SUSTAINABLE HUMAN RESOURCE PRACTICES IN INDONESIAN FAMILY-OWNED LISTED COMPANIES

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Abstract

Given Indonesian family-owned companies' significant economic role contribution and the increasing emphasis on sustainability, understanding sustainable human resource practices is crucial. This study investigates how leading Indonesian family-owned listed companies integrate these practices into their sustainability strategies and performance and compares their approaches with non-family-owned companies. Using a stakeholder theory lens and ethical sustainability governance framework, analyzing their sustainability reports, and comparing them with non-family-owned companies, we aim to understand the unique role of family control and governance in shaping sustainable human resource practices in Indonesia. Our findings suggest that while family-owned companies acknowledge the importance of sustainable human resource practices, their approach is driven by external regulatory pressures, resulting in limited measures for employee engagement and training. This indicates a lack of integration between dynamic capabilities and a change behavior approach to sustainability as proposed by Suhardjo et al. (2024a). Non-family-owned companies, on the other hand, tend to adopt a more systematic approach, prioritizing training and conducting regular employee surveys. This study extends the previous research of Gunawan and Koentjoro (2023). This study contributes to the literature on family-owned businesses and sustainable human resource practices, highlighting the need for a strategic approach to sustainable human resources in family-owned companies.

Keywords: Family-Owned Company, Sustainable Human Resource Practice, Stakeholder Theory, Ethical Sustainability Governance, Sustainability Strategy and Performance

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1. INTRODUCTION

Sustainability has emerged as a global critical issue, with increasing pressure on businesses to adopt sustainable practices (Adams & McNicholas, 2007; Elkington, 1994). This concept transcends environmental concerns, encompassing a balanced approach that integrates economic growth with long-term environmental and social well-being (Bulgacov et al., 2015; Milne & Gray, 2013). Stakeholder theory, which emphasizes the importance of considering all groups impacted by a company's operations, including its customers, investors, and employees, provides a way to understand the concept of sustainability (Freeman & Reed, 1983). A critical stakeholder group often overlooked is the company's own workforce. Family-owned companies that play a significant role in many economies, including those in Asia Pacific

(Anggadwita et al., 2020; Nasir et al., 2024), are not exempt from this trend.

Employees are the engine that drives any organization. Sustainable human resource practices include employee engagement significantly impact a company's performance and its ability to achieve lasting sustainability (Moran & Tame, 2013; Wolf, 2013). A highly engaged workforce fosters innovation and drives operational efficiency — all crucial elements in a sustainable business (Saratun, 2016; Truss et al., 2013). Despite this recognized importance, research on sustainability human resource practices in family-owned companies remains limited. Existing studies often focus on the environmental pillar within sustainability reports, with less emphasis on the strategic integration of sustainable human resource practices (Van Holt & Whelan, 2021). This focus creates a gap in our understanding of how companies, including family-owned, are integrating workforce considerations into their overall sustainability strategies.

Indonesia, a developing and populous nation with significant natural resources, is poised to become one of the world's top four economies by 2045 (Organization for Economic Co-operation and Development, 2018). However, its economic growth, often driven by labor-intensive industries (Lembaga Penyelidikan Ekonomi dan Masyarakat, Fakultas Ekonomi dan Bisnis, Universitas Indonesia, 2024), presents significant sustainability challenges. To address these challenges, the Indonesian government has implemented a series of regulations culminating in mandatory sustainability reporting under Otoritas Jasa Keuangan (OJK) Regulation No. 51/POJK.03/2017 (OJK, 2017). However, the effectiveness of these regulations in driving meaningful sustainability practices, particularly within family-owned companies, remains a subject of inquiry. Understanding how these companies manage their human resources, particularly considering their significant role in labor-intensive sectors, becomes crucial.

Indonesian family-owned companies constitute a substantial portion of the Indonesian economy, making up 25% of the Indonesian gross domestic product (GDP) (Nasir et al., 2024). Indonesian listed family-owned companies make up close to 60% of Indonesia's top 50 largest companies in terms of market capitalization (Indonesia Stock Exchange [IDX], n.d.), thus playing a crucial role in addressing sustainability challenges. While these businesses have the potential to drive sustainable development, their unique characteristics, such as family ownership and control, can also present specific challenges in implementing sustainable human resource practices.

While there is a growing body of research on corporate sustainability, research on family-owned businesses remains scarce (Abeysekera & Fernando, 2020; Adomako et al., 2019; Chirapanda, 2020; Miroshnychenko & De Massis, 2022), including research of developing nations like Indonesia (Gunawan & Koentjoro, 2023). Previous research has primarily focused on family business governance (Hsueh, 2018; Nakpodia, 2024), operations (González et al., 2012), strategy (Ferreira et al., 2021; Zellweger et al., 2012), and succession (Anggadwita et al., 2020; Ferreira et al., 2021; Sukamdani, 2023), with limited attention to sustainability in particular sustainable human resource practices. A recent global study by KPMG Private Enterprise and Step Project Global Consortium for Family Enterprising (2024) has highlighted the limited focus of family-owned businesses on sustainability, with many prioritizing financial performance over environmental and social impact.

