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Sustainable Business Practices and Dynamic Capabilities as Drivers of Employer Branding and Talent Acquisition & Retention Among Gen Z in Indonesia

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ABSTRACT
The race to get high-quality workers or human resources is becoming increasingly difficult and competitive because Gen-Z is dominating the job market more and more. They focus more on considering a company's commitment to the sustainability of the planet adaptability skills, and the office reputation rather than just the salary. So, the author will examine the relationship between SBP, DCS, EBG, and TAR in the context of Gen Z in Indonesia using quantitative methods, with a total of 680 respondents taken from the tsurvey.id site. The data was analyzed using PLS-SEM to see the relationships between variables. The results show that both sustainable business practices and dynamic capabilities positively contribute to employer branding, although the effect of dynamic capabilities is actually bigger. Employer branding has become the key factor in boosting a company's ability to attract and retain talent. Sustainable business practices don't have a direct impact on talent acquisition and retention if they're not backed by a strong employer image. But dynamic capabilities do influence talent outcomes, both directly and indirectly. In other words, an organization's success in attracting and keeping Gen Z depends on the integration of sustainability practices, the organization's adaptive skills, and credible employer branding.

Keywords: Dynamic Capabilities, Employer Branding, Emerging Markets, Sustainable Business Practices, Talent Acquisition and Retention.

Introduction

Skilled worker mobility across the globe has been significantly accelerated in the past ten years, and the search for skilled talent is now driven by four factors: speed of technological advancements, environmental pressures, and a fundamental change in mindset regarding labor (Deloitte, 2025; PwC, 2024). In the business world, organizations are increasingly aware that attracting and retaining high-quality employees, especially those from younger generations, is not just about salary and job security, but also about the values, purpose, and commitment of an organization to the well-being of society in the long term (Michael Page Indonesia, 2024). The priorities for talent management have changed as Generation Z (Gen Z) is dominating the workforce (IDN Research Institute, 2024). Authenticity, transparency and future-oriented practices are recurring themes in potential employers across the generations of Gen Z (Ambler & Barrow, 1996; Backhaus, 2016); employers branding is a crucial strategic capability (Hendriana et al., 2023). In this socio-economic transition, Sustainable Business Practices (SBP) and Dynamic Capabilities (DCS) become key organizational levers that drive employer attractiveness and outcomes of the workforce.

For Generation Z, a company's commitment to sustainability is seen as a serious signal of the authenticity of its values and its long-term orientation, not just an add-on to business activities (Hendriana et al., 2023). This perception makes the implementation of sustainable business a factor that influences the attractiveness of the company when it comes to acquiring and retaining talented workers. Many studies have found that a commitment to sustainability is linked to reputation, legitimacy, and

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the level of trust in a company, which then shapes how candidates and current employees evaluate it (Silveira & Lawande, 2025). The shift in stakeholders' expectations is reinforced by the adoption of global reporting standards, meaning companies are expected to pay more attention to ESG aspects and business sustainability (Deloitte, 2025). This shows that sustainable business practices have become a core element of corporate strategy (Elkington, 1994).

Being able to adapt dynamically can be like a strategic weapon, helping an organization spot opportunities, anticipate threats, and constantly update its resources to stay competitive as times change. The need for these capabilities is rising along with the fast-paced transformation of the business environment due to geopolitical uncertainties, unexpected digital shifts, and the increasing demands from various stakeholders (Jooss et al., 2023). When it comes to managing talent, these capabilities show up in a learning culture, organizational flexibility, knowledge management skills, and a quick response to change. This vibe matches Generation Z's preference for personal growth spaces and an innovative work environment, making it easier for organizations with strong dynamic capabilities to build a positive image as both a company and a sought-after employer.

Employer Branding (EBG) connects the dots between these organizational capabilities and sustainability commitments with employees' perception and decisions. EBG refers to the attributes, values and impressions that give an employer an identity and make it stand out in the labor market (Ambler & Barrow, 1996; Backhaus, 2016). From the previous studies, it can be found that EBG provision has positive effects on organizational attractiveness, organizational expectations regarding employees, organizational culture, and organizational outcomes in terms of attracting and retaining talents (Hendriana et al., 2023; Pandita, 2022). EBG is currently no longer a tangential marketing activity, but a core strategic activity related to corporate identity, sustainability narratives, and human capital development (Silveira & Lawande, 2025). When it comes to Gen Z, EBG is particularly relevant because this generation is actively looking for connections between their values and the missions of organizations (IDN Research Institute, 2024). Therefore, EBG is an important intermediary variable between SBP and DCS, and these two can be considered as causal factors of talent outcomes.

