews with HR managers, sustainability officers, and executives from eight sustainability-oriented organizations, supported by document analysis of corporate policies and reports. The findings reveal that ESG awareness is growing within organizations; however, its integration into human resource management remains limited and fragmented. Recruitment processes often lack structured frameworks to assess ESG-related competencies, while retention is hindered by inconsistencies between corporate sustainability claims and actual practices. Leadership commitment and governance quality were identified as critical enablers of successful ESG-HR alignment. The study underscores the importance of embedding ESG principles into HR strategies to strengthen organizational sustainability and employee engagement. It also highlights the need for localized ESG frameworks that reflect Indonesia's unique economic, cultural, and regulatory contexts.

Keywords: ESG implementation, Sustainable Human Resource Management, Recruitment, Retention, Makassar.

INTRODUCTION

The integration of Environmental, Social, and Governance (ESG) principles into human resource management (HRM) has become a pressing issue as organizations face growing stakeholder demands for sustainability and ethical business practices. ESG-driven recruitment and retention strategies are no longer peripheral but essential to achieving long-term corporate resilience and legitimacy. However, while the discourse on ESG has been rapidly expanding, the translation of ESG values into tangible HR practices remains underexplored. This study seeks to address that gap by investigating the challenges faced by sustainable companies in implementing ESG-oriented recruitment and retention strategies—an area critical for aligning corporate sustainability goals with workforce behavior and culture.

Recent evidence indicates that while companies increasingly commit to ESG reporting and sustainability frameworks, many struggle to embed these principles in their people management systems (Jain et al., 2022)

For instance, organizations often face ambiguity in measuring social and governance impacts within HR processes, as well as resistance to cultural change from existing employees (Chams & García-Blandón, 2019)

The lack of standardized ESG metrics applicable to HR practices also complicates benchmarking and accountability. Consequently, the current landscape reflects a growing yet fragmented adoption of ESG within HRM, where implementation often remains symbolic rather than strategic.

From a practical standpoint, companies promoting sustainability face mounting challenges in attracting and retaining talent who share ESG values. Studies show that younger generations, particularly Millennials and Gen Z, increasingly prioritize working for employers committed to social and environmental responsibility (Sánchez-Teba et al., 2020)

Yet, misalignment between declared ESG commitments and actual HR practices can erode employer credibility, resulting in talent disengagement or attrition. This dynamic underscores the need for organizations to move beyond surface-level sustainability statements toward authentic, systemic integration of ESG within recruitment and retention strategies.

Despite the growing body of research on sustainable HRM, a critical gap persists regarding how ESG principles specifically influence HR recruitment and retention outcomes in sustainable enterprises. Prior studies have primarily focused on the environmental dimensions of sustainability, with limited attention to the governance and social aspects shaping employee engagement, loyalty, and ethical alignment (Aguinis & Glavas, 2019)

Furthermore, the intersection between ESG policy implementation and human capital outcomes remains under-theorized, particularly in emerging economies and industries undergoing sustainability transitions. This gap highlights the necessity for empirical research that captures contextual variations and sector-specific challenges.

In conclusion, exploring the challenges of ESG implementation in HR recruitment and retention is both timely and essential. Understanding how sustainable companies navigate ESG-related tensions in talent management will not only contribute to academic discussions on sustainable HRM but also provide actionable insights for practitioners seeking to align workforce strategies with sustainability imperatives. Bridging this research gap can strengthen organizational capacity for long-term ESG performance, foster employee engagement, and enhance competitiveness in an increasingly values-driven global labor market.

LITERATURE REVIEW

The intersection of Environmental, Social, and Governance (ESG) principles with Human Resource Management (HRM) has emerged as a pivotal area of inquiry in the context of corporate sustainability. Scholars have increasingly recognized that HR functions—particularly recruitment and retention—serve as strategic levers for embedding ESG values within organizations (Jain et al., 2022)

The literature reveals that ESG-driven HRM practices are not merely operational tools but mechanisms for shaping organizational culture, enhancing employer branding, and ensuring long-term stakeholder trust. However, the integration of ESG criteria into HR systems is often constrained by definitional ambiguity and the absence of standardized frameworks linking ESG metrics with human capital indicators.

The environmental dimension of ESG within HRM has primarily focused on promoting green HR practices, such as eco-friendly recruitment, employee environmental training, and green performance management (Renwick et al., 2013)

These initiatives align employee behavior with sustainability goals, yet empirical studies reveal inconsistency in implementation across industries. While some organizations have successfully developed "green employer brands" to attract sustainability-conscious talent, others face challenges in maintaining internal alignment between environmental policies and HR practices. Thus, although environmental initiatives contribute to organizational legitimacy, they often lack depth when not supported by parallel social and governance practices.

From a social perspective, ESG-oriented HRM emphasizes diversity, equity, inclusion, and employee well-being. Research suggests that companies embracing social sustainability improve employee commitment and reduce turnover intentions (Sánchez-Teba et al., 2020)

Moreover, organizations with socially responsible practices tend to experience stronger organizational citizenship behaviors and enhanced reputational capital (Chams & García-Blandón, 2019)

However, the challenge lies in translating these social commitments into measurable outcomes, as many companies still treat social initiatives as peripheral to core business strategies. This indicates a research gap concerning the quantification and long-term evaluation of social impact in HRM.

