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ESG AND EMPLOYEE RETENTION: THE IMPORTANCE OF PERCEPTIONS IN EMERGING MARKETS

IZABELLI ROCHA ALVES

EDUARDO MESQUITA DE SOUSA
CENTRO UNIVERSITÁRIO SENAC (SENACSP)

NAIRANA RADTKE CANEPPELE
CENTRO UNIVERSITÁRIO UNIHORIZONTES - MG

FELLIPE SILVA MARTINS
UNIVERSIDADE PRESBITERIANA MACKENZIE (MACKENZIE)

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1. Introduction

In an era where the environmental footprint of corporate activities has captured global attention, the pursuit of sustainability has transitioned from an optional endeavor to a fundamental aspect of business strategy (Ahmed et al., 2020). This shift has not only reshaped consumer and shareholder expectations but has also placed sustainability considerations at the forefront of their decision-making processes, particularly when encapsulated through Environmental, Social, and Governance (ESG) metrics (Cillo et al., 2019; Tilba, 2022). Amid this evolving landscape, an emerging focus within academic discourse centers on the workforce—the often-overlooked stakeholders whose engagement and retention are increasingly seen as being influenced by ESG initiatives (Gillan et al., 2021; Zumente & Bistrova, 2021; Nguyen et al., 2022). Despite growing interest, the dynamics between ESG practices and people management remain ambiguous, prompting this investigation to explore how employees' perceptions of ESG impact their retention.

The contemporary corporate scenario mandates that businesses both navigate consumer demands and adhere to environmental regulations, underscoring the heightened importance of sustainable practices. This paradigm shift has propelled scholarly inquiry into the environmental impact on stakeholder behavior, spanning concerns from environmentally conscious consumers to green marketing strategies and sustainable consumption (Li et al., 2021; Alwitt & Pitts, 1996; Menon & Menon, 1997). ESG, encompassing a broader spectrum of corporate social responsibility (CSR), emerges as a strategic imperative, influencing market value and consumer behavior through its reflection of social well-being initiatives (Bang, Choi & Ahn, 2022; Gillan, Koch, & Starks, 2021).

Publicly traded firms, in particular, are increasingly standardizing sustainability-focused environments, with ESG disclosures playing a pivotal role in investment and market valuation (Wen et al., 2022). The significance of non-financial data disclosure has thus become a central theme, with academia delving into its implications for both the internal and external facets of organizations (Raimo, 2021). This attention to non-financial resources, including environmental, social, intellectual, and human capitals, has crucial strategic and directional implications for companies (Kotsantonis & Serafeim, 2019).

However, a paradox emerges: while ESG indices serve as external communication tools for corporate strategy, their potential for fostering internal cohesion around organizational values, practices, and employee impact remains underexplored. The literature suggests that while ESG practices are morally incumbent upon organizations, their disclosure is not universally mandated. Yet, these practices are purported to enhance market value, hinting at a nascent yet critical relationship between ESG and people management—a relationship ripe for scholarly investigation (Arvidsson & Dumay, 2022).

The discourse thus far posits a positive correlation between ESG and employee outcomes yet stops short of elucidating the mechanisms of this relationship. Given the company-wide scope of ESG dimensions, this study posits that employees' perceptions of ESG, rather than direct impacts, offer a more viable avenue for operationalization. Furthermore, this investigation hypothesizes that alignment between employee values and company positioning—manifested through employee retention—constitutes a significant dimension of ESG's positive impact (Swann et al., 1987; Ng, Yam & Aguinis, 2019).

This study aims to dissect the relationship between ESG practice perceptions and employee retention, considering the propensity for individual consciousness, pride, and satisfaction. By examining both direct and mediated pathways through employee satisfaction and pride, alongside the influence of pro-environmental behaviors, this research seeks to unveil the nuanced interplay between ESG perceptions and retention. In doing so, it endeavors to enrich the strategic management literature by scrutinizing intangible resources, internal communication, and their ramifications for human resource retention. Additionally, this work aims to clarify the dual role of non-financial indicators like ESG in signaling external intentions and fostering internal unity, thereby contributing to the broader understanding of sustainable corporate practices.