Although the concepts of sustainability, employer branding and dynamic capabilities are receiving more and more research interest, very few empirical studies have explored the integrated connections between these concepts, particularly in the context of the Gen Z in emerging economies. Studies on the connection between sustainable business practices, dynamic capabilities, and even employer branding, as well as talent acquisition and retention, are still very limited, especially in Indonesia (Pandita, 2022; Jooss et al., 2023). Most previous studies often discuss each concept separately or focus on their impact on operational or financial performance. In fact, in Indonesia, there is a very large proportion of Generation Z, even exceeding 27% of the total population (GoodStats, 2025; IDN Research Institute, 2024). Companies need to strengthen sustainability, improve adaptability, and be able to develop optimal talent management strategies. Moreover there is a gap in the literature on the theoretical understanding of how to use an employer brand as a mediator between sustainability and dynamic capabilities and talent outcomes (Silveira & Lawande, 2025). Previous studies by other researchers mostly considered dynamic capabilities as a factor that boosts organizational performance (Eisenhardt & Martin, 2000). But its impact on the company's attractiveness as an employer and its ability to retain talent still has limited research evidence, so when a business entity tries to align internal transformation processes with the EVP it wants to build and communicate to both potential and current employees, it's to make the business run smoothly. (Jimenez, 2019). Solving this problem represents both theoretical and applied value to companies that are struggling with the demographic change and the sustainability talent challenge.

The aim of this study is to overcome these gaps. A structural model has been designed and tested empirically integrating the SBP, DCS, EBG, and Talent Acquisition and Retention (TAR) concepts. Following the recommendations of Hair et al. (2022), the study employs Partial Least Squares Structural Equation Modeling (PLS-SEM) using a large sample of 680 Gen Z respondents from the country of Indonesia with sampling using a national online survey platform called Telkomsel t-survey. The model assumes that SBPs and DCS are antecedents that directly influence EBG and TAR. EBG is proposed as an interlinking mechanism between sustainability commitments and dynamic capabilities and their impact on better talent outcomes. This conceptualization corresponds with the perspective that attractiveness of the employer depends on both what the organization "stands for" (sustainability, ethics, societal impact) and how the organization "operates" (strategic agility, learning capacity, adaptive culture) (Kristof, 1996; Spence, 1973).

The study has several novel insights from the empirical level. The first result was successfully found where Generation Z gives positive ratings to a company that can carry out sustainability practices, especially when these practices are carried out continuously, which reflects the company's commitment to sustainability as a central element or important factor shaping the company's image in the eyes of Gen Z while also strengthening the company's current value proposition. The next finding reveals that dynamic capabilities have a significant impact on Employer Branding and Talent Attraction, making an organization's ability to adapt and respond to changing talent needs a crucial factor. The results show that Employer Branding acts as the main link explaining the relationship between Sustainable Business Practices and Dynamic Capabilities with Talent Attraction, meaning these two factors can boost an organization's appeal to talent by strengthening its image as an employer. Interestingly, the direct effect of SBP on TAR was not statistically significant, indicating that sustainability doesn't necessarily lead to increased TAR if it isn't communicated and internalized effectively, through employer branding programmers.

The Theoretical Framework

Sustainable Business Practices and Talent Acquisition and Retention

With the rise in ESG issues, Sustainable Business Practices have become an important factor in obtaining a competitive advantage. Sustainable Business Practices cover responsible environmental management activities, activities aimed at employee wellbeing, and good corporate governance. In accordance with the TBL philosophy, corporations need to generate value not only for profits but also for people and the planet (Elkington, 1997).

Sustainability and social impact issues form the basis of young generation's career decisions. Generation Z employees are more willing to be members of organizations where the values correspond to their interests regarding environmental and social responsibility. It is obvious that this will lead to higher attractiveness of SBP and the company itself, which will be considered a desirable place to work.

Developing a feeling of pride, emotional attachment and meaning in employees through genuine commitment to sustainability of the company leaders can enhance retention. The ethical and supportive work environment is likely to lead to increased employee commitment and decreased intention to leave. As previous literature shows, the firms with sustainability culture and practices are more likely to develop employee trust, psychological safety and loyalty (Jooss et al., 2023; Silveira & Lawande, 2025). Furthermore, Pandita (2022) highlights that sustainability of organizations increases their ability to attract talent and optimize the employee experience.

With the theoretical and empirical evidence, the first hypothesis is put forward that:
H_1: Sustainable Business Practices have a positive impact on Talent Acquisition and Retention.

Sustainable Business Practices and Employer Branding

SBP has an important role in affecting the employer reputation as perceived by external stakeholders, primarily the candidates for the position. Environmental, social and governance criteria reflect the integrity, responsibility and long-term approach of the organization. Businesses that apply sustainability, social initiatives and fair employment practices are viewed as caring and trustworthy.

There is increasing recognition of Triple Bottom Line (Elkington, 1997) as a new measure of corporate success where profit, people, and planet balance each other. When these aspects are managed in tandem, they provide positive reputation that will help to increase attractiveness of the company as an employer.