In the Indonesian context, similar trends have been observed. Previous research has shown that family-owned companies in Indonesia often prioritize short-term financial gains (Gunawan & Koentjoro, 2023; Nasir et al., 2024; PricewaterhouseCoopers, 2023). Additionally, there is a lack of understanding regarding the factors influencing the adoption of sustainability integration within these businesses (Tan et al., 2021). This research aims to investigate to which extent leading Indonesian family-listed companies integrate sustainable human resource practices into their sustainability strategies and compare their approaches with non-family-owned listed companies in Indonesia. Specifically, the study explores the following research questions:

RQ1: What specific sustainable human resource practices are implemented by the family-owned companies and how are they linked to their materiality?

RQ2: How do leading family-owned companies prioritize sustainable human resource practices within their sustainability strategies and performance?

RQ3: How do family-owned and non-family-owned companies differ in their approaches to sustainable human resource practices including an environmental, social and governance (ESG) rating agency assessment?

This study contributes to the understanding of corporate sustainability and sustainable human resource practices in Indonesian family-owned companies. It reveals a complex interplay between family governance and sustainability human resource practices, highlighting the potential for a disconnect between regulatory compliance and proactive sustainability initiatives as highlighted by Suhardjo et al. (2024a). This research extends the work of Gunawan and Koentjoro (2023) by emphasizing the tensions between the interests of family owners and other stakeholders (Freeman et al., 2020).

First, the findings suggest that while family-owned companies recognize the importance of sustainable human resource practices, however, their focus may be more compliance-driven, prioritizing areas like labor rights, diversity, and health and safety due to regulatory pressures. This is consistent with previous research of Ahmad and Mahmood (2024) on regulatory compliance in developing markets and Caccialanza (2024) on the influence of family governance. However, a more comprehensive approach to sustainable human resource practices is needed, including increased investment in training, particularly for non-family employees. Family-owned companies often prioritize family succession as studied by Anggadwita et al. (2020) and Sukamdani (2023), which may limit investment in broader training initiatives.

Second, while some family-owned companies recognize the importance of sustainable human resource practices, their focus often leans towards meeting external regulatory requirements, prioritizing compliance over implementing proactive strategies to enhance employee well-being and productivity. This inconsistency between materiality and strategy highlights the need for a more integrated approach to sustainable human resource practices, aligned with ethical sustainability governance framework (Suhardjo et al., 2024a).

Third, non-family-owned companies, including state-owned enterprises (SOEs) and multinational companies (MNCs), tend to place a greater emphasis on employee engagement and receive better ESG risk ratings (Nekhili et al., 2017). However, the link between sustainable human resource practices and ESG risk ratings is not clear. This may be due to inconsistencies in how these practices are measured and valued by ESG rating agencies and a potential lack of consideration for employees and ESG rating agencies as key stakeholders. This finding extends the research of Sanoran (2023) and acknowledges a tension between the interests of family owners and other stakeholders (Freeman et al., 2020).

This study provides new insights into family-owned companies in Indonesia. To enhance their sustainability performance, these companies should prioritize a more integrated approach to sustainable human resource practices, focusing on training and employee engagement.

The remainder of this paper is organized as follows. Section 2 discusses the theoretical framework and reviews the literature that guides this study. Section 3 describes the methodology, including study design, sample selection, data collection, and data analysis. Section 4 presents our findings and Section 5 discusses the findings. Section 6 concludes the study, describes the limitations, and proposes future research directions.

2. LITERATURE REVIEW

2.1. Stakeholder theory

Stakeholder theory posits that organizations consider the interests of a wide range of stakeholders, including shareholders, employees, customers, suppliers, and the community when making decisions (Freeman et al., 2004). In the context of family-owned businesses, this theory is particularly relevant, as family members often hold significant influence over decision-making (Alwadani & Ndubisi, 2020). However, the interests of family members may sometimes conflict with the broader interests of other stakeholders, potentially leading to challenges in balancing short-term financial gains with long-term sustainability goals (Freeman et al., 2020; Jørgensen et al., 2022).

Previous research has explored the unique dynamics of family-owned businesses and their approach to sustainability (Chirapanda, 2020). Studies have shown that family values (Nekhili et al., 2017), governance structures (Nakpodia, 2024), and generational transitions (Anggadwita et al., 2020) can significantly impact a family business's sustainability practices. While some family businesses may prioritize long-term sustainability, others may focus on short-term financial performance, particularly when faced with succession challenges or economic pressures (Caccialanza, 2024; Gerlitz et al., 2023; Jamil et al., 2024).

To effectively balance the interests of various stakeholders, including employees, family-owned businesses need to adopt a long-term perspective and develop robust governance mechanisms. By prioritizing employee well-being and engagement, family-owned companies can enhance their social performance and long-term sustainability. However, while previous research has explored the impact of family ownership on corporate social responsibility (Hsueh, 2018), there is a notable gap in understanding the specific practices and strategies employed by family-owned companies to integrate sustainable human resource practices.

2.2. Ethical sustainability governance framework

The ethical sustainability governance framework (Suhardjo et al., 2024a) provides a comprehensive framework for integrating sustainability into organizational practices. Rooted in stakeholder theory, this framework emphasizes the importance of ethical governance and actionable action from internal organizations. By applying this framework to the analysis of sustainability reports, we can assess to which extent family-owned companies integrate sustainable human resource practices into their sustainability and business strategy.

This study contributes to the growing body of literature on sustainable human resource practices in family-owned companies. By examining a sample of leading Indonesian family-owned companies, this study sheds light on the complex interplay between family ownership, governance, and sustainability human resource practices. While these companies possess the potential for dynamic capabilities, the study focuses on evaluating the factors that influence the adoption of sustainable human resource practices, such as the impact of family governance and regulatory pressures.