Given Brazil's unique position as one of the largest emerging markets, coupled with its significant socio-economic and environmental challenges, it serves as an ideal locus for this study (Silvestre, 2015). Brazil's dynamic setting, characterized by substantial income disparity and social inequality (de Melo, 2023), underscores the critical need for robust ESG practices to foster sustainable development and social equity. Additionally, Brazil's evolving regulatory landscape related to environmental protection (Abessa et al., 2019), along with its challenges with corruption (Pereira, & Gasparoto Tonin, 2023), provides a rich backdrop to explore how companies navigate and implement ESG practices. By focusing on Brazil, this study aims to provide insights that are not only relevant locally but also contribute to the broader discourse on ESG practices in emerging markets.

2. Literature review and hypotheses development

The push for a sustainable global economy and society calls for strong adherence to Environmental, Social, and Governance (ESG) principles. These principles are key in shaping corporate strategies, improving performance, and guiding corporate actions by measuring the real-world application of ESG principles (Li et al., 2021). Nowadays, ESG principles serve as standard measures to evaluate an organization's sustainability, linking it to a variety of factors (Clément, Robinot & Trespeuch, 2022). The study of how organizations embrace sustainability has its origins in exploring how managers behave, the cost of handling different interests within a company, and the structure of who owns it (Jensen & Meckling, 1976), along with the basics of strategic management (Freeman, 1984; Freeman, Gilbert & Hartman, 1988), and how an organization legitimizes itself (Suchman, 1995), all supported by stakeholders' backing (Donaldson & Preston, 1995; Orlitzky, Schmidt & Rynes, 2003).

When it comes to how managers operate, they're increasingly tasked with wisely using limited company resources amid growing social pressures. Interestingly, there's a recognized link between how a company performs socially and its financial success, although a company's sustainability efforts might vary based on its size, its variety of operations, and legal requirements for adopting advanced human resources practices with a social bent (Waddock & Graves, 1997; McWilliams & Siegel, 2000; McWilliams & Siegel, 2001). The link between how managers behave and the support from all stakeholders reflects time-tested views on what makes an organization successful, grounded in how agreements are made and seen within a company (Jensen & Meckling, 1976; Williamson & Winter, 1991).

Today, evaluating a company's performance goes beyond just looking at its finances to include non-financial aspects – where ESG has become a key non-financial evaluation tool (Galbreath, 2013; Weston, & Nnadi, 2023). This approach leads to two viewpoints: one sees companies actively setting and working towards ESG goals (Bax & Paterlini, 2022), while the other warns of potential misuse of ESG for inflating company values or as a form of greenwashing (Ferriani & Nattoli, 2020; Lokuwaduge & De Silva, 2022), despite evidence linking high ESG scores to better market performance (Friede et al., 2015).

ESG principles today are not just for attracting outside investment but are seen as a competitive edge in managing people within the company. With sustainability becoming a key concern for stakeholders, companies face significant sustainability risks, making it crucial for actions to be visible and real (Hübel & Scholz, 2020). In companies valuing ESG, people management practices, such as performance-based pay, fitting job assignments, and comprehensive training and development programs, are aligned with ESG efforts, creating impactful results both inside and outside the company (Bang, Choi & Ahn, 2022).

For companies to truly benefit from ESG practices, they must consistently and transparently share information, benefiting both the organization and its people. Current trends in management highlight the importance of how information is shared, affecting everything from how CEOs are viewed based on their company's social reputation to how ESG disclosures impact financial performance and borrowing costs (Cai et al., 2020; Bax & Paterlini, 2022). The focus, however, should shift from just sharing information to creating better ESG outcomes and adopting people management practices that reflect ESG principles, improving the company's overall fabric (Arvidsson & Dumay, 2022).

2.1 People management in ESG

The exploration of how people management intersects with Environmental, Social, and Governance (ESG) criteria is a burgeoning area of study, gaining traction only in recent years (Schleich, 2022). By weaving ESG principles into the fabric of project development, initiatives, and campaigns aimed at bolstering sustainability and driving employee engagement, organizations can cultivate an environment that values its workforce and broader societal welfare. Moving beyond solely financial benchmarks to assess the trio of financial, social, and environmental impacts signals a comprehensive approach to stakeholder engagement.

