



IN THE EYES OF JOB SEEKERS: THE IMPACTS OF ESG ON ORGANIZATIONAL REPUTATION AND ATTRACTIVENESS

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Abstract

This study aims to explore the relationship between ESG and organizational reputation and attractiveness in the eyes of job seekers covering newly graduates and current employees in Taiwan. Drawing upon signaling theory and social identity theory, we investigate the environmental, social, and governance issues, respectively, and ESG as a whole as the drivers of organizational attractiveness, especially in the eyes of job seekers. To this end, we adopted a deductive approach to finalize the 34-item ESG measurement. Next, we collected data from 106 participants, including 49 students about to graduate or social freshmen looking for work and 57 current employees. Our findings indicate that (1) environmental issue, social issue, governance issue, and ESG as a whole are positively and significantly related to organizational reputation, respectively, (2) organizational reputation is the critical linkage between environmental issue, social issue, governance issue, and ESG as a whole, respectively, and organizational attractiveness, and (3) organizational reputation, rather than organizational attractiveness, is an underlying mechanism in the relationships as mentioned above. This study contributes to the current ESG literature by revealing the significant implications for organizations concerning ESG implementation and organizational attractiveness.

Keywords

Job Seekers, ESG, Signaling Theory, Social Identity Theory, Organizational Reputation, Organizational Attractiveness

Introduction

As universally known, environmental, social, and governance (ESG) factors can affect the organizational image (Younis & Hammad, 2020). When a company demonstrates strong ESG practices, such as environmental sustainability, positive social impact, and ethical governance, it enhances its reputation and appeals to talents from the human resource market. This boost comes from the perception that the company is responsible and forward-thinking. Conversely, if a company lacks strong ESG practices or faces controversies related to these factors, it can negatively impact its attractiveness. Poor environmental practices, social issues, or governance problems can lead to reputational damage and decrease potential employees' trust, making the organization less appealing.

Recently, there has been a growing interest in ESG issues, with many businesses and job seekers prioritizing this topic (Asante-Appiah & Lambert, 2023). This study tests the hypotheses that corporations with high ESG evaluation have competitive advantages in attracting more job seekers, including new graduates and people who want to change their work. In this case, a company's standing concerning ESG factors is increasingly significant in its success (Beard, 2019; Kell, 2014; Whyte, 2019). A company's reputation is impacted by its approach to ESG and is becoming a crucial criterion for an attractive corporation (Asante-Appiah & Lambert, 2022). Hence, we gathered data from job seekers in this study to understand their thoughts on ESG, organizational reputation, and attractiveness and investigated how organizational ESG implementations affect their reputations and attractiveness through the lens of job seekers.

ESG factors can affect organizational reputation and attractiveness (Asante-Appiah & Lambert, 2023; Teor et al., 2022). Therefore, can ESG help or hinder organizational reputation and attractiveness? If yes, how and why? It is a vital discussion for enterprises. Accordingly, this study investigates the associations among ESG practices, organizational reputation, and attractiveness. Figure 1 shows our proposed potential variables for this study. Accordingly, we propose two research questions as follows:

1. How do individual environmental, social, and governance aspects, or ESG as a whole, contribute to improving organizational reputation and attractiveness?
2. Which factor, organizational reputation or organizational attractiveness, plays a linking role in ESG implementations?



Figure 1. Proposed Research Variables

The Rationalization of the Current Research

Hence, this study uses signaling theory (Spence, 2002) and social identity theory (Ashforth & Mael, 1989) to illustrate the associations among ESG, organizational reputation, and attractiveness. ESG implies a significant signaling occurring during human resource recruitments (Suazo et al., 2009); thus, ESG implementations can enhance organizational reputation, especially in the eyes of job seekers. Because applicants have incomplete information about the organization, they interpret ESG information they receive as signals about the organizations' working conditions (Fisman et al., 2006; Liu & Nemoto, 2021). As organizations have recognized their social responsibility and operational sustainability, they identify their societal roles, corresponding to the principles of social identity theory. Signaling theory is typically used for describing behavior between two parties. Organizations are senders to deliver ESG carry-outs, while receivers (job seekers or applicants) receive ESG practices to judge the organization's working conditions and sustainable management (Fisman et al., 2006). On the other hand, based on social identity theory (Liu & Nemoto, 2021), we suggest that organizations identify themselves into social categories based on ESG implementations to uplift their reputations. According to Abulsoud et al.'s (2020) study, corporate image can increase organizational attractiveness. Therefore, we examine organizational reputation as the potential mechanism between ESG and organizational attractiveness.

