

# Implementation of ESG (Environmental, Social, Governance) in HRM Practices: A Study on Sustainable Companies in Indonesia

Original Article

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## Abstract

This qualitative study examines the integration of Environmental, Social, and Governance (ESG) principles into Human Resource Management (HRM) practices within sustainable companies in Indonesia. As the global focus on sustainability intensifies, organizations are increasingly expected to align their HR strategies with ESG objectives. The research aims to explore the current practices, challenges, and opportunities faced by companies in Indonesia as they seek to incorporate ESG into their HR frameworks. Using a multi-site case study approach, data was collected through in-depth interviews with HR managers, line managers, and employees, as well as document analysis (sustainability reports, HR policies) and participant observation. Three companies, including large organizations like Unilever Indonesia and Bank Mandiri, as well as green-tech startups, were selected for this study. The findings reveal that while there is a growing awareness and commitment to ESG, significant barriers remain, including limited resources, lack of employee engagement, and organizational resistance. The research contributes to the understanding of how ESG is shaping HRM practices in Indonesia and offers recommendations for organizations aiming to enhance their sustainability efforts through effective HR strategies.

**Keywords:** ESG, Sustainable HRM, Green HRM, Corporate Sustainability, Qualitative Study

## 1. Introduction

In recent years, the integration of Environmental, Social, and Governance (ESG) principles into business operations has gained significant momentum, reflecting the global shift toward sustainable development. In Indonesia, this transformation is increasingly visible as companies face mounting pressure from stakeholders to adopt responsible business practices that align with sustainability goals. Human Resource Management (HRM), as a strategic partner in shaping organizational culture and employee behavior, plays a pivotal role in embedding ESG principles into everyday business practices. However, while ESG integration has become a buzzword, its actual translation into HRM practices—especially in emerging economies like Indonesia—remains underexplored (Effendi et al., 2021; Hermawan & Mulyawan, 2022). This study seeks to understand how Indonesian companies with sustainability reputations, such as Unilever Indonesia, Bank Mandiri, and selected green tech startups, operationalize ESG within their HR strategies.

Despite the growing body of literature on ESG, a critical gap persists in understanding how these principles influence human resource functions such as recruitment, performance management, learning and development, and employee engagement. Moreover, challenges such as limited awareness, resource constraints, cultural resistance, and regulatory ambiguity



continue to hinder ESG implementation in HRM processes (Santoso & Prabowo, 2020; Widodo et al., 2023). These challenges form the core problem of this study: how do sustainable companies in Indonesia integrate ESG principles into HRM, and what organizational dynamics support or obstruct this integration? The study is guided by the following research questions: (1) How are ESG principles reflected in the HRM practices of sustainable companies in Indonesia? (2) What are the perceptions and experiences of HR professionals and employees regarding ESG integration? (3) What are the key enablers and barriers in the implementation process? Consequently, the objectives are to explore ESG-driven HRM practices, uncover organizational perceptions, and analyze the internal and external challenges encountered.

This research focuses on three sustainable companies operating in different sectors and recognized for their ESG commitments. Through a qualitative, multi-site case study approach, the study involves in-depth interviews with HR managers, line managers, and employees, complemented by document analysis and participant observation. The scope is limited to Indonesian companies to understand ESG-HRM integration within the local institutional and cultural context. While the findings may not be generalizable across all sectors, they offer nuanced insights relevant to policymakers, business leaders, and scholars seeking to enhance HRM's role in sustainability. This research contributes to both theoretical development in sustainable HRM and practical implications for ESG implementation strategies in Southeast Asia (Putri & Wibowo, 2021; Nugroho & Suharti, 2024).

Key concepts central to this study include: ESG (Environmental, Social, Governance) – a framework for assessing business sustainability and ethical impact; Human Resource Management (HRM) – organizational strategies for managing people; and Sustainable Companies – firms that align operations with environmental, social, and ethical standards. This chapter has introduced the context, rationale, and direction of the study. It underscores the pressing need to explore how HRM can become a driver of sustainability through ESG integration. The following chapters will delve into the theoretical framework, research design, and the rich narratives derived from the field to illuminate the complex dynamics of ESG-HRM in Indonesia.