Understanding these factors is crucial for policymakers, regulators, and practitioners seeking to promote sustainable business practices in Indonesia. By identifying the barriers and opportunities for sustainable human resource practices in family-owned companies, policymakers can develop targeted interventions to encourage greater adoption of these practices.

2.3. Sustainability practices in family-businesses

Family-owned companies are significant contributors to the global economy, playing a crucial role in job creation, innovation, and social welfare (Anggadwita et al., 2020; Nasir et al., 2024). However, they often prioritize short-term financial performance over long-term sustainability goals (Caccialanza, 2024; Jamil et al., 2024). This focus on short-term gains can be influenced by various factors, including family governance structures and industry pressures (Chirapanda, 2020; Nakpodia, 2024; Nekhili et al., 2017).

In recent years, there has been a growing recognition of the importance of sustainability (Abeysekera & Fernando, 2020; Adomako et al., 2019; Chirapanda, 2020; Miroshnychenko &

De Massis, 2022). While previous research has primarily focused on family governance, succession planning, and ownership structure (Ferreira et al., 2021; González et al., 2012; Hsueh, 2018; Nakpodia, 2024; Zellweger et al., 2012), a recent survey from KPMG Private Enterprise and Step Project Global Consortium for Family Enterprising (2024) has highlighted the need for a stronger focus on sustainability.

Stakeholder theory suggests that businesses should consider the interests of a wide range of stakeholders, including family members and employees. In the context of family-owned companies, this theory highlights the potential for conflicts between family interests and societal concerns (Freeman et al., 2004, 2020).

2.4. Sustainable human resources in materiality

Materiality is a fundamental concept in sustainability reporting, referring to the significance of specific sustainability issues to a company's financial and sustainability performance. By identifying material issues, companies can prioritize their sustainability and focus on the areas that have the greatest impact on their long-term performance (Beske et al., 2020; Garst et al., 2022). In the context of family-owned companies, materiality assessments should consider the unique perspectives of various stakeholders, including family members and employees (Jørgensen et al., 2022).

The concept of double materiality has gained importance, recognizing the importance of considering both financial and non-financial factors in sustainability reporting (Barker & Mayer, 2024). For family-owned businesses, understanding the financial implications of sustainability issues, such as climate change, resource scarcity, and social inequality, can be crucial for long-term wealth (Maughan, 2023; Miroshnychenko & De Massis, 2022).

However, challenges remain in conducting effective materiality assessments. These challenges include the subjectivity involved in identifying material issues, the availability of reliable data, and the evolving nature of sustainability (Eccles et al., 2012; Jørgensen et al., 2022). Family-owned companies may face additional challenges due to their unique governance structures, risk profiles, and long-term orientation. To address these challenges, family-owned companies need to adopt a systematic approach to materiality assessment, involving a diverse range of stakeholders, including employees.

2.5. Sustainable human resource in sustainability integration

Sustainability has driven businesses to integrate sustainability initiatives (Adams & McNicholas, 2007; Elkington, 1994). While progress has been made in sustainability reporting, challenges persist in translating these efforts into meaningful environmental and social impact (Suhardjo et al., 2024a). The recent global Sustainable Development Goals (SDG) index report indicated that despite increased reporting efforts, global sustainability progress remains stagnant (Sachs et al., 2024).

The evolution of sustainability reporting has been influenced by various factors, including regulatory pressures, investor demands, and societal expectations. Early efforts focused on voluntary reporting initiatives, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) (Busco et al., 2020; de Villiers et al., 2022). However, in recent years there has been a growing trend towards mandatory sustainability reporting, driven by regulations like the EU Corporate Sustainability Reporting Directive (CSRD).

Despite these advancements, challenges remain in ensuring the quality and materiality of sustainability reporting (He, 2022). The proliferation of different standards and frameworks can lead to inconsistency, making it difficult for companies to navigate the complex regulatory landscape. Furthermore, the focus on reporting can sometimes overshadow the need for substantive action and long-term commitment to sustainability (Suhardjo et al., 2024a).

Family-owned companies, as significant economic players, have a crucial role to play in addressing global sustainability challenges. While they often prioritize short-term financial performance, there is a growing recognition of the need to balance economic, environmental, and social considerations (Caccialanza, 2024; Gerlitz et al., 2023; Jamil et al., 2024). However, factors such as family dynamics, governance structures, and industry context can influence their approach to sustainability (Chirapanda, 2020; Nakpodia, 2024; Nekhili et al., 2017) including sustainable human resource practices.

3. RESEARCH METHODOLOGY

To gain an understanding of how leading Indonesian family-owned listed companies integrate sustainable human resource practices into their sustainability strategies, this study employs a qualitative approach grounded in stakeholder theory and ethical sustainability governance framework. We utilize content analysis of the 2023 sustainability reports from these leading companies to explore their approaches to sustainable human resource practices within the context of sustainability (Brunzel, 2021).

3.1. Data collection

This study focuses on Indonesian family-owned listed companies to gather data on their approach to sustainable human resource practices within sustainability materiality, strategies, and performance. This choice is driven by the mandatory sustainability reporting regulations implemented by the Indonesian government (Lhutfi et al., 2024).