Methodology

The study explores the possibilities of creating a diverse workforce by adapting to employees' unique needs and characteristics. This study uses a deductive approach to browse ESG items from the ESG questionnaire from the *United Microelectronics Corporation* (https://www.umc.com/en/CSR_Questionnaire/csr_questionnaire), the Thomson Reuters Corporate Responsibility Index (TRCRI; 2013), and the United Nations Global Compact (UNGC; 2004). Afterward, two professors reviewed and screened its reasonableness and feasibility and finalized environmental issues (9 items), social issues (11 items), and governance issues (14 items) to compile a questionnaire. Organizational attractiveness is measured by 15 items from Highhouse et al. (2003), and organizational reputation is measured by seven items from Agarwal et al. (2018), with the opening statement like: "I love that company: Look how ethical, prominent, and efficacious it is ...". The questionnaire was distributed via acquaintances and their networks to receive data from various fields, making it more objective. This process has taken two weeks. The final data is from 106 people, 49 of whom are either students about to graduate or social

freshmen looking for work. The remaining 57 are current employees. This suggests that enterprises prioritizing social responsibility will likely attract more job seekers. Next, we use SPSS and PROCESS model 4 to test the mediation (Baron & Kenny, 1986). The information includes means, standard deviation, and correlations of the study variables. All of them are mentioned in Table 1. Tables 2~5 illustrate the mediating effects, respectively.

Results

Table 1 shows the study variables' means, standard deviations, and correlations. Those key variables, such as environmental issues, social issues, governance issues, ESG, organizational attractiveness, and organizational reputation, are significantly correlated. The reliabilities of the study variables are desirable. The environmental issue is positively and significantly related to organizational reputation ($B = 0.54, p < 0.01$). Then, the social issue is positively and significantly related to organizational reputation ($B = 0.53, p < 0.01$), and further, the governance issue is positively and significantly related to organizational reputation ($B = 0.60, p < 0.01$). ESG as a whole is also positively and significantly related to organizational reputation ($B = 0.62, p < 0.01$).

	Means	SD	1	2	3	4	5	6	7	8	9	10
1. Gender	1.58	0.5										
2. Age	33.18	14.3	-0									
3. Education	3.17	0.54	-0.1	0.26**								
4. Social Desirability	3.6	0.7	0.16	0.34**	0.19*	-0.73						
5. Environmental Issue	4.19	0.51	-0.1	-0.02	0.08	0.13	-0.86					
6. Social Issue	4.37	0.46	-0.1	0.01	0.17	0.18	0.71**	-0.83				
7. Governance Issue	4.33	0.54	-0.1	0.06	0.03	0.26**	0.70**	0.69**	-0.94			
8. ESG	4.3	0.45	-0.1	0.03	0.09	0.22*	0.87**	0.88**	0.92**	-0.95		
9. Organizational Attractiveness	3.9	0.52	-0.2	0.04	0.04	0.19*	0.50**	0.51**	0.53**	0.57**	-0.93	
10. Triadic Organizational Reputation	4.03	0.53	0.02	0.07	-0.03	0.33**	0.54**	0.53**	0.60**	0.62**	0.79**	-0.86

* $p < 0.05$. ** $p < 0.01$. *** $p < 0.001$. Cronbach's alphas appear on the diagonal for multiple-item measures

Table 1. Means, Standard Deviations, and Correlations of the Study Variables

Next, we conducted the mediating effects analyses. We put organizational reputation as the mediating linkage between environmental issue and organizational attractiveness in the equations. Based upon Tables 2~5, we have found that organizational reputation is the critical linkage between environmental issue and organizational attractiveness ($B = 0.77, p < 0.001$). Then, we have also found out that the relationship between social issue and organizational attractiveness is mediated by organizational reputation ($B = 0.76, p < 0.001$), and organizational reputation mediates the relationship between governance issues and organizational attractiveness ($B = 0.78, p < 0.001$). Lastly, organizational reputation mediates the relationship between ESG and organizational attractiveness ($B = 0.75, p < 0.001$).