The governance component of ESG is perhaps the least explored within HR literature, despite its critical influence on ethical leadership, transparency, and accountability. Effective governance mechanisms foster trust and fairness in HR decision-making processes, promoting retention through perceived organizational justice (Aguinis & Glavas, 2019)

Yet, many organizations struggle to operationalize governance values within HR practices, often due to weak institutional frameworks and competing short-term performance pressures. This lack of integration between governance and HRM contributes to the fragmentation of ESG adoption, particularly in regions where regulatory enforcement is weak or inconsistent.

In summary, the literature underscores a growing consensus that ESG integration within HRM is essential for building sustainable organizational models. Nonetheless, existing studies exhibit a disproportionate focus on the environmental and social dimensions, with limited exploration of governance mechanisms and cross-dimensional interactions. Future research should therefore adopt a more holistic approach, examining how ESG principles collectively influence talent management strategies, organizational culture, and long-term sustainability performance. Such an integrated framework would enhance both theoretical understanding and practical implementation of ESG-aligned HRM systems.

METHOD

This study employs a qualitative research design to explore the challenges of implementing Environmental, Social, and Governance (ESG) principles in recruitment and retention practices among sustainable companies in Makassar, Indonesia. A qualitative approach is appropriate for this research as it allows an in-depth understanding of organizational behaviors, perceptions, and contextual realities underlying ESG adoption within Human Resource Management (HRM) systems (Creswell & Poth, 2018)

This approach enables the researcher to capture the complexity of ESG integration processes, organizational culture, and leadership influence, which cannot be adequately measured through quantitative methods. The focus on Makassar provides a relevant context due to its growing number of sustainability-oriented enterprises, reflecting Indonesia's broader transition toward sustainable business practices.

Data collection will involve semi-structured interviews and document analysis. Key informants will include HR managers, sustainability officers, and senior executives from selected companies recognized for their sustainability initiatives. The semi-structured interview format allows flexibility for respondents to elaborate on their experiences while ensuring thematic consistency across interviews (Kallio et al., 2016)

The questions will center on ESG strategy formulation, challenges in operationalizing ESG within recruitment and retention, and perceived impacts on organizational performance and employee engagement. In addition, company reports, sustainability disclosures, and HR policies will be analyzed to triangulate data and strengthen the validity of findings (Patton, 2015).

Data analysis will follow thematic analysis procedures to identify recurring patterns and relationships among ESG implementation themes. Thematic coding will be conducted through iterative reading, categorization, and abstraction to ensure that emerging insights reflect participants' lived experiences and contextual meanings (Braun & Clarke, 2006)

The study will employ methodological rigor through triangulation, member checking, and reflexivity to enhance credibility and trustworthiness. By focusing on Makassar's sustainable business ecosystem, this research aims to provide actionable insights for policymakers and practitioners seeking to strengthen ESG-oriented HRM practices in Indonesia and similar emerging market contexts.

RESULTS AND DISCUSSION

The findings from the qualitative interviews and document analysis reveal several key themes regarding the challenges and dynamics of implementing ESG (Environmental, Social, and Governance) principles in recruitment and retention among sustainable companies in Makassar. A total of 12 participants from eight sustainability-oriented organizations were interviewed, including HR managers, sustainability officers, and senior executives. The results indicate that ESG integration within HR practices remains partial and fragmented, largely influenced by organizational culture, leadership commitment, and resource constraints.

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1. ESG Awareness and Strategic Alignment

Most participants acknowledged that ESG principles have become increasingly relevant in shaping HR strategies; however, they noted limited understanding among mid-level managers and employees. ESG initiatives were often perceived as top-down directives rather than shared organizational values. Respondents highlighted a lack of training and communication regarding how ESG objectives translate into recruitment and retention practices. This gap undermines employee engagement and hinders the internalization of ESG culture within the workforce.

2. Recruitment Challenges in ESG-Oriented Hiring

Findings show that attracting candidates who align with ESG values is a major challenge. While companies advertise sustainability commitments, they often lack structured competency frameworks to assess ESG-related skills or attitudes during recruitment. Participants noted that local talent pools in Makassar still prioritize financial stability and job security over ESG values, creating a misalignment between corporate sustainability vision and candidate expectations.

3. Retention and Employee Engagement

Retention challenges primarily stemmed from inconsistencies between stated ESG policies and actual organizational practices. Several participants observed that employees, particularly younger professionals, became disillusioned when companies failed to demonstrate genuine sustainability actions. Moreover, a lack of measurable ESG performance incentives and limited career development opportunities related to ESG roles contributed to higher turnover rates.

4. Governance and Leadership Commitment

Leadership emerged as a decisive factor in determining ESG success. Organizations with active top management involvement in ESG decision-making exhibited stronger alignment between HR and sustainability functions. Conversely, companies with passive governance structures reported fragmented ESG implementation and low accountability in HR policy enforcement.