Emerging research underscores the significant role of ESG in shaping both the dynamics of employee management and organizational performance. Evidence suggests that organizational commitment to ESG can markedly influence employee behavior, enhance feelings of belonging, and modify perceptions of sustainability both internally and externally (Aguilera et al., 2007; Turker, 2009).

Table 1. *Key Insights from ESG Research on People Management*

Bansal (2003)	The synergy between organizational ethos and individual values can catalyze environmental stewardship.
Campbell (2007)	Definitions of socially responsible corporate behavior vary across different stakeholders, influenced by prevailing regulations and societal norms.
Alvares & Souza (2016) Raj, (2020)	Focusing on employee well-being not only boosts talent retention but also improves the organizational image, employee integration, and overall performance.
Skousen & Sun (2019)	A positive correlation exists between employee success and social dimensions within ESG ratings.
Barrymore & Sampson (2021)	Achieving high marks in ESG translates to increased productivity.
Liu & Nemoto (2021)	Higher ESG scores provide a competitive edge in attracting and keeping talent.
Schleich (2022)	There is a significant positive relationship between metrics related to the employee category and ratings assigned to the social dimension and ESG itself.

The findings lead to a nuanced understanding: ESG-driven practices foster a deeper commitment among employees, promoting a positive organizational identity and enabling a motivated, capable workforce (Barrymore & Sampson, 2021; Liu & Nemoto, 2021; Maignan et al., 1999). These impacts are manifest across cognitive, emotional, and behavioral employee responses, highlighting the intricate relationship between ESG perception and workplace engagement (Cropanzano et al., 2001). Given these insights, the study posits the following hypothesis:

H1: The perception of ESG initiatives by employees is positively linked to their propensity to stay with the organization.

Recent studies point to uncharted territory in the interplay between people management and Environmental, Social, and Governance (ESG) frameworks, signaling an emergent field ripe for exploration (Schleich, 2022). The integration of ESG principles into organizational strategies, such as training and development initiatives aimed at competitive advantage (Saeed et al., 2023), not only positions companies for success but also aligns with broader goals of sustainability and employee engagement. Additionally, fostering a work environment that prioritizes health and safety (Scopinho, 2000), alongside policies that champion diversity and equal opportunities (Kele, & Cassell, 2023), stands out as a mark of differentiation in today's competitive landscape.

The alignment of ESG practices with employee outcomes — including job productivity and retention — emerges as a promising avenue for corporate innovation (Bang, Choi & Ahn, 2022). Viewing these investments as strategic pillars underscores their potential to cultivate a sustainable competitive edge and enhance financial performance (Su et al., 2016). Moreover, an organization's external reputation for positive ESG engagement enriches the internal culture, bolstering employee retention, pride, and satisfaction (Ng, Yam & Aguinis, 2019).

The concept of employee pride, in particular, has been linked to perceptions of superior organizational performance. This emotional connection not only fosters a deeper bond with the company but also mitigates the likelihood of turnover (Kraemer & Gouthier 2014; Kraemer, Gouthier & Heidenreich, 2017). Celebrating successes and acknowledging the collective achievements can further elevate pride, potentially leading to enhanced job performance (Kraemer, Gouthier & Heidenreich, 2017; So et al., 2015).

The intricate web of perceptions, emotions, attitudes, and behaviors that ESG principles engender among employees serves as a foundation for fostering pride, retention, and satisfaction within the organizational context (Ng, Yam & Aguinis, 2019). Emphasizing ESG as a motivational tool not only inspires employees but also promotes positive workplace behavior (Flammer & Luo, 2017; Farooq, Rupp & Farooq, 2017), acting as a catalyst for both personal and organizational growth (Balakrishnan, Sprinkle & Williamson, 2011). The value employees place on meaningful work suggests that ESG-aligned practices can significantly enhance their commitment and retention (Carnahan, Kryscynski, & Olson, 2017; Li et al., 2021).

Therefore, it is reasonable to suggest that employees' perception of their organization's ESG commitments leads to satisfaction, positively influencing their desire to remain part of the company. Strategic use of ESG practices can also deter employees from moving to competitors and safeguard against the loss of proprietary information (Flammer & Kacperczyk, 2019). Accordingly, we propose:

H2: Satisfaction mediates the relationship between ESG perception and employee retention.