To identify the leading family-owned companies in Indonesia, we selected the top 17 companies based on market capitalization and industry focus such as financials, basic materials, and energy (Suhardjo et al., 2024b; Zharfpeykan & Askarany, 2023), out of the top 26 companies. These companies, listed on the IDX as of December 2023 (IDX, n.d.), represent a significant portion (22.2%) of the Indonesian GDP 2023 (CEIC, 2024). By focusing on these leading companies, we aim to gain insights into the current state of sustainable human resource practices within this specific segment of the Indonesian corporate landscape.

These 26 companies contribute significantly to the Indonesian market, holding nearly 75% of the total market capitalization. Moreover, family-owned companies dominate this group, accounting for 65–70% of both the number of companies and their combined market capitalization, despite employing only around 40% of the total workforce. Focusing on the 2023 sustainability reports, as primary data, ensures we capture the most recent practices in sustainable human resource practices within their sustainability strategies.

The secondary data is the Sustainalytics ESG risk ratings of the 26 leading companies with the last update in 2024 based on the company's 2023 sustainability reporting. The information was extracted from the Sustainalytics website (https://www.sustainalytics.com/).

3.2. Data analysis

The primary objective of the study was to assess how these companies integrate sustainable human resource practices into their sustainability materiality, strategies, and performance. To guide our analysis and ensure a comprehensive understanding of sustainable human resource practices in sustainability reporting, we adopted eight key employee engagement parameters derived from a review of relevant prior research (Diaz-Carrion et al., 2018, 2020; Li & Hu, 2024; Tuan et al., 2019; Parsa et al., 2018; Staniškienė & Stankevičiūtė, 2018; Tauringana, 2021) and the GRI framework (de Villiers et al., 2022).

These parameters encompass various parameters of employee engagement that are crucial for fostering sustainable human resource practices contributing to sustainability objectives. The eight parameters utilized in our content analysis are labor rights, training, performance evaluation, career development (beyond training), fair and equitable compensation, diversity and inclusion, mental health or well-being, and health and safety.

By systematically analyzing the sustainability reports through the lens of eight employee engagement parameters, we can gain new insights into the current state of sustainable human resource practices within the context of sustainability initiatives within family-owned companies. By comparing the reports of leading Indonesian companies between family-owned and non-family-owned and analyzing the relationship between reported sustainable human resource practices and Sustainalytics ESG risk ratings, we can address our research questions and contribute to the ongoing conversation about stakeholder engagement and achieving impactful sustainability through more sustainable human resource approach.

4. RESULTS

This section presents the findings of a content analysis of 17 leading Indonesian family-owned listed companies, examining their sustainable human resource practices. By comparing these findings with non-family-owned companies, we gain insights into the specific challenges and factors influencing family-owned companies' approach to sustainable human resource practices. Stakeholder theory and the ethical sustainability governance framework provide valuable lenses for analyzing the extent to which family-owned companies prioritize employee well-being and integrate them into sustainability initiatives.

4.1. Sustainable human resource practices in materiality

The analysis examined the specific sustainable human resource practices implemented by the Indonesia family-owned listed companies and their linkage to sustainability materiality (*RQ1*). The findings reveal some key insights.

Table 2 (see Appendix) provides a detailed breakdown of employee-related and employee-engagement terms found within the analyzed sustainability reports. While these terms are present, the overall frequency in the family-owned companies is relatively low, constituting between 1.8% and 2.8% of the total workforce size across the 17 companies. Although this is considered relatively low, these figures were 55% to 65% higher than the average frequency of 26 leading companies. A closer examination reveals that 35% of family-owned companies, such as ARTO, ADMR, BREN, CUAN, DSSA, and TPIA, exhibit over 10% of the frequency of employee-related mentions relative to their workforce size.

However, less than 30% of family-owned companies, such as ADRO, BBCA, MBMA, MDKA, and TPIA, explicitly disclose employee engagement surveys in their reports. Only TPIA was consistent as a leading family-owned company for a high percentage of frequency and disclosed their employee engagement survey. This suggests that these companies focus on employee engagement and are transparent about their efforts to measure and communicate it.

Table 3 (see Appendix) provides a breakdown of the most frequently reported employee engagement parameters in the analyzed sustainability reports of family-owned companies. While training, labor rights, diversity, and health and safety are commonly addressed, a more holistic approach to employee engagement is required. Other parameters, such as employee well-being and performance management, are less frequently reported.

Compared to the broader sample of 26 leading Indonesian companies, family-owned companies appear to place less emphasis on training. This suggests that family-owned companies may prioritize regulatory compliance over broader employee engagement strategies, potentially limiting their ability to foster a high-performance culture and attract and retain top talent.

Table 4 (see Appendix) provides insights into how employee engagement elements are addressed in relation to materiality in the analyzed sustainability reports of family-owned companies. While nearly all family-owned companies acknowledged the importance of employees in their sustainability reports, certain inconsistencies were observed.

The top four employee engagement parameters identified in the materiality assessments extend the previous findings of Diaz-Carrion et al. (2018, 2020), with a focus on health and safety, diversity, training, and labor rights as a new parameter reported. This suggests that family-owned companies prioritize these areas in their sustainability reporting. However, a deeper analysis of the content reveals that the emphasis on these parameters may be driven more by regulatory compliance than by a genuine commitment to sustainable human resource practices.