According to Employer Branding Theory, image of employers consists of functional, economic, and psychological values that are derived from talent (Backhaus & Tikoo, 2004). All three values are enhanced by SBP: They reflect stability and reliability of organization (functional); socially responsible and ethical attitude (psychological); and orientation towards the future that allows them to create sustainable value (economic). Companies with genuine commitment to ESG principles and high levels of awareness of sustainability issues are especially attractive for Gen Z employees.

This connection has been proven through empirical research. Singh and Saini (2022) conclude that green practices and social practices increase reputation and appeal of the company. The same result was achieved by Pandita (2022) and Jooss et al. (2023) as both authors suggest that sustainability increases the attractiveness of the firm as an employer of choice. Thus, the research proves that sustainable business practices contribute to the image of the organization positively both from the external perspective and from the internal one in terms of reputation.
Thus, the second hypothesis is suggested:
H_2: Sustainable Business Practices have a positive effect on Employer Branding.

Dynamic Capabilities and Employer Branding

The concept of Dynamic Capabilities is defined as the ability of the organization to swiftly respond to the changes in the environment and to capitalize on the opportunities and reconfigure resources. Innovative, flexible organizations are the ones which can capitalize on the opportunities and therefore, have better DCS and are seen as innovative and resilient. This influences directly on the employer image of the firm, as innovative and agile companies are the ones where young talents would like to develop their careers.

Theoretically, according to the Dynamic Capability Theory (Teece et al., 1997), there are three major processes that should be emphasized: sensing, seizing and reconfiguration. It is precisely those abilities that allow a company to remain relevant and competitive in the rapidly changing environment of business. According to the Resource Based View, DCS are also referred to as strategic resources that are unique and hard-to-imitate.

Innovative projects, digital transformation, and effective change management are the factors through which DCS can be observed, making the firm look like a progressive workplace. Previous research proves that dynamic capabilities of organizations are linked with the innovative culture, which is beneficial for attracting talent (Wang & Ahmed, 2007). Moreover, Adiawaty (2022) claims that DCS influence employees' perception of management and strategy.
H_3: Dynamic Capabilities have a positive impact on Employer Branding.

Dynamic Capabilities and Talent Acquisition and Retention

DCS are expected to have a direct impact on talent outcomes beyond that of employer image. In an uncertain and competitive business climate, organizations that attract talent are capable of not just surviving but thriving. Gen Z associates the following competencies with companies that have strong DCS: Future-proof prospects, clear career paths, and ample learning possibilities. The following competencies are seen as associated with companies that have strong DCS and are in high demand among Gen Z: Future-proof prospects, clear career paths, and ample learning possibilities.

Dynamic Capability Theory (Teece et al., 1997) is used to explain why sensing, seizing and reconfigure capabilities are key to firm performance as well as to the generation of added value for human capital. The RBV agrees that distinctive, hard-to-copy power attributes make a firm more appealing in the talent marketplace.

In practice, companies that can respond to new challenges, adapt and embrace change, and leverage innovation are considered to foster learning, creativity and professional development. These conditions can help improve employee engagement, satisfaction and retention (Wang & Ahmed, 2007). Moreover, Adiawaty (2022) demonstrates that an organization with a responsive and competitive environment is more conducive in attracting and retaining quality employees.

So, the fourth hypothesis is that:

H_4: Dynamic Capabilities have a positive effect on Talent Acquisition and Retention.

Employer Branding and Talent Acquisition and Retention

Employer Branding tells what talent is thinking about the company as a work environment, in terms of values, culture, development, employee dedication, etc. Positive employer brand generates significant demand in the job market: job seekers will be more likely to apply to a firm of interest and accept an offer from a firm that has a good brand and clearly communicates their value proposition.

Theory of Employer Branding (Backhaus & Tikoo 2004) suggests that Employer Branding provides functional, economic and psychological benefits to talent. Organizations that communicate consistently, offer good employee experience, and have a positive image when it comes to the outside world, make individuals feel like the organization is worth working for. If organizations communicate consistently, offer good employee experience, and have a positive image with the outside world, individuals perceive the value of the organization to work for.

Employer branding is a strategic differentiator in a very competitive talent market, especially for Generation Z who are more selective. In a Signaling Theory framework, EBG serves as a signal for organizational 'quality', 'stability', 'development opportunities' and 'care'. Having a strong employer brand conveys a “good place to work” message that impacts on hiring as well as keeping. Empirical studies reveal that EBG has a significant impact on the attractiveness of the organization and on attrition. Pandita (2022) and Jooss et al. (2023) demonstrate that a powerful employer brand can provide significant advantages in attracting talent and help to retain employees for the long term through pride, identification and commitment.

Based on this, the fifth hypothesis is proposed that:

H_5: Employer Branding has a positive effect on Talent Acquisition and Retention.