Sustainable consumption behaviors are essentially environmental actions taken in personal settings that directly impact the environment (Stern, 2000; Kilbourne & Pickett, 2008). These behaviors, encompassing pro-environmental consumption and responsible consumption, are actions by individuals aimed at reducing the adverse effects of consumption on the environment (Dhandra, 2019). Those who engage in such behaviors strive to minimize environmental harm (Steg & Vlek, 2009).

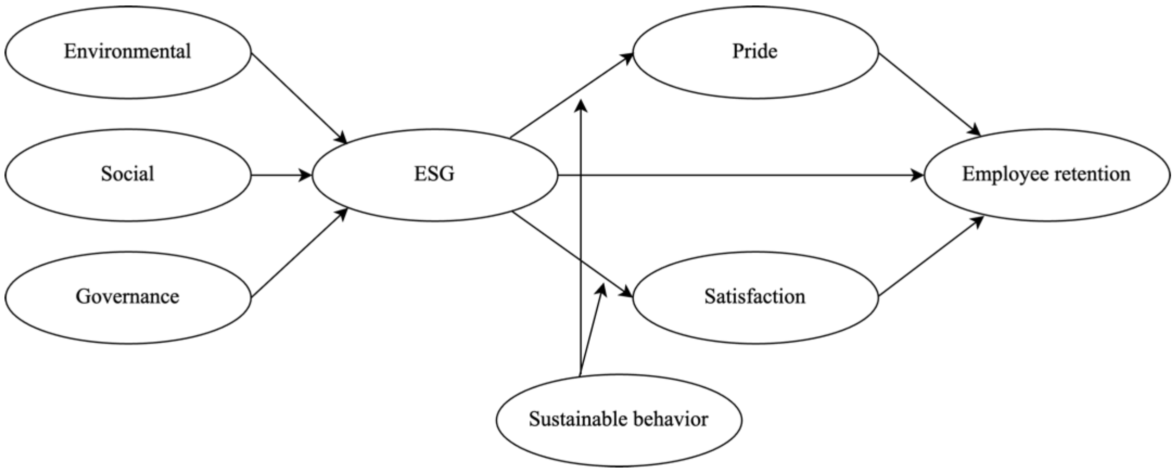
The academic community is increasingly focused on identifying the beliefs, attitudes, and values that drive sustainable consumption behaviors (Kilbourne & Pickett, 2008; Saari et al., 2021). This study, however, explores the impact of employees' perceptions of corporate ESG practices on their attitudes and examines whether employees who exhibit pro-environmental behaviors are more inclined to have favorable views of organizations that adopt ESG practices. It suggests that employees with pro-environmental tendencies, keen on minimizing environmental damage, may experience heightened satisfaction and pride in organizations that demonstrate alignment with their values. Therefore, pro-environmental behavior is expected to influence the relationship between ESG practice perception and employee satisfaction and pride. Thus, we hypothesize:

H4: Employees' perception of ESG positively influences their retention, mediated by their satisfaction, and this effect is amplified by their sustainable behavior.

H5: Employees' perception of ESG positively influences their retention, mediated by their pride, and this effect is amplified by their sustainable behavior.

The conceptual framework, outlined in Figure 1, visually represents the hypotheses set forth in this study, aiming to illuminate the interconnections between ESG perceptions, sustainable behavior, employee satisfaction, pride, and retention.

Figure 1. *Proposed Conceptual Framework*



3. Method

This section outlines the methodological choices that guided the empirical phase of this study.

3.1 Study Context

Given the objective of this study—to analyze the effect of perceived ESG (Environmental, Social, and Governance) by employees on employee retention through pride and satisfaction, moderated by sustainable employee behavior—a descriptive, quantitative, and cross-sectional research approach was employed. Data was collected using an online survey distributed through social networks. As a filter, only individuals currently employed by a company were eligible to respond to the survey.

3.2 Choice of sampling

Brazil, as one of the largest emerging markets, presents a unique environment where economic growth is coupled with significant social and environmental challenges (Silvestre, 2015). This dynamic setting makes it an ideal context to explore the impact of ESG (Environmental, Social, and Governance) practices. Brazil's socio-economic conditions, including income disparity and social inequality (de Melo, 2023), highlight the critical need for robust ESG practices to foster sustainable development and social equity. Brazil has been progressively adopting and enforcing regulations related to environmental protection (Amuah et al., 2023). This regulatory landscape provides a rich backdrop to study the effectiveness of ESG practices.