## 2. Literature Review

The growing urgency of environmental and social issues, alongside the demand for ethical corporate governance, has led to a surge in global interest toward Environmental, Social, and Governance (ESG) frameworks as central pillars of sustainable business. ESG is no longer merely a set of compliance metrics; it has evolved into a strategic orientation that influences how companies manage resources, engage with stakeholders, and drive long-term value creation (Kotsantonis & Serafeim, 2020). In this context, Human Resource Management (HRM) becomes a critical function that not only reflects a company's sustainability ethos but also actively shapes it through the recruitment of values-aligned employees, design of ethical leadership pathways, and cultivation of inclusive, environmentally conscious workplace cultures (Nugroho & Suharti, 2024). Therefore, this study investigates the intersection between ESG integration and HRM practices in Indonesian sustainable companies, where local context, regulatory landscapes, and cultural values play significant roles in shaping corporate sustainability journeys.

The fundamentals of ESG and HRM integration lie in the premise that people are not just resources but key agents of change in achieving sustainability goals. HRM is increasingly tasked with embedding ESG into its core practices—ranging from green recruitment,

sustainability training, ethical performance evaluation, to social equity in workplace policies (Ehnert et al., 2020). Moreover, the shift toward Sustainable Human Resource Management (SHRM) highlights a long-term orientation where employee well-being, environmental responsibility, and governance integrity are not mutually exclusive but mutually reinforcing (Mariappanadar, 2021). For instance, companies committed to environmental goals may revise their travel policies, redesign workspaces for energy efficiency, or incentivize eco-friendly behaviors among employees. In the social domain, HR may ensure gender equity, diversity, and inclusion, while good governance requires HR to uphold transparency, ethical leadership, and accountability mechanisms in decision-making structures.

This study is underpinned by several key theories. Stakeholder Theory (Freeman, 1984) emphasizes that organizations must account for the interests of all stakeholders, not just shareholders—aligning directly with ESG imperatives. Institutional Theory (DiMaggio & Powell, 1983) also helps explain how organizational behaviors, including HRM practices, are shaped by institutional pressures—such as government regulations, industry standards, or societal norms—especially relevant in emerging markets like Indonesia. Additionally, Resource-Based View (Barney, 1991) informs how HR capabilities can be leveraged as strategic assets to build ESG-driven competitive advantage. These theories collectively provide a foundation to explore how external pressures and internal capabilities converge to facilitate or constrain ESG-HRM integration.

Based on the above theories, this research adopts a conceptual framework that positions ESG components (environmental, social, governance) as antecedents to changes in HRM practices, which in turn affect employee behavior, organizational culture, and sustainability outcomes. For example, green HRM practices (e.g., sustainability training, eco-oriented KPIs) are influenced by environmental commitments, while inclusive hiring practices reflect social values, and ethics-based performance appraisals are tied to governance. The framework hypothesizes that the effectiveness of ESG-HRM integration is moderated by organizational context (size, sector, leadership) and institutional enablers or barriers. This framework guides the identification of variables relevant to the study: ESG Integration (IV), HRM Practices (DV), Employee Engagement with ESG (Mediating Variable), and Organizational Readiness (Moderating Variable) (Widodo et al., 2023; Putri & Wibowo, 2021).

From the literature, the hypothesis development is guided by the assumption that greater ESG integration in HRM leads to more sustainable HR practices and improved employee alignment with sustainability goals. Hence, the proposed hypotheses include: H1: ESG integration positively influences the adoption of sustainable HRM practices; H2: ESG-oriented HRM practices enhance employee engagement with sustainability values; H3: Organizational readiness moderates the relationship between ESG integration and HRM effectiveness. Operationalizing these variables requires qualitative indicators: ESG integration is identified through document analysis and interview codes related to sustainability initiatives; HRM practices are evaluated via recruitment, training, performance appraisal, and compensation patterns; employee engagement is captured through narratives on awareness, participation, and values alignment; and organizational readiness is reflected in leadership support, infrastructure, and policy alignment (Santoso & Prabowo, 2020).

In summary, this chapter has established the conceptual and theoretical foundation for investigating ESG implementation within HRM practices. Drawing upon stakeholder, institutional, and resource-based theories, the study conceptualizes ESG as a strategic orientation that influences human resource functions and outcomes. It maps out the relevant variables, hypotheses, and operationalization strategies that will inform the research design in subsequent chapters. By doing so, it lays the groundwork for exploring how Indonesian

sustainable companies embed ESG principles into their HRM processes—and how these efforts are shaped by contextual challenges and organizational dynamics.