Further, we conducted the bootstrapping to ensure the mediating effects of the above-mentioned relationships. The bootstrapping results are shown at the bottom parts of Tables 2~5: (1). The indirect effect of environmental issue on organizational attractiveness via organizational reputation is $B = 0.40$ ($p < 0.05$, CI [0.2431, 0.5394]); (2). The indirect effect of social issues on organizational attractiveness via organizational reputation is $B = 0.39$ ($p < 0.05$, CI [0.2508, 0.5118]); (3). The indirect effect of governance issues on organizational attractiveness via organizational reputation is $B = 0.43$ ($p < 0.05$, CI [0.2860, 0.5657]); and (4). The indirect effect of ESG on organizational attractiveness via organizational reputation is $B = 0.44$ ($p < 0.05$, CI [0.3047, 0.5710]). The results indicate that organizational reputation, rather than organizational attractiveness, is an underlying mechanism in the relationships among environmental, social, and governance issues and ESG and organizational attractiveness. Figure 2 shows the research model.

Variables	Triadic Organizational Reputation					Organizational Attractiveness				
	B	SE	t	LL95%CI	UL95%CI	b	SE	t	LL95%CI	UL95%CI
Gender	0	0.09	0.03	-0.1722	0.1778	-0.16**	0.1	-2.67	-0.2895	-0.0427
Age	0.02	0	0.24	-0.0057	0.0073	-0.01	0	-0.19	-0.005	0.0041
Education	-0.13	0.08	-1.59	-0.2959	0.0323	0.06	0.1	0.93	-0.0622	0.1721
Social Desirability	0.28**	0.07	3.15	0.0781	0.3431	-0.05	0.1	-0.72	-0.1337	0.0622
Environmental Issue	0.51***	0.09	6.3	0.3697	0.7092	0.08	0.1	1.15	-0.0592	0.2238
Triadic Organizational Reputation						0.77***	0.1	10.4	0.5959	0.8757

Indirect Effect of Environmental Issue on Organizational Attractiveness

Triadic Organizational Reputation	Effect	BootSE	BootLLCI	BootULCI
	0.40*	0.08	0.2431	0.5394
F (df1, df2)	11.70***(5.00, 100.00)		32.44** (6.00, 99.00)	
R ²	0.37		0.66	

Note. N =106 *p < .05. **p < .01. ***p < .001. Bootstrap sample size = 2000

Table 2. Results of Mediation Analysis

Variables	Triadic Organizational Reputation					Organizational Attractiveness				
	B	SE	t	LL95%CI	UL95%CI	b	SE	t	LL95%CI	UL95%CI
Gender	0	0.09	0.01	-0.1752	0.1775	-0.16**	0.1	-2.66	-0.2883	-0.0422
Age	0.26	0	0.3	-0.0056	0.0075	-0.01	0	-0.16	-0.0049	0.0042
Education	-0.18*	0.08	-2.1	-0.3409	-0.0074	0.05	0.1	0.77	-0.0729	0.1648
Social Desirability	0.26**	0.07	2.92	0.0631	0.3317	-0.05	0.1	-0.78	-0.1359	0.0593
Environmental Issue	0.51***	0.1	6.13	0.3979	0.7784	0.1	0.1	1.35	-0.0498	0.2617
Triadic Organizational Reputation						0.76***	0.1	10.5	0.5915	0.8684

Indirect Effect of Social Issue on Organizational Attractiveness

Triadic Organizational Reputation	Effect	BootSE	BootLLCI	BootULCI
	0.39*	0.07	0.2508	0.5118
F (df1, df2)	11.20 *** (5.00, 100.00)		32.68*** (6.00, 99.00)	
R ²	0.36		0.66	