Additionally, Brazil has faced significant challenges with corruption, which has deeply affected various sectors of its economy and governance (Pereira, & Gasparoto Tonin, 2023). Studying ESG practices in Brazilian companies provides a critical opportunity to explore how companies can navigate and mitigate corruption through robust governance structures and ethical practices. By examining how companies in Brazil navigate these regulations and the impact on employee perceptions, the study can offer insights into the role of regulatory frameworks in shaping ESG outcomes and provide valuable insights into how ESG initiatives are perceived and implemented in emerging economies, which may differ from developed countries.

3.3 Scales Used and Sample Description

The research instrument was constructed using previously validated scales. However, it was necessary to translate and adapt the measurement items. The items for the ESG scale were adapted from the DESG scales by Puriwat and Tripopsakul (2022). The employee pride scale items were extracted from Kraemer et al. (2017), the employee satisfaction items were taken from Ng et al. (2019), and the employee retention items were taken from Ferreira et al., (2018). Additionally, seven items were used to measure declared sustainable behavior of individuals (Kilbourne & Pickett, 2008). All items were measured on a seven-point Likert scale, with 1 being Strongly Disagree and 7 being Strongly Agree. This choice is supported by the literature and ensures adequate results for reliability, concurrent validity, and predictive validity (Cox III, 1980). Furthermore, all scales were translated and adapted to Portuguese and to the organizational context in Brazil. The original content, in its entirety and in English, was evaluated by organizational studies researchers, following the steps of back-translation by professional translators.

A pre-test was conducted to analyze the comprehension of the variables. Three individuals were asked to respond to the research instrument. After completing the task, these respondents were asked to provide feedback on their understanding of the questionnaire and to suggest any necessary adjustments. No adjustments were deemed necessary, so the questionnaire was hosted on the Google Forms platform and subsequently shared via the authors' social media networks. The questionnaire link was completed by 237 respondents. The sample description is presented in Table 1.

Table 1. *Descriptive Analysis of the Sample*

Sample Description		N	%
Gender	Female	137	58%
	Male	100	42%
Education	Elementary School	4	2%
	High School	42	18%
	Incomplete Higher Education	104	44%
	Complete Higher Education	40	17%
	Incomplete post-graduate	20	8%
	Complete post-graduate	27	11%
Age (years)	18 to 25	103	43%
	26 to 30	69	29%
	31 to 40	47	20%
	41+	18	8%
Company size (employees)	1-10	40	17%
	11-20	19	8%

	20-50	31	13%
	50-100	23	10%
	100+	124	52%

Source: research data

As shown in Table 1, the sample for this study consists of 237 respondents, of which 137 are women (58%). The average age was 27 years ($\sigma = 7.9$), with 72% (n = 172) of respondents aged between 18 and 30 years. Regarding the sociodemographic data of the sample, 80% (n = 191) reported having at least some college education. Additionally, 52% (n = 124) of the respondents indicated that they work in companies with more than 100 employees.

To determine an adequate sample size for analyzing the proposed conceptual model, the predictor construct was considered the determinant of the estimate (Ringle et al., 2014). Using the G*Power 3.1.7 software and based on Faul et al., (2007) specifications for the Social and Behavioral Sciences (Effect Size of 0.15, Test Power of 0.80, and alpha of 0.05), a recommended sample size of 77 responses was identified. Thus, the obtained sample size is adequate for the purposes of this study.

4. Data analysis and results

This section presents the analysis of the collected data.

4.1 Model Fit

The model analysis was conducted using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) method, supported by the SmartPLS 4.0 software and following the recommendations of Ringle et al. (2014). An initial analysis was carried out through Confirmatory Factor Analysis (CFA) to confirm the fit indices of the second-order construct (ESG), followed by an analysis of the structural paths of the complete model.