Employer Branding as a Mediator between Sustainable Business Practices and Talent Acquisition and Retention

While SBP can enhance talent attraction and retention, their impact is not necessarily direct. The impact of sustainability is mediated by the perception and communication of sustainability in the employer's image for most candidates and employees. SBP generates intangible value and Employer Branding is the process of converting that value into a tangible and authentic Employer Proposition.

The view of Signaling Theory is that sustainability efforts are a positive signal of organizational quality and values. These signals, however, only impact talent decisions when they are clearly communicated and internalized through EB – in other words, company story, external communication and Employee Experience. Additionally, the Employer Branding theory (Backhaus & Tikoo, 2004) contends that sustainability contributes to the functional, psychological and economic advantages that Talent experiences, which in turn creates a positive employer image.

This mediating role is also backed up by empirical study. Singh and Saini (2022), Jooss et al. (2023), and others indicate that SBP provide a boost to the organizational reputation and this leads to attraction and loyalty, or EBG. This pattern reveals that SBP impact talent through EBG instead of stand-alone.

Therefore, the sixth hypothesis is that:

H_6. Employer Branding mediates the effect of Sustainable Business Practices on Talent Acquisition and Retention.

Employer Branding as a Mediator between Dynamic Capabilities and Talent Acquisition and Retention

Dynamic Capabilities are the capacity of the organization to innovate, adapt and transform. But Talent may not see internal strengths or abilities directly – rather, they see them through the external image and reputation of the organization as an employer. Thus, EBG is a crucial pathway whereby DCS are manifested as talent outcomes.

According to the theory of Dynamic Capabilities (Teece et al., 1997), the three actions, namely, sensing, seizing, and reconfiguration, constitute significant aspects of innovation and adaptation to the environment that help organizations to adapt and innovate. In accordance with the theory of Employer Branding (Backhaus & Tikoo, 2004), such capabilities are valuable for talents when expressed through the image of the organization that is considered innovative and future oriented. Hence, EBG acts as a mediator and allows DCS to convey practical consequences for current and future employees.

Moreover, such mediating function coincides with empirical results. For example, Wang and Ahmed (2007) and Adiawaty (2022) prove that DCS have a positive effect on organizational reputation and perception of the organizational strategic direction by its employees that are important aspects of the employer brand. Such evidence implies that DCS influence TAR through EBG. Thus, the conclusion is set forth:

H_7: Dynamic Capabilities is an intervening variable between Employer Branding and Talent Acquisition and Retention.

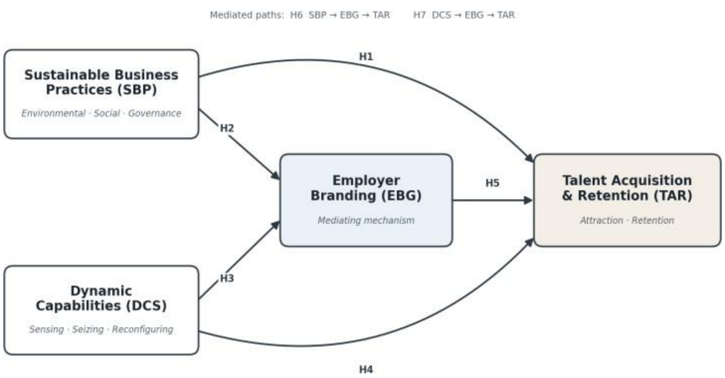

Figure 1. The conceptual research framework
Source: Authors' own elaboration

As such, all the seven hypotheses constitute an integrated model where Sustainable Business Practices and Dynamic Capabilities are seen as the antecedents of Employer Branding, Employer Branding as the mediating construct and Talent Acquisition and Retention as the outcome of the model. This can be seen from Figure 1 below, which is the research framework of this study.

Methodology

The Research Sample, Measures and Data Collection Method

In this case, the data is empirical and it has been derived from a large-scale empirical study that explores the relationships between Sustainable Business Practices (SBP), Dynamic Capabilities (DCS), Employer Branding (EBG), and Talent Acquisition and Retention (TAR). It involved a cross-sectional survey design, and the respondents were the young professionals and job seeker among Generation Z of Indonesia, a generation that is strategic in its involvement in determining the priority of talent management in organizations (GoodStats, 2025; IDN Research Institute, 2024).