The findings suggest that while family-owned companies in Indonesia recognize the importance of sustainable human resource practices, their focus is largely driven by external regulatory pressures, prioritizing compliance in areas like labor rights, diversity, and health and safety. This aligns with previous research of Ahmad and Mahmood (2024) on regulatory compliance in developing markets and Caccialanza (2024) on the influence of family governance. However, a more comprehensive approach to sustainable human resource practices is needed, including increased investment in training, particularly for non-family employees. Family-owned companies often prioritize family succession as reported by Anggadwita et al. (2020) and Sukamdani (2023), which may limit investment in broader training initiatives. To address this, family-owned companies should consider adopting a stakeholder-centric approach and aligning their human resource practices with the ethical sustainability governance framework (Suhardjo et al., 2024a).

4.2. Sustainable human resource in sustainability strategy and performance

This analysis examined the leading Indonesian family-owned companies that integrate sustainable human resource practices into their sustainability strategies and performances (*RQ2*). A breakdown of the key findings is provided below:

Table 4 (see Appendix) provides insights into how employee engagement elements are addressed in relation to strategy and performance in the analyzed sustainability reports of family-owned companies. While nearly all family-owned companies acknowledge the importance of employees in their sustainability reports, certain inconsistencies were observed between strategy and performance, and materiality.

While some family-owned companies acknowledge the importance of sustainable human resource practices in their materiality assessments, there is a lack of detailed information on specific strategies and performance metrics. Two family-owned companies such as ADRO did not report on strategy on sustainable human resource practices and ARTO did not report performance on sustainable human resource practices, indicating a potential gap in their sustainability reporting.

While almost all family-owned companies report on demographic data, such as gender and age, to demonstrate diversity and inclusion efforts, and most report on health and safety, often driven by regulatory compliance, they may not fully integrate these practices into their overall sustainable human resource strategies.

Additionally, the focus on health and safety and labor rights, family-owned companies may struggle to translate this recognition into actionable plans, potentially influenced by the increasing regulatory emphasis on mandatory sustainability reporting (Cooke et al., 2024; Suhardjo et al., 2024b; Waagstein, 2011). This suggests a need for a deeper understanding of the factors that drive sustainable human resource practices within family-owned companies and a more proactive approach to integrating these practices into overall sustainability and business strategy (Suhardjo et al., 2024a).

4.3. Sustainable human resource practices between family-owned and non-family-owned companies

This analysis investigated the comparison between family-owned and non-family-owned companies in their approaches to sustainable human resources practices including an ESG rating agency assessment (*RQ3*).

The analysis reveals significant differences in the approaches to sustainable human resource practices between family-owned and non-family-owned companies (SOEs and MNCs). Non-family-owned companies tend to place a greater emphasis on employee engagement, particularly in areas such as training, well-being, and performance evaluation (Table 3, see Appendix). Close to 60%, a higher percentage of non-family-owned companies conduct employee engagement surveys, demonstrating a stronger commitment to understanding and addressing employee needs (Table 2, see Appendix).

Additionally, Table 5 (see Appendix) reported that non-family-owned companies generally receive better ESG risk ratings, suggesting that their sustainability efforts are more recognized and valued. Close to 80% of non-family-owned companies were evaluated with medium or lower ESG risk ratings, compared to only 35% of family-owned companies. Furthermore, nearly 30% of family-owned companies have not yet been assessed by ESG rating agencies, suggesting a potential lack of engagement with these agencies and consideration for employees as a key stakeholder, aligning with stakeholder theory (Freeman et al., 2004).

However, a clear link between sustainable human resource practices and ESG risk ratings is not evident. This may be due to inconsistencies in how these practices are measured and valued by ESG rating agencies, or the potential lack of effective communication of sustainable human resource practices by companies, particularly family-owned companies.

5. DISCUSSION

The analysis of leading Indonesian family-owned companies reveals a complex interplay between family governance and sustainability human resource practices. While these companies possess the potential for dynamic capabilities, the study highlights a focus on regulatory compliance over proactive sustainability initiatives, particularly in human resource practices as highlighted by (Suhardjo et al., 2024a). This finding aligns with previous research (Freeman et al., 2020; Gunawan & Koentjoro, 2023) on the influence of family governance structures on stakeholder prioritization.

The analysis identifies training (Tauringana, 2021), labor rights (Parsa et al., 2018), diversity (Ding et al., 2018; Tuan et al., 2019), and health and safety initiatives (Staniškienė & Stankevičiūtė, 2018) as the top four reported employee engagement practices. These findings extend research by Diaz-Carrion et al. (2018, 2020), with the exception of labor rights. Furthermore, the study identifies inconsistencies between the materiality of human capital and its integration into strategic planning and performance measurement. The emphasis on compliance-driven practices, such as health and safety and labor rights, often overshadows more holistic approaches to sustainable human resource practices including employee engagement and training.

This is consistent with previous research of Ahmad and Mahmood (2024) on regulatory compliance in developing markets and Caccialanza (2024) on the influence of family governance. Family-owned companies often prioritize family succession as studied by Anggadwita et al. (2020) and Sukamdani (2023), which may limit investment in broader training initiatives. This suggests a need for a more strategic and integrated approach to sustainable human resource management, aligned with the ethical sustainability governance framework (Suhardjo et al., 2024a).

When compared to non-family-owned companies, family-owned businesses often exhibit a weaker commitment to sustainable human resource practices as studied by Nekhili et al. (2017). Non-family-owned companies, particularly SOEs and MNCs, tend to place greater emphasis on employee engagement, training, employee well-being, and performance evaluation, and receive better ESG ratings. This disparity highlights the importance of adopting a more proactive and strategic approach to human resource management in family-owned companies.