The results of the CFA indicated a good fit for the measurement model (Table 3), as the composite reliability, Cronbach's alpha values, factor loadings, and Average Variance Extracted (AVE) scores reached the values recommended by the literature (Fornell & Larcker, 1981; Hair et al., 2021). Specifically, all factor loadings exceeded the critical value of 0.5 and were statistically significant at the 1% level ($p < 0.01$). Additionally, the composite reliability and Cronbach's alpha values were above the threshold of 0.7, and the AVEs reached the critical value of 0.5. The analysis procedures performed provide strong evidence of reliability and convergent validity.

Regarding discriminant validity, the square roots of the constructs exceeded the correlations between them, as recommended by the literature (Fornell & Larcker, 1981; Hair et al., 2021). Therefore, the results of the CFA indicated good discriminant validity (Table 3).

Table 2. *Correlations and discriminant validity*

	1	2	3
1 – Environmental	**0.878**		
2 – Governance	0.612	**0.857**	
3 – Social	0.690	0.820	**0.851**
AVE	0.771	0.734	0.724
Composite reliability	0.901	0.879	0.872

Note 1. Values on the diagonal (in bold) are the square roots of the AVE.
Note 2. All correlations are significant at the 1% level ($p<0.01$)

Source: Research data.

Once the validation of the second-order construct (ESG) was completed, we proceeded with the model validation. Similar to the previous CFA, the tests indicated a good fit for the measurement model (Fornell & Larcker, 1981; Hair et al., 2021). Specifically, all factor loadings, except for items

LO1 and LO4, exceeded the critical value of 0.5 and were statistically significant at the 1% level ($p < 0.01$). Consequently, two loyalty items were removed at this stage. The composite reliability and Cronbach's alpha values were close to or above the threshold of 0.7, and the AVEs reached the critical value of 0.5. The analysis procedures provide strong evidence of reliability and convergent validity (Table 4).

Table 3. *Model CFA results*

Constructs/Items	**Loadings**
Environmental	**a 0.901**
E_1	0.897
E_2	0.897
E_3	0.890
E_4	0.826
Governance	**a 0.879**
G_1	0.853
G_2	0.849
G_3	0.881
G_4	0.842
Social	**a 0.872**
S_1	0.871
S_2	0.878
S_3	0.887
S_4	0.763
Retention	**a 0.972**
Ret_1	0.975
Ret_2	0.978
Ret_3	0.966
Satisfaction	**a 0.848**
SaT1	0.933
SaT2	0.930
Pride	**a 0.918**
P_1	0.909
P_2	0.878
P_3	0.886
P_4	0.911
Sustainable bhavior	**a 0.803**
Sust_1	0.829
Sust_2	0.685
Sust_3	0,864
Sust_4	0.731

Source: Research data.

The discriminant validity analysis for the model was performed using the Fornell and Larcker criterion (Fornell & Larcker, 1981; Hair et al., 2021). However, to meet the pre-established criteria, four items from the sustainable behavior scale were excluded. In the end, the CFA results indicate that the measurement model possesses good discriminant validity (Table 5).

Table 4. *Correlations and discriminant validity*

	4	**5**	**6**	**7**	**8**
4 – ESG	**0.773**				
5 – Sustainable behavior	0.164	**0.781**			
6 – Pride	0.754	0.077	**0.896**		
7 – Satisfaction	0.661	0.137	0.833	**0.932**	

8 – Retention	0.662	0.114	0.746	0.773	**0.973**
AVE	0.597	0.609	0.803	0.868	0.947
Composite Reliability	0.947	0.861	0.942	0.930	0.982

Note 1. Values on the diagonal (in bold) are the square roots of the AVE

Note 2. All correlations are significant at a 1% level ($p<0.01$)

Source: Research data.

The model also showed no multicollinearity, as the VIFs were all below 10. Subsequently, the quality indicators for model fit were examined. The results of this analysis indicated that the models have predictive validity (Stone-Geisser indicator [Q^2] positive). The results also indicated a large effect size ($f^2 > 0.35$) for all constructs (Hair et al., 2021).

4.2 Structural Model

The Structural Equation Modeling (SEM) of the model was estimated using the bootstrapping method with n = 237 and 5,000 repetitions (Ringle et al., 2014). The model tested five hypotheses, examining the effect of ESG on employee retention both directly and through the mediators satisfaction and pride, which were moderated by sustainable behavior (Table 6). It was observed that only one of the relationships was not statistically significant: the moderated mediation (pride) by sustainable behavior in the relationship between ESG and retention.