Note. N =106 *p < 0.05. **p < 0.01. ***p < 0.001. Bootstrap sample size = 2000

Table 3. Results of Mediation Analysis

Variables	Triadic Organizational Reputation					Organizational Attractiveness				
	B	SE	t	LL95%CI	UL95%CI	b	SE	t	LL95%CI	UL95%CI
Gender	0.03	0.1	0.4	-0.1377	0.2068	-0.16*	0.1	2.61	-0.2889	-0.0398
Age	-0.01	0	-0.1	-0.0066	0.0061	-0.02	0	2.27	-0.0052	0.004
Education	-0.09	0.1	-1.1	-0.2466	0.0741	0.07	0.1	1.06	-0.0543	0.1788
Social Desirability	0.12*	0.1	2.26	0.0182	0.2845	-0.06	0.1	0.84	-0.1405	0.0567
Governance Issue	0.55***	0.1	6.78	0.3895	0.712	0.06	0.1	0.86	-0.0801	0.2014
Triadic Organizational Reputation						0.78***	0.1	10.3	0.6012	0.8879

Indirect Effect of Governance Issues on Organizational Attractiveness

Triadic Organizational Reputation	Effect	BootSE	BootLLCI	BootULCI
	0.43*	0.07	0.286	0.5657
F (df1, df2)	13.10 *** (5.00, 100.00)		32.14*** (6.00, 99.00)	
R ²	0.4		0.66	

Note. N =106 *p < 0.05. **p < 0.01. ***p < 0.001. Bootstrap sample size = 2000

Table 4. Results of Mediation Analysis

Variables	Triadic Organizational Reputation					Organizational Attractiveness				
	B	SE	t	LL95%CI	UL95%CI	b	SE	t	LL95%CI	UL95%CI
Gender	0.03	0.1	0.4	-0.1334	0.1968	-0.16*	0.1	-2.6	-0.2856	-0.0382
Age	0.02	0	0.3	-0.0053	0.0069	-0.01	0	-0.2	-0.005	0.0041
Education	-0.13	0.1	-1.7	-0.2863	0.022	0.06	0.1	0.9	-0.0639	0.1704
Social Desirability	0.21*	0.1	2.5	0.0314	0.2849	-0.06	0.1	-0.8	-0.1381	0.0575
ESG	0.59***	0.1	7.6	0.5186	0.883	0.1	0.1	1.29	-0.0604	0.2829
Triadic Organizational Reputation						0.75***	0.1	9.62	0.5722	0.8694

Indirect Effect of ESG on Organizational Attractiveness				
Triadic Organizational Reputation	Effect	BootSE	BootLLCI	BootULCI
	0.44*	0.07	0.3047	0.571
F (df1, df2)	15.89*** (5.00, 100.00)		32.59 ***(6.00, 99.00)	
R ²	0.44		0.66	

Note. N =106 *p < 0.05. **p < 0.01. ***p < 0.001. Bootstrap sample size = 2000

Table 5. Results of Mediation Analysis



Figure 2. Research Model

Research Contribution and Conclusion

This study aims to contribute to the previous literature in three aspects. First, the study investigates through the eyes of new graduates and current employees. Second, according to the information from the broader social public, ESG can increase organizational reputation, which can positively impact ESG and increase organizational attractiveness. This will help companies to make informed decisions on ESG development and investment. Third, by doing so, those organizations implementing ESG can attract potential ethical employees because those employees pay attention to ESG implementation. Finally, we use the signaling theory and social identity theory and previous research evidence to straighten out our study rationalization and come out with robust evidence. Thus, ESG is a standard for an enterprise to pursue.

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Credit Authorship Contribution Statement

- **Yuan-Ling Chen:** supervision, conceptualization, writing (original draft), writing (review & editing), investigation, visualization.
- **Hsiow-Ling Hsieh:** conceptualization, writing (review & editing), methodology, validation.
- **Yun-En Ko:** conceptualization, writing (original draft), investigation, visualization.