### 3. Methods

This qualitative study employs a multi-site case study design to explore how sustainable companies in Indonesia implement ESG principles within their HRM practices. The research uses triangulated instruments to ensure depth and credibility of findings: semi-structured interviews, document analysis, and participant observation. Variables such as ESG integration, HRM practices, employee engagement, and organizational readiness are operationalized using thematic codes derived from both theory and empirical data. For instance, ESG integration is measured through indicators in sustainability reports and HR policy documents, while HRM practices are assessed through interview questions about recruitment, training, performance appraisal, and rewards (Hermawan & Mulyawan, 2022). Employee engagement with ESG is explored via narratives of participation and awareness, whereas organizational readiness is identified through the presence of leadership commitment, internal communication, and infrastructure (Widodo et al., 2023). The population of this study includes sustainable companies operating in Indonesia, with a purposive sample of three companies known for their ESG initiatives—such as Unilever Indonesia, Bank Mandiri, and a selected green tech startup. The sampling strategy prioritizes diversity in industry sector and organizational scale, ensuring representation of both corporate and entrepreneurial contexts (Nugroho & Suharti, 2024).

Data collection follows a step-by-step procedure: initial company selection through public ESG rankings and reports, followed by formal consent from HR departments and ethical clearance procedures. Interviews are conducted with 3–5 key informants per company, including HR managers, line managers, and employees involved in ESG programs. A pilot test is conducted on the interview instrument to refine question clarity and relevance before full-scale deployment (Santoso & Prabowo, 2020). Data analysis is carried out using thematic analysis with the aid of NVivo software, allowing for systematic coding, theme identification, and comparison across cases (Braun & Clarke, 2021). The study adopts a reflexive and iterative process to ensure trustworthiness, incorporating techniques such as member checking and triangulation. Ethical considerations include participant anonymity, informed consent, and the secure handling of data. In summary, this chapter outlines a rigorous and human-centered methodology to uncover the lived experiences, strategies, and organizational dynamics underlying ESG-HRM integration in Indonesia's sustainability-oriented companies.

## 4. Results and Discussion

The implementation of the research methodology was successfully conducted across three sustainable companies in Indonesia: a multinational FMCG (Unilever Indonesia), a state-owned bank (Bank Mandiri), and a green tech startup based in Jakarta. Each organization offered unique ESG narratives and HRM frameworks that enriched the contextual understanding of the study. Through purposive sampling, a total of 13 participants were interviewed, including 3 HR managers, 5 line managers, and 5 operational employees who were directly or indirectly involved in ESG-related HR initiatives. The diverse perspectives collected contributed to a well-rounded analysis of ESG integration in HRM, allowing for the triangulation of insights from different levels of the organizational hierarchy.

Prior to the main data collection, a pilot test was conducted with two HR practitioners from a non-sampled company, which helped refine the interview protocol for clarity, sequence, and relevance. This ensured the reliability and appropriateness of the interview items, particularly in capturing constructs such as ESG alignment, green HR practices, employee engagement, and leadership support. The interviews were conducted over a period of three months using a semi-structured format, either face-to-face or via secure online platforms. Supplementary documents, including HR policies, sustainability reports, and internal ESG communication materials, were also collected and analyzed. Participant observation sessions were carried out during two sustainability awareness trainings and one internal ESG workshop, enriching the contextual layer of the study.

All qualitative data were transcribed verbatim and processed using NVivo software. A thematic analysis approach following Braun & Clarke (2021) guided the coding process, which revealed strong evidence of ESG integration in recruitment, onboarding, and performance management systems in the two corporate organizations. Meanwhile, the startup demonstrated innovative but less formalized ESG-driven HR practices, highlighting adaptability and agility as their strengths. Ethical clearance was obtained prior to data collection, and all participants signed informed consent forms. Member checking was performed with selected participants to ensure accuracy of interpretations, and no withdrawals or ethical violations were reported during the research process.

The methodological process proved effective in capturing rich, meaningful data that aligned with the study's theoretical framework. The multi-source approach (interviews, documents, observations) contributed to the robustness and validity of the findings. Data saturation was achieved after the 12th interview, with the 13th serving as confirmatory. This chapter's methodological rigor lays a strong foundation for the validity of findings presented in Chapter 4, ensuring that conclusions drawn reflect the real-world dynamics of ESG-HRM integration in sustainable companies in Indonesia.

The main discussion contains results and discussion, written in Time New Roman 12 font. Results are not raw data, but data that has been processed/analyzed by a predetermined method. The discussion is a comparison of the results obtained with the existing concepts/theories in the literature review. The contents of the results and discussion include statements, tables, drawings, diagrams, graphs, sketches, and so on.

#### **4.1. Discussion**

This chapter discusses the key findings of the study, reflecting on the implementation of ESG principles in HRM practices within sustainable companies in Indonesia. The discussion synthesizes the results with relevant literature, identifies the implications of the research, and highlights the limitations of the study. The findings contribute to a broader understanding of how ESG principles are operationalized in human resource management, particularly in the context of emerging economies like Indonesia.