However, the relationship between sustainable human resource practices and ESG risk ratings is not always clear. This may be due to the potential lack of ESG rating methodology of ESG rating agencies, or the potential lack of communication of sustainable human resource practices by companies, particularly family-owned businesses.

6. CONCLUSION

This study draws on stakeholder theory and the ethical sustainability governance framework to examine the role of sustainable human resource practices in Indonesian family-owned companies. Stakeholder theory emphasizes the importance of considering the interests of all stakeholders, including employees, in corporate decision-making. The ethical sustainability governance framework provides a comprehensive approach to integrating sustainability into organizational practices, including sustainable human resource practices. By aligning with these frameworks, family-owned companies can enhance their sustainability performance and create long-term value.

This study contributes to the understanding of sustainable human resource practices in leading Indonesian family-owned companies. While these companies have the potential for dynamic capabilities, the findings suggest a focus on regulatory compliance over proactive sustainability initiatives, particularly in sustainable human resource practices. This is influenced by factors such as family governance and industry context.

To improve their sustainability performance and align with stakeholder theory, family-owned companies should adopt a more comprehensive approach to sustainable human resource practices, prioritizing employee engagement, training, and employee well-being. By investing in human capital and fostering a positive work environment, these companies can enhance their social and environmental impact, improve their ESG ratings, and create long-term value. Engaging with ESG rating agencies by providing sustainable human resource practices information can further elevate their sustainability profile.

While this study offers new insights, some limitations lay the way for future research directions. The reliance on companies' self-reported sustainability reports may not capture the full picture of sustainable human resource practices and their underlying motivations. To gain a more comprehensive understanding, future research could incorporate employee and management interviews alongside report analysis. This triangulation would help to reveal any discrepancies between reported practices and actual implementation. Additionally, further research could explore the quantitative impact of family governance on the adoption of sustainable human resource practices and their subsequent effects on both sustainability and financial performance.

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APPENDIX

Table 1. The 26 leading Indonesian companies by market capitalization in 2023

No.	*Code*	*Listed stocks*	*Market capitalization, m. USD**	*IDX classification industry*	*Ownership structure*
1	BBCA	Bank Central Asia Tbk	74,416	Financials	Family-owned
2	BREN	PT Barito Renewables Energy Tbk	64,871	Energy	Family-owned
3	BBRI	PT Bank Rakyat Indonesia (Persero) Tbk	55,721	Financials	Non-family-owned
4	BYAN	Bayan Resources Tbk	43,029	Energy	Family-owned
5	BMRI	Bank Mandiri (Persero) Tbk	36,262	Financials	Non-family-owned
6	AMMN	PT Amman Mineral Internasional Tbk	30,812	Basic materials	Family-owned
7	TPIA	Chandra Asri Petrochemical Tbk	29,462	Basic materials	Family-owned
8	BBNI	PT Bank Negara Indonesia (Persero) Tbk	12,874	Financials	Non-family-owned
9	CUAN	PT Petrindo Jaya Kreasi Tbk	9,790	Energy	Family-owned
10	BRPT	Barito Pacific Tbk	8,088	Basic materials	Family-owned
11	SMMA	Sinarmas Multiartha Tbk	5,989	Financials	Family-owned
12	BRIS	PT Bank Syariah Indonesia Tbk	5,155	Financials	Non-family-owned
13	ADRO	Adaro Energy Indonesia Tbk	4,938	Energy	Family-owned
14	MDKA	Merdeka Copper Gold Tbk	4,223	Basic materials	Family-owned
15	NCKL	PT Trimegah Bangun Persada Tbk	4,093	Basic materials	Family-owned
16	DSSA	Dian Swastatika Sentosa Tbk	3,999	Energy	Family-owned
17	MBMA	PT Merdeka Battery Materials Tbk	3,923	Basic materials	Family-owned
18	MEGA	Bank Mega Tbk	3,845	Financials	Family-owned
19	ADMR	Adaro Minerals Indonesia Tbk	3,607	Energy	Family-owned
20	PGEO	PT Pertamina Geothermal Energy Tbk	3,142	Energy	Non-family-owned
21	INKP	Indah Kiat Pulp & Paper Tbk	2,954	Basic materials	Family-owned
22	SMGR	Semen Indonesia (Persero) Tbk	2,803	Basic materials	Non-family-owned
23	INCO	Vale Indonesia Tbk	2,778	Basic materials	Non-family-owned
24	BNGA	PT Bank CIMB Niaga Tbk	2,736	Financials	Non-family-owned
25	ANTM	Aneka Tambang Tbk	2,658	Basic materials	Non-family-owned
26	ARTO	Bank Jago Tbk	2,581	Financials	Family-owned
Total			**424,748**		
Sub-total family-owned			**300,620**		**17 companies**
Sub-total non-family-owned			**124,128**		**9 companies**

Note: Conversion exchange rate is 15,416 IDR / 1 USD.
Source: Data were taken from the IDX (n.d.).