This study collected its data online using a national survey platform called t-survey.id, which is owned by Telkomsel, so respondents could be reached from many areas in Indonesia, even in remote regions. This approach was chosen so the author could get a variety of sample characteristics and increase the research's representativeness, giving a wider view of respondents' different traits. The number of respondents was based on Hair et al.'s (2022) 10-times rule, meaning the sample size should be at least ten times the number of indicators in the research construct, which in this case is 34 indicators, so the minimum required respondents were 340. Accuracy of the estimation and the analysis results were strengthened by having 680 valid questionnaires to process, which helped improve the model's reliability to a higher and optimal level

The survey questionnaire was based on the series of structured questions using the five-point Likert scale intended to reveal the perception of respondents of their organization's sustainable development practices, its dynamism, innovative skills, its image as well as talent-related outcomes. The survey questionnaire items were adapted from the previously validated scale (Pandita, 2022; Jooss et al., 2023; Wang & Ahmed, 2007) and adjusted to meet the needs of the Indonesian Gen Z. The instrument was also reviewed by experts before being distributed massively. Online self-administered surveys have been chosen for the data collection process due to the increased accessibility and reduced costs of reaching the digital natives of Gen Z. The respondents have been screened based on predetermined criteria including age (20-28 years old), job seeking or employment intentions. The demographic profile also included students of their last year of undergraduate education, young professionals as well as job seekers, which is representative for today's Gen Z workforce.

The Formulas Applied for Data Conversion and Statistical Methods of Data Analysis

PLS-SEM is used for the data analysis because it can be optimized and is suitable for examining the relationships between the latent variables it measures using a Likert scale, and it represents respondents' perceptions and behavioral tendencies as mentioned by Hair et al. (2022). Before testing the hypotheses, the analysis starts with the conversion and processing stages. All analysis procedures are carried out step by step to maintain consistency in the results and to meet the standards of quantitative research methodology, especially in HR studies.

Data Types and Cleaning: All data obtained from the online survey were cleaned, checked for errors. Respondents' responses were on 5-point Likert scale (1 = strongly disagree, 5 = strongly agree); normalization of indicators was conducted when necessary to permit comparisons between constructs. Descriptive statistics were computed prior to hypothesis testing, and normality tests were conducted using Kolmogorov-Smirnov test and Shapiro-Wilk test. Likert-type data were utilized in this research; such type of data is non-normal, thus making the application of PLS-SEM appropriate since it does not assume normality.

Evaluation of the Outer Model (Measurement Model) was done through the evaluation of indicator reliability through indicator loadings having values ≥0.708

preferred, those ranging between 0.40-0.70 should be retained if it increases the value of AVE and Composite Reliability and those having values of ≤0.40 should be deleted. The Composite Reliability (CR) of the items ranged from 0.70 to 0.95 where a value above 0.50 is accepted as convergent validity. The Heterotrait-Monotrait Ratio (HTMT) was used in assessing the discriminant validity with the criteria of <0.85 (strict) and <0.90 (general).

The evaluation of the structural model focused on testing the causal relationships between latent variables once the measurement model was said to meet the criteria. The initial stage was carried out by checking for potential multicollinearity using the VIF value, which should be below 5 and ideally less than 3.3. The significance of the path coefficients would be analyzed using the bootstrapping procedure. The model's ability to explain the endogenous variables is evaluated through R^2, while the contribution of each relationship is assessed using f^2. Even the predictive quality of the model is evaluated from the Q^2, and a score above zero indicates that the model has adequate predictive relevance.

The adequacy of the measurement model and structural model was confirmed prior to performing hypotheses tests. The direct effects (SBP → TAR, DCS → EBG) and indirect effect (mediation through Employer Branding) were estimated. The hypothesis was considered proved in case the value of p was <0.05 and 95% confidence interval did not include the value of 0. On average, methods of data conversion and statistics applied in this study have provided methodological robustness, increased the validity of the findings and facilitated the thorough analysis of the proposed integrated sustainable talent management model.

Analysis and Discussion

The Empirical Research Findings

The Descriptive Statistics

Descriptive statistics demonstrate the first impression of Generation Z respondents' opinion concerning Sustainable Business Practices (SBP), Dynamic Capabilities (DCS), Employer Branding (EBG) and Talent Acquisition and Retention (TAR) in their organizations (see Table 1). Overall mean values for SBP (4.13), DCS (4.16) and EBG (4.12) are in the range of "agree" to "strongly agree". This suggests that respondents have a rather positive attitude towards sustainability, organization agility and employer attractiveness. As for TAR, it has the lowest mean score (3.94) and highest standard deviation (0.95). Thus, people hold various views concerning the effectiveness of talent attraction/retention programs.

Table 1. The results of descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
SBP	680	1	5	4.13252	0.01196
DCS	680	1	5	4.16287	0.83538
EBG	680	1	5	411662	0.87324
TAR	680	1	5	3.93655	0.94865
Valid N	680				

Source: Own empirical research

The mean score of SBP is 4.13 with a relatively low dispersion showing the perception that the organizations in this case have adopted sustainability in their operations. However, there are certain things to note about SBP items in particular. The highest score goes to SBP05 (4.38) indicating the high value the organization places on its social contribution and community programmers. Similarly, SBP04 (4.31) and SBP08 (4.28) also have a high score indicating positive perceptions of ethical business conduct and external collaboration in achieving sustainability. SBP03 (3.86) and SBP09 (3.92) have relatively lower scores which means that people do not perceive that there are efforts made to reduce waste/ emission or sustainability is internally communicated within the organization.