Thus, through the proposed model, it was possible to confirm four of the five hypotheses of this study. In other words, there was a direct effect of ESG on retention, and it was possible to observe the mediated effect through employee satisfaction and pride. Additionally, the moderated mediation (satisfaction) by sustainable behavior in the relationship between ESG and employee retention was confirmed.

These results also pointed to direct effects between: ESG and satisfaction; ESG and pride; satisfaction and retention; and pride and retention. Consequently, it was possible to identify that ESG impacts employee retention both directly and through employee pride and satisfaction. Furthermore, it was noted that declared sustainable behavior enhances the mediated relationship through satisfaction. This indicates that employees with declared sustainable behavior are even more satisfied with the perceived adoption of ESG by the company, which impacts their intention to remain with the organization.

Table 5. *Evaluation of the hypothetical structural relationships of the model*

	Original Sample	Sample Mean	SD	*t*	*p*
ESG → Retention	0.196	0.198	0.068	2.876	***
ESG → Pride	0.765	0.763	0.035	21.626	***
ESG → Satisfaction	0.659	0.656	0.050	13.063	***
Pride → Retention	0.203	0.199	0.102	1.983	**
Satisfaction → Retention	0.475	0.477	0.093	5.084	***
Indirect effects, total and specific					
ESG → Retention	0.468	0.465	0.056	8.311	***
ESG → Satisfaction → Retention	0.313	0.313	0.065	4.800	***
ESG → Pride → Retention	0.155	0.152	0.079	1.972	**
Sust_Behavior x ESG → Pride → Retention	0.022	0.018	0.013	1.630	n.s.
Sust_Behavior x ESG → Satisfaction → Retention	0.051	0.045	0.024	2.100	**

Note. Critical limits for the t-test (n >= 100) 1.65 = $p < 0.10$*; 1.96 = $p < 0.05$**; 2.53 = $p < 0.01$***

Source: Research data.

In addition to the bootstrapping method via structural equation modeling, mediation hypotheses were confirmed using the SPSS software with the Macro Process (Hayes, 2017). Model 4 was used, as it is the most appropriate for testing parallel mediations. Moreover, moderated mediations were analyzed using Model 7.

Thus, the mediation was confirmed (Total: $\beta = 0.7396$; se = 0.0927; [0.5590 0.9212]) through satisfaction ($\beta = 0.4912$; se = 0.0999; [0.3028 0.6898]) and pride ($\beta = 0.2484$; se = 0.1201; [0.0084 0.4868]) in the relationship between ESG and employee retention. However, the mediation was partial, as there was a direct effect of ESG on employee retention ($\beta = 0.2526$; se = 0.0920; t = 2.7438 [0.0712 0.4339]).

For the analysis of moderated mediation, demographic and market variables (age, gender, number of employees in the company, and number of months the employee has worked in the company) were included as controls. Only the number of employees showed a direct effect on retention ($\beta = 0.0811$; se = 0.0351; t = 2.3115 [0.0120 0.1502]). Thus, as in Model 4, we found a direct effect of ESG on employee retention ($\beta = 0.2526$; se = 0.0920; t = 2.7438 [0.0712 0.4339]). We also found the effects of moderated mediations, meaning that sustainable behavior moderates the relationship between ESG and satisfaction, and satisfaction mediates the relationship between ESG and employee retention ($\beta = 0.1013$; se = 0.0430; [0.0287 0.1995]). Similarly, sustainable behavior moderates the relationship between ESG and pride, and pride mediates the relationship between ESG and employee retention ($\beta = 0.0464$; se = 0.0258; [0.0010 0.1007]). Both moderations occurred at all points of the scale, and all Johnson-Neyman points showed statistical significance (Hayes, 2017).

5. DISCUSSION

Despite significant efforts to understand the impact of ESG practices on organizations (Li et al., 2021), no studies have been found focusing on understanding employee retention through satisfaction and pride. However, other authors have previously pointed to a greater willingness for employee retention due to organizations' social responsibility practices (Carnahan et al., 2017). More closely related to employee satisfaction and pride, Farooq et al. (2017) highlight the positive relationship between social responsibility activities and perceived respect, as well as an increased perception of identification with the organization.