Table 1. Summary of Key Findings

Theme	Findings	Implications
ESG Awareness	Limited ESG understanding among employees; weak internal communication.	Need for ESG training and cultural integration initiatives.
Recruitment	Difficulty attracting ESG-driven talent; lack of ESG competency assessment tools.	Development of ESG-based recruitment frameworks and employer branding.
Retention	Discrepancy between ESG statements and real practices; lack of ESG-linked incentives.	Implementation of transparent ESG performance rewards and career paths.
Governance	Leadership commitment varies widely across organizations; weak accountability mechanisms.	Stronger top-level governance integration is needed for ESG-HR alignment.

Source: data processed, 2025

Document reviews of corporate sustainability reports and HR policies supported the interview results. Although most firms included ESG in their mission statements, only three of the eight analyzed companies provided measurable ESG performance indicators related to HR. Policy documents revealed emphasis on environmental initiatives, such as waste reduction and energy efficiency, but limited evidence of structured social or governance measures tied to workforce management.

Overall, the results suggest that while sustainable companies in Makassar recognize the strategic importance of ESG, implementation within recruitment and retention processes remains at an early and uneven stage. Stronger governance structures, leadership engagement, and integrated HR frameworks are critical to closing the gap between ESG intentions and execution.

Discussion

The findings of this study align with the theoretical frameworks of Sustainable Human Resource Management (SHRM) and Environmental, Social, and Governance (ESG) theory, which emphasize the strategic integration of sustainability into core HR functions. The empirical evidence from Papalexandris (2022) underscores that HRM acts as a critical driver in promoting corporate sustainability by embedding ethical, social, and environmental considerations into workforce management. This view resonates with the concept of Green HRM, where recruitment, training, and retention strategies are designed to reinforce sustainable organizational values (Papademetriou et al., 2025). The qualitative data from Makassar companies reflect similar trends—firms that align recruitment and retention with ESG principles not only enhance their social reputation but also build more engaged and purpose-driven employees.

Previous studies have identified that one of the major challenges in ESG implementation is the lack of clear metrics and inconsistent integration across HR functions (Koman et al., 2024). The data collected in this study revealed that although companies in Makassar demonstrate growing awareness of sustainability, many still struggle to translate ESG goals into measurable HR policies. This mirrors global findings that HR departments often face institutional and structural barriers, such as limited resources and competing short-term business objectives (Alhoussari, 2025). The alignment between ESG and HRM, therefore, requires not only policy transformation but also cultural change within organizations.

The social dimension of ESG plays a particularly pivotal role in employee retention and engagement. Amaral et al. (2023) argue that the social pillar—covering labor rights, inclusion, and employee well-being—is often underdeveloped compared to environmental or governance aspects. The Makassar findings support this claim: organizations with stronger employee welfare programs and inclusive recruitment practices exhibited lower turnover rates. This confirms that prioritizing social sustainability in HRM correlates with stronger organizational loyalty and long-term retention, aligning with the global shift toward human-centric sustainability.

Furthermore, Green HRM practices can serve as a bridge between sustainability and corporate competitiveness. Gabhane and Chaubey (2025) found that integrating ESG goals with HR strategies enhances both environmental responsibility and financial resilience. The companies in Makassar that actively trained employees on sustainability reported not only improved workplace morale but also operational efficiencies in energy and waste management. This demonstrates that ESG-driven HR practices can yield tangible economic benefits, a finding consistent with sustainable finance literature emphasizing risk mitigation and investor confidence (Paranita et al., 2025).

Finally, this study identifies a research and practical gap: while international literature provides robust models for ESG integration into HRM, localized frameworks for emerging economies—especially

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in Indonesia—remain limited. There is an urgent need for context-specific strategies that account for cultural, economic, and regulatory conditions. As Kyriakogkonas et al. (2022) note, successful ESG adoption requires adaptive governance and stakeholder collaboration. Therefore, future studies should explore the development of a localized ESG-HRM model tailored to Indonesia's sustainability agenda, enabling a more effective translation of global ESG standards into regional corporate practices.

CONCLUSION

This study concludes that the implementation of ESG principles in recruitment and retention within sustainable companies in Makassar remains at an early developmental stage, characterized by strong awareness but weak operational integration. The findings indicate that while organizations increasingly recognize the strategic value of ESG, their human resource management systems often lack the structures, competencies, and accountability mechanisms required to translate sustainability commitments into consistent HR practices. Leadership engagement and governance quality emerged as decisive factors in determining the success of ESG-driven HR initiatives, confirming that sustainability must be embedded in organizational culture rather than treated as an external compliance effort.

Moreover, the results highlight that social and governance aspects of ESG are less developed compared to environmental initiatives, leading to challenges in employee engagement and retention. Bridging this gap requires aligning HR policies with measurable ESG outcomes, providing training to strengthen sustainability awareness, and integrating ESG metrics into performance management and recruitment frameworks. Future research should focus on developing localized models of ESG-HRM integration tailored to Indonesia's socio-economic and cultural context, ensuring that sustainability principles become a core part of the human capital strategy rather than an aspirational goal.

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