Generally, there are high levels of perception of organizational dynamics and adaptiveness, which is shown through the mean of Dynamic Capabilities (4.16), the highest mean among all four constructs. The ability to recognize new business opportunities (DCS02, 4.28) is the best rated, followed by creation of new capabilities (DCS03, 4.23) and rapid responses to changes (DCS01, 4.19). All these scores are an indicator of a positive rating on the firm's learning and sensing. However, the mean of internal coordination (DCS07, 4.09) and strategic adaptation (DCS04, 4.10) is relatively low, which means that while there is an idea of opportunity-seeking and innovativeness of organizations, there is some space for improvement regarding internal integration and coordination of reactions to changes.

The mean of EBG is 4.12, showing that on average the respondents believe that their organization has a good reputation and is an attractive employee, both externally and internally. EBG02 (attractive for talent), with the highest score (4.19), is the top-scoring item in this construct, followed by EBG04 (work culture) and EBG01 (general reputation). Good scores are achieved in relation to other constructs, such as job security (EBG06, 4.13) and employer branding communication (EBG09, 4.12), indicating that respondents find stability and the actions taken by employers in developing their reputation important. However, the dominating means of the construct is very low and is achieved in relation to EBG05 (competitive compensation and benefits) 4.04. The results indicate that a successful employer brand depends more on reputation, culture, and work environment than on compensation, and to make it even more competitive in the recruitment process, rewards and benefits system development should be considered.

TAR is the most challenging scenario. It falls within the effective category having an average of 3.94; however, it is less than SBP, DCS and EBG. The reason behind relatively higher standard deviation could probably be because of different experiences people had with talent management practices. The highest score goes to TAR01 (4.15), which relates to how attractive the organization is for potential talent and value proposition of the organization in general. Competitiveness of job offers (TAR02, 4.01) and selection/ onboarding practices (TAR03, 4.04) are also effective.

On the contrary, TAR04 (3.64) is the lowest rated indicator among all TAR indicators and is only classified as "fairly effective". This indicator evaluates the organization's ability to retain staff and focuses on retention as one of the major pinpoints. TAR05 (3.90) and TAR07 (3.78) receive lower scores compared to the whole construct, which indicates that recognition and reward practices and loyalty creating work environment are not fully congruent with what employees expect. Only TAR06 (4.05: clarity of career paths) is better positioned towards the "effective" side. In summary, there appears to be a consistent story in the descriptive statistics. Firms are viewed as having a relatively high level of sophistication when it comes to sustainability and dynamic capabilities and as relatively attractive employers. But these strengths do not seem to translate into sustainable talent performance gains now. A high rating of SBP, DCS, and EBG indicates many pieces of a good Employee Value Proposition are present. Business entities need to align their sustainable business practices, work flexibility, and employer branding strategies so they can strengthen talent management, boost loyalty, and even support the career development of Generation Z employees. This approach needs to be implemented because the TAR score is still relatively low, especially in long-term retention, recognition, and employee engagement, which creates a gap between the messages the organization sends and the actual experiences its employees have

Assessment of the Measurement Model: Reliability and Validity

Before testing the structural relationships, the quality of the measurement model was examined to ensure that each latent construct was captured by reliable and valid indicators, following the criteria outlined in Section 3.2 (Hair et al., 2022). In substantive terms, this step confirms that respondents interpreted the items consistently and that the four constructs are empirically distinct rather than overlapping, which is a precondition for trusting the path estimates reported later.

Table 2. Measurement model: indicator loadings, consistency reliability, and convergent validity

Construct	Item	Outer loading	Cronbach' s α	rho_A	CR (rho_c)	AVE
	SBP01	0.641				
	SBP02	0.740				
	SBP03	0.771				
	SBP04	0.774				
SBP	SBP05	0.698	0.900	0.903	0.919	0.557
	SBP06	0.780				
	SBP07	0.774				
	SBP08	0.744				
	SBP09	0.783				
	DCS01	0.772				
	DCS02	0.769				
	DCS03	0.820				
DCS	DCS04	0.804	0.921	0.922	0.935	0.645
	DCS05	0.836				
	DCS06	0.814				
	DCS07	0.817				
	DCS08	0.789				
	EBG01	0.754				
	EBG02	0.801				
	EBG03	0.782				
	EBG04	0.793				
EBG	EBG05	0.809	0.931	0.933	0.942	0.619
	EBG06	0.833				
	EBG07	0.765				
	EBG08	0.719				
	EBG09	0.804				
	EBG10	0.802				
	TAR01	0.758				
	TAR02	0.808				
	TAR03	0.835				
TAR	TAR04	0.810	0.913	0.915	0.931	0.659
	TAR05	0.869				
	TAR06	0.766				
	TAR07	0.833				