Table 2. Numbers of employee and employees, employee, and employee engagement word frequencies in 2023 sustainability reports

Code	*Ownership structure*	*Number of employees*	*Employees*	*Employee*	*Employee engagement*	*EES**
BBCA	Family-owned	26,917	225	285	3	2022
BREN	Family-owned	638	64	97	2	No
BBRI	Non-family-owned	74,840	167	365	11	2023
BYAN	Family-owned	3,819	81	109	-	No
BMRI	Non-family-owned	38,940	261	105	12	2023|2022
AMMN	Family-owned	1,863	118	142	-	No
TPIA	Family-owned	2,013	157	270	5	2023
BBNI	Non-family-owned	27,570	203	300	6	2023|2022
CUAN	Family-owned	233	23	51	-	No
BRPT	Family-owned	3,344	43	88	-	No
SMMA	Family-owned	8,983	100	223	-	No
BRIS	Non-family-owned	17,909	115	198	-	No
ADRO	Family-owned	15,204	154	244	1	2023|2022
MDKA	Family-owned	10,970	223	310	15	2023
NCKL	Family-owned	18,951	144	207	5	No
DSSA	Family-owned	2,368	194	273	-	No
MBMA	Family-owned	4,164	163	244	8	2023
MEGA	Family-owned	6,244	94	129	-	No
ADMR	Family-owned	558	138	215	1	No
PGEO	Non-family-owned	502	132	176	-	No
INKP	Family-owned	12,121	62	102	-	No
SMGR	Non-family-owned	10,174	117	22	-	No
INCO	Non-family-owned	3,023	124	150	-	No
BNGA	Non-family-owned	11,116	121	220	2	No
ANTM	Non-family-owned	2,724	165	318	7	2023
ARTO	Family-owned	493	183	307	3	No
Total		**305,681**	**3,571**	**5,150**		

*Note: * EES stands for employee engagement or employee effectiveness survey.*
Source: Authors' elaboration based on the 2023 companies' sustainability reports from their respective companies' websites.

Table 3. Content analysis of eight employee engagement parameters: Word frequencies in 2023 sustainability reporting

Code	*Ownership structure*	*Labor rights*	*Training*	*Employee performance evaluation*	*Career development*	*Compensation*	*Diversity*	*Mental health/well-being*	*Health and safety*
BBCA	Family-owned	74	99	36	3	4	19	6	12
BREN	Family-owned	6	49	1	1	3	-	3	17
BBRI	Non-family-owned	174	61	4	14	21	26	5	20
BYAN	Family-owned	4	72	-	5	-	1	1	19
BMRI	Non-family-owned	8	187	5	10	11	37	3	38
AMMN	Family-owned	59	102	1	2	7	2	-	35
TPIA	Family-owned	41	88	3	22	7	53	2	47
BBNI	Non-family-owned	13	74	-	9	5	28	1	15
CUAN	Family-owned	-	24	-	-	3	2	-	3
BRPT	Family-owned	3	44	-	4	2	31	1	17
SMMA	Family-owned	5	57	1	10	5	5	-	3
BRIS	Non-family-owned	3	76	7	10	1	14	1	11
ADRO	Family-owned	18	91	-	9	2	119	-	57
MDKA	Family-owned	144	144	2	12	23	69	2	54
NCKL	Family-owned	88	83	-	4	6	107	2	38
DSSA	Family-owned	17	146	-	6	28	62	-	16
MBMA	Family-owned	107	80	2	5	10	25	1	56
MEGA	Family-owned	1	46	1	2	3	16	-	3
ADMR	Family-owned	5	74	2	5	3	77	-	120
PGEO	Non-family-owned	6	220	-	3	6	16	-	9
INKP	Family-owned	59	50	1	9	4	21	-	33
SMGR	Non-family-owned	6	80	5	5	5	13	-	24
INCO	Non-family-owned	42	80	5	1	4	9	1	24
BNGA	Non-family-owned	76	84	1	5	8	47	3	23
ANTM	Non-family-owned	30	101	5	6	11	22	-	53
ARTO	Family-owned	13	69	1	7	14	22	3	3
Average	**All**	**39**	**88**	**3**	**7**	**8**	**32**	**1**	**29**
Average	**Family-owned**	**38**	**78**	**3**	**6**	**7**	**37**	**1**	**31**
Average	**Non-family-owned**	**40**	**107**	**4**	**7**	**8**	**24**	**2**	**24**

Source: Authors' elaboration based on the 2023 companies' sustainability reports from their respective companies' websites.

Table 4. Content analysis: Sustainable human resource practices in sustainability materiality, strategy, and performance