#### **4.2. Recapitulation of the Study**

The study aimed to explore how sustainable companies in Indonesia integrate ESG principles into their HRM practices. Using a multi-site case study approach, data was collected through interviews with HR managers, line managers, and employees, supplemented by document analysis and participant observation. The study found that while large corporations like Unilever Indonesia and Bank Mandiri have established ESG policies embedded into HRM functions, smaller green-tech startups exhibit more flexible and informal approaches. These findings align with Ehnert et al. (2020), who emphasize the variability of ESG integration depending on organizational size and maturity. The study also uncovered employee engagement as a significant factor in ESG success, reinforcing the importance of employee involvement at all levels.

#### **4.3. Demographic Profile of the Respondents**

The respondents in this study were a mix of HR managers, line managers, and employees. Of the 13 participants, 3 were HR managers, 5 were line managers, and 5 were employees. The sample was balanced across the three organizations studied—Unilever Indonesia, Bank Mandiri, and a green-tech startup—offering a diverse perspective on ESG integration. This demographic diversity allowed the study to capture insights from both managerial and operational levels, offering a holistic understanding of ESG practices across different sectors. The participants ranged in age from 25 to 50 years, with varying levels of experience in sustainability initiatives.

#### **4.4. Research Objectives**

The primary research questions were concerned with how ESG principles are embedded into HRM practices and the challenges faced by organizations in implementing them. The study revealed that large corporations are more formalized in their ESG integration, but employee engagement remains a key challenge. On the other hand, startups were more agile in adopting ESG but lacked formalized structures, a finding consistent with Barba-Sánchez et al. (2022) regarding the adaptability of small organizations. The research also confirmed that internal communication and leadership commitment play crucial roles in the successful implementation of ESG initiatives, echoing Jackson et al. (2020) who argue that leadership engagement significantly impacts the effectiveness of sustainability practices.

#### **4.5. Implications and Limitations**

This study contributes to the growing body of research on ESG integration in HRM, offering insights specifically tailored to the Indonesian context. The implications for HR practitioners include the need for clearer communication strategies and stronger leadership support to enhance employee engagement in ESG initiatives. However, the study's limitations include its focus on only three companies, which may not fully represent the diversity of the Indonesian corporate landscape. Additionally, the reliance on qualitative data limits the generalizability of the findings, and future studies could benefit from larger, more diverse

samples or a longitudinal approach to better understand the long-term impact of ESG adoption on HR practices.

In conclusion, this study highlights the evolving role of HR in driving ESG integration within organizations. While large corporations have made significant strides, smaller organizations need to focus on developing structured ESG policies to ensure scalability and sustainability. This research underscores the importance of leadership, communication, and employee engagement in successfully embedding ESG practices into organizational culture. Future research should explore cross-sector comparisons and investigate the role of digital tools in enhancing ESG-HRM integration.

## 5. Conclusion

This study aimed to explore the implementation of Environmental, Social, and Governance (ESG) principles within Human Resource Management (HRM) practices in sustainable companies in Indonesia. The findings suggest that ESG integration within HRM is a work in progress, with notable differences in implementation across organizations of varying sizes and maturity levels. Larger companies, such as Unilever Indonesia and Bank Mandiri, exhibit structured and formalized ESG strategies, while smaller, green-tech startups demonstrate a more flexible, informal approach. Despite these differences, a shared challenge emerged: employee engagement and organizational communication remain critical barriers to the successful operationalization of ESG principles at the ground level.

The study underscores the importance of leadership commitment and clear communication in fostering a culture of sustainability within organizations. HR managers must not only implement policies but also create environments where employees understand and embrace the significance of these values. As global focus on ESG intensifies, the role of HR as a strategic driver of sustainability becomes even more apparent. This research contributes valuable insights into the ongoing evolution of HR practices in the context of ESG integration, particularly within an emerging economy like Indonesia.

Furthermore, while the research provides a snapshot of the current ESG practices in Indonesian companies, it also highlights the need for further exploration. Future studies should explore the long-term effects of ESG integration on employee satisfaction, organizational performance, and overall sustainability. Additionally, expanding the scope to include more companies across different sectors and regions would provide a more comprehensive view of ESG implementation across the country.

In conclusion, integrating ESG principles into HRM practices is a promising and necessary step toward building sustainable organizations in Indonesia. However, the journey towards full integration requires continued effort, cross-functional collaboration, and an ongoing commitment to both environmental and social responsibility. The results of this study contribute to the broader discourse on sustainable HRM and offer practical insights for companies looking to enhance their ESG practices.

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