Our study draws from social identity theory and organizational justice theory to examine how ESG practices influence employee retention through satisfaction and pride. Social identity theory suggests that individuals derive part of their identity from the organizations they belong to, and when these organizations engage in socially responsible practices, employees feel a stronger connection and identification with their workplace (Tajfel & Turner, 2004). Organizational justice theory posits that when employees perceive fairness and ethical behavior in their organization, their levels of satisfaction and organizational commitment increase (Greenberg, 1987).

In the context of Brazil, our study adds a nuanced understanding of these theories by exploring ESG practices in an emerging market setting. Brazil, as one of the largest emerging markets, presents a dynamic environment where economic growth is coupled with significant social and environmental challenges (de Melo, 2023). This setting makes it an ideal context to explore the impact of ESG practices. Brazil's socio-economic conditions, including income disparity and social inequality (IPEA, 2023), highlight the critical need for robust ESG practices to foster sustainable development and social equity.

Our findings align with social identity theory, showing that employees who perceive their organizations as socially responsible tend to feel more satisfied and prouder, reinforcing their identification with the organization. This is particularly pertinent in Brazil, where socio-economic disparities are pronounced. Effective ESG practices can bridge these disparities by promoting inclusivity and equity, thereby enhancing employees' sense of belonging and organizational pride.

From the perspective of organizational justice theory, the progressive adoption and enforcement of environmental regulations in Brazil (Adamovic, 2023) provide a regulatory framework that enhances perceptions of fairness and ethical behavior within organizations. This regulatory landscape, combined with the challenges of corruption (Knudsen, 2023), underscores the importance of strong governance structures. Our study indicates that robust governance practices, as part of ESG initiatives, can mitigate corruption, fostering a culture of integrity and transparency. This not only aligns with the principles of organizational justice but also reinforces employee satisfaction and retention.

Furthermore, our study demonstrates that employees with pro-environmental behavior tend to feel more satisfied and prouder when they perceive ESG practices by their employer. This occurs because individuals with pro-environmental behavior are concerned with causing the least possible environmental impact (Steg & Vlek, 2009). This finding supports the idea that personal values and organizational practices must align to enhance employee well-being and retention.

By examining how companies in Brazil navigate these regulations and the impact on employee perceptions, the study offers insights into the role of regulatory frameworks in shaping ESG outcomes. It provides valuable insights into how ESG initiatives are perceived and implemented in emerging economies, which may differ significantly from developed countries. In emerging markets like Brazil, the implementation of ESG practices can face unique challenges such as varying levels of regulatory enforcement, cultural differences, and differing economic priorities. These factors can influence the effectiveness of ESG initiatives and their impact on employee attitudes and behaviors.

Overall, this study not only underscores the importance of ESG practices in promoting sustainable and ethical business operations but also highlights their specific relevance in the Brazilian context. By linking our findings to social identity theory and organizational justice theory, we contribute to the broader understanding of ESG's role in enhancing organizational performance and employee well-being in emerging markets. The insights derived from Brazil can inform both local and global strategies for enhancing ESG practices, ultimately contributing to more sustainable, equitable, and transparent development worldwide.

5.1 Managerial Implications

Considering ESG actions in the context of people management, it is possible to influence organizational climate and behavior, consequently affecting individuals' perceptions. Management processes can become more effective by attracting more candidates when recruiting or selecting new talents, reducing operational costs through increased social credibility, and building more enduring relationships.

In other words, ESG-focused actions improve satisfaction and feelings of pride, thus generating a greater intention for employees to remain with the company. However, it is not enough for the organization to merely practice these actions; it is essential to communicate them to the employees. Therefore, our study demonstrates the importance of ESG practices in employee retention.

5.2 Limitations and Future Research

This study provides empirical and managerial contributions to organizational behavior research, although it has some limitations. Among them is the sample size, which may limit the generalization of the findings despite the adjustments and their consistency. Additionally, there is a lack of specificity regarding the organizational segment.

Future research could seek larger samples, encompassing other employee profiles, as well as analyzing specific organizational segments. Furthermore, it is suggested that, in addition to the mentioned items, future studies test the causal effect of ESG communication on employee retention and attraction.

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