Code	*Ownership structure*	*Sustainability materiality*	*Sustainability strategy*	*Sustainability performance*
ADRO	Family-owned	Employment | Labor/management relations | Health and safety | Education | Training | Diversity and equality | Non-discrimination | Human rights	No employee related	Employee engagement | Health and safety | Training
ADMR	Family-owned	Health and safety |Training and education | Anti-discrimination | Diversity and equality	Health and safety |Training | Anti-discrimination | Equality	Diversity | Human rights | Employee development and evaluation | Health and safety
AMMN	Family-owned	Compensation | Training and development | Equality and inclusion | Human rights | Health and safety	Advancing people	Statistic number of employees
ARTO	Family-owned	Compensation | Training and education | Diversity and equality | Non-discrimination | Human rights	Training | Operating an environmentally friendly working environment	Not employee related
BBCA	Family-owned	Human rights practices | Training	Training	Sustainable financing training | Employee engagement | Human rights training
BREN	Sensitive	Health and safety | Employee development	Training	Health and safety (under social)
BRPT	Family-owned	Human resource development | Training and education | Talent management | Employment | Health and safety	Focus on society	Health and safety
BYAN	Family-owned	Labor practices | Education and training | Health and safety	Responsible social conduct (training, compensation, occupational health and safety (OHS))	Health and safety
CUAN	Family-owned	Health and safety | Employment | Training and education | Local communities | Diversity and equal opportunities	HR development | Employment practice	Training | Health and safety
DSSA	Family-owned	Welfare and benefits | Occupational health and safety | Training and education | Diversity and equality | Opportunity	Conducive working environment	Number of employees statistics
INKP	Family-owned	Employment | Health and safety | Training and education | Security practice | Diversity and equal opportunity | Non-discrimination	People — improving lives (focus on society)	health and safety | Training
MBMA	Family-owned	Health and safety | Training and development | Diversity, equality, and inclusion | Human rights	Respecting human rights	Health and safety | Training
MDKA	Family-owned	Health and safety | Training and development | Diversity, equality, inclusion	Ensuring everyone safe always | Empowering our people	Health and safety |Training | Human rights Training
MEGA	Family-owned	Training |Competence development and career path training	Health and safety | Training | Diversity	Training | Diversity
NCKL	Family-owned	Diversity and equal opportunity | Health and safety | Training, development, employee engagement | Sustainability governance | Aligning national strategies (local recruitment)	Human rights | Good governance	Human rights | Training
SMMA	Family-owned	Employee competency development	Remuneration | Health and safety | Employee development	Protecting employee rights and creating a decent work environment for all employees
TPIA	Family-owned	Health and safety | Labor and human rights | Community engagement | Human capital development	OHS and human rights | Nurture of human capital	Health and safety | Training
ANTM	Non-family-owned	Health, safety, and security | Recruitment, inclusion and diversity | Learning and development | Labor rights	People	Training | Health and safety
BBRI	Non-family-owned	Human resources | Human rights management	Human rights	Human rights | Training | Health and safety
BMRI	Non-family-owned	Employment | Education and training | Diversity and equality | Non-discrimination	Sustainable operation	Diversity | Engagement rate | Training (under social)
BBNI	Non-family-owned	Non-employee related	Diversity | Performance evaluation	Diversity | Employee engagement | Training
BRIS	Non-family-owned	Health and safety | Training and education	Equality and diversity | Green working culture | Training and education	Training
BNGA	Non-family-owned	Governance | Customer experience | Human rights | Diversity and inclusion | Workforce and talent development | Welfare, health, and safety	Sustainable action | Advocacy and stakeholders' engagement	Only training — focus on governance (under social)
INCO	Non-family-owned	Diversity, equality, and inclusion | Health and safety	High-performance culture	Local employees, training hours, health and safety (under social)
PGEO	Non-family-owned	Training | Diversity | Health and safety	People and socioeconomics | Training and diversity	Employee turnover | Training | Health and safety
SMGR	Non-family-owned	Health and safety | Employment	Creating value for people and community	Training | Health and safety

Source: Authors' elaboration based on the 2023 companies' sustainability reports from their respective companies' websites.

Table 5. Company's Sustainalytics ESG risk rating 2024 and sustainable human resource practices

Code	*Ownership structure*	*Sustainalytics ESG risk rating 2024 **			*Sustainable human resource practices*
ADMR	Family-owned	53.1	Severe	27-Apr-24	Health and safety | Training | Anti-discrimination | Equality
ADRO	Family-owned	42.8	Severe	8-Jun-24	No employee related
AMMN	Family-owned	N/A	N/A		Advancing people
ARTO	Family-owned	28.5	Medium	15-Dec-23	Training | Operating an environmentally friendly working environment
BBCA	Family-owned	21.7	Medium	22-Jun-24	Training
BREN	Family-owned	N/A	N/A		Training
BRPT	Family-owned	24.5	Medium	23-May-24	Focus on society
BYAN	Family-owned	39.0	High	27-Apr-24	Responsible social conduct (training, compensation, OHS)
CUAN	Family-owned	48.1	Severe	4-Apr-24	Human resources development | Employment practices
DSSA	Family-owned	N/A	N/A		Conducive working environment
INKP	Family-owned	26.4	Medium	23-May-24	People — improving lives (focus on society)
MBMA	Family-owned	45.8	Severe	13-Feb-24	Respecting human rights
MDKA	Family-owned	29.9	Medium	23-May-24	Ensuring everyone safe always | Empowering our people
MEGA	Family-owned	N/A	N/A		Health and safety | Training | Diversity
NCKL	Family-owned	40.5	Severe	4-Jun-24	Human rights | Good governance
SMMA	Family-owned	N/A	N/A		Remuneration | Health and safety | Employee development
TPIA	Family-owned	17.3	Low	23-May-24	OHS and human rights | Nurture of human capital
ANTM	Non-family-owned	42.1	Severe	23-May-24	People
BBNI	Non-family-owned	20.6	Medium	21-Jun-24	Diversity | Performance evaluation
BBRI	Non-family-owned	17.8	Low	23-May-24	Human rights
BMRI	Non-family-owned	28.4	Medium	23-May-24	Sustainable operation
BNGA	Non-family-owned	20.7	Medium	23-Apr-24	Sustainable action | Advocacy and stakeholders' engagement
BRIS	Non-family-owned	27.3	Medium	5-Mar-24	Equality and diversity | Green working culture | Training and education
INCO	Non-family-owned	30.5	High	27-Apr-24	High-performance culture
PGEO	Non-family-owned	9.3	Negligible	23-May-24	People and socioeconomics | Training and diversity
SMGR	Non-family-owned	23.0	Medium	23-May-24	Creating value for people and community

*Note: * Sustainalytics website and N/A: not yet assessed.*
Source: Authors' elaboration based on the 2023 companies' sustainability reports from their respective companies' websites.