Source: Own empirical research

Indicator reliability was assessed through the outer loadings reported in Table 2. The overwhelming majority of items load at or above the recommended 0.708 threshold, indicating that each item shares more than half of its variance with its construct. Only two sustainability items fall marginally below this benchmark (SBP01 = 0.641 and SBP05 = 0.698). Because re-estimating the model with and without SBP01 produced negligible changes in Average Variance Extracted (AVE) and Composite Reliability (CR), both items were retained to preserve the conceptual breadth of the sustainability construct rather than trimming the scale for a cosmetic statistical gain. Internal consistency is strong and consistent across all constructs: Cronbach's α ranges from 0.900 to 0.931 and CR (rho_c) from 0.919 to 0.942, comfortably within the ideal

0.70–0.95 band, signaling that the items within each construct move together coherently. Convergent validity is likewise satisfied, with AVE values from 0.557 to 0.659, all exceeding the 0.50 minimum, so each construct explains more than half of the variance of its indicators.

Discriminant validity was evaluated using the Heterotrait–Monotrait ratio (HTMT) reported in Table 3. All ratios fall below the lenient 0.90 threshold, confirming that the constructs are empirically distinct and do not merely re-measure one another. The discriminant validity results show that all constructs have met and passed the model's feasibility criteria, with the highest HTMT value found between Dynamic Capabilities and Employer Branding at 0.889, showing a strong conceptual connection between them. The relationships of Sustainable Business Practices with Dynamic Capabilities (0.852) and SBC with Employer Branding (0.849) are within the threshold but still acceptable. Talent Acquisition and Retention shows a better level of distinction compared to the other constructs, reflected in lower HTMT values with SBP (0.726) DCS (0.767) EBG (0.826). It means the measurement model has good reliability and enough convergent and discriminant validity to be used in further analysis.

Table 3. Discriminant validity: Heterotrait–Monotrait ratio (HTMT)

	DCS	EBG	SBP	TAR
DCS				
EBG	0.889			
SBP	0.852	0.849		
TAR	0.767	0.826	0.726	

Source: Own empirical research

Mediation Statistics based on PLS-SEM

Table 4. The results of mediation statistics based on PLS-SEM

Hypothesis	Statements	Path Coefficient (O)	t-statistic	p-value	Decision
H1	Sustainable Business Practices have a positive effect on Talent Acquisition and Retention	0.101	1.620	0.105	Rejected
H2	Sustainable Business Practices have a positive effect on Employer Branding	0.350	7.541	0.000	Accepted
H3	Dynamic Capabilities have a positive effect on Employer Branding	0.553	12.617	0.000	Accepted
H4	Dynamic Capabilities have a positive effect on Talent Acquisition and Retention	0.191	2.307	0.021	Accepted
H5	Employer Branding has a positive effect on Talent Acquisition and Retention	0.529	5.066	0.000	Accepted
H6	Employer Branding mediates the effect of Sustainable Business Practices on Talent Acquisition and Retention	0.185	3.833	0.000	Accepted
H7	Employer Branding mediates the effect of Dynamic Capabilities on Talent Acquisition and Retention	0.293	4.332	0.000	Accepted

Source: Own empirical research

The mediation analysis in this study was carried out using the PLS-SEM approach with a bootstrapping procedure, where the mediation variable is Employer Branding

(EBG) between Sustainable Business Practices (SBP) and Dynamic Capabilities (DCS) towards Talent Attraction & Retention (TAR). The results, summarized in the structural model (Table 4 and Figure 2), confirm the presence of direct and indirect effects in the model proposed. Overall, the results suggest that EBG is an integral part of how organizations can achieve better results in terms of attracting and retaining young talent, especially Generation Z, by translating capabilities and sustainability practices.

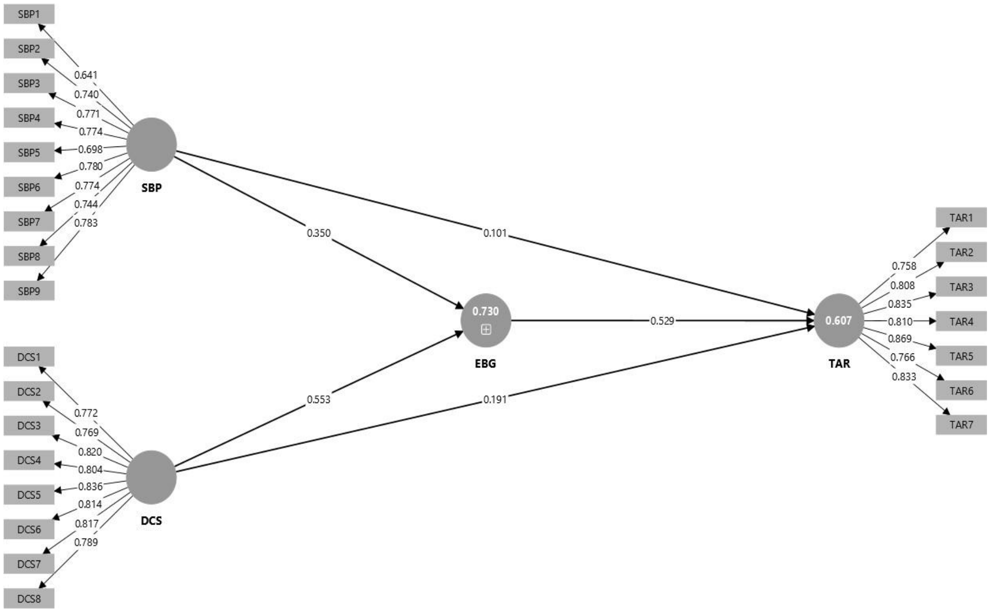

Figure 2. The results of graphical output on PLS-SEM
Source: PLS-SEM

The first group of findings is linked to the mediation of EBG between the DCS and TAR. The association between DCS and TAR is positive and significant (β = 0.191; t = 2.307; p = 0.021) regardless of the mediating variable of Employer Branding. It seems that the organizations which have good DCS will be more attractive and successful in talent retention. However, in the model where the mediating variable is introduced, there is an indirect effect. Specifically, the specific indirect effect of DCS to EBG to TAR comes out with β = 0.293, t = 4.332 and p = 0.000. This means that the indirect effect is statistically significant at 5%. Thus, one of the impacts of DCS on TAR is the capability of the organization to create its employer brand. The indirect effect (0.293) is much greater than the direct effect (0.191). It can be assumed that dynamic capabilities are important, and even more so when they are conveyed externally through the employer value proposition.

The findings show that partial mediation is occurring between the DCS and TAR. Dynamic capabilities remain the powerful and direct determinant of talent outcomes because young professionals like learning and innovative firms. Simultaneously, the presence of powerful indirect influence shows that EBG increases the impact of such dynamic capabilities by creating its image in the eyes of the external stakeholders, including the potential and existing workers. Managers will have difficulties when creating talent pipelines if they develop sensing, seizing and reconfiguring capabilities but they will not get results without employer branding. The capability of articulating adaptability, innovation and learning culture as special traits of the employer brand provides organizations with additional possibilities of taking full advantage of the talent side of dynamic capabilities.

The second series of mediations include the mediation of the relationship between SBP and TAR through EBG. The direct relationship between SBP and TAR is positive, but not statistically significant (β = 0.101; t = 1.620; p = 0.105) indicating that sustainable business practices do not have any statistically confirmed direct influence on talent attraction and retention. However, in the case of the mediated relationship it is a completely different story. The indirect relationship of SBP with talent via EBG is positive and significant ($\beta = 0.185$; $t = 3.833$; $p = 0.000$). This means that sustainability practices indeed have a direct effect on talent attraction and retention but mostly through the employer's brand. Here it becomes clear that SBP can be effective in terms of TAR only if the brand of the organization is improved thanks to those practices.

Full mediation is both theoretically and practically significant. On a theoretical note, it shows that the sustainability practices are not likely to be remarkable or distinctive for potential and current employees. The practices are notable as they influence talent management decisions once they become part of the narrative, symbol and identity of the organization in the context of being an ideal workplace. However, from a practical perspective, there is no certainty that businesses are going to attract Gen Z talent due to adoption of ESG strategy either it is about minimizing the environmental footprint, having more inclusive HR policies and improving the governance. The practices should be incorporated and included in employer branding messages, recruitment campaigns, career websites and internal communication in order to make sure young professionals understand that sustainability plays a part in the employer value proposition. Then sustainability becomes the factor which makes organizations more proud, more credible, more emotionally connected and hence, more attractive and more retaining.

In turn, the two indirect effects (DCS → EBG → TAR and SBP → EBG → TAR) prove the significance of the Employer Branding in the proposed model. The direct effect of EBG on TAR is significant, being positive and having β value of 0.529; t value is 5.066; p value is 0.000 – that proves that the positive employer brand has the significant effect on young talent attraction and retention. The significant direct effect on TAR by EBG and significant indirect effects by both DCS and SBP in terms of EBG have the following cascade effect: capabilities and sustainability practices contribute to the employer brand, which contributes to talent results. Mediation effects confirm the coefficient of determination for each model; the coefficient of determination for the model explaining the variation in EBG is 73.0% ($R^2 = 0.730$); while the coefficient of determination for the model explaining the variation in TAR is 60.7% ($R^2 = 0.607$). These values of R^2 prove that both exogenous constructs and mediating mechanism have the significant effect on the dependent construct. The values of R^2 show that both exogenous constructs and the mediating mechanism explain a significant proportion of the variance in both the perception of the organization as an employer and the attraction and retention of Generation Z talent.

Effect size (f^2) values are another source confirming centrality of the mediation process. The effect of DCS on EBG is large ($f^2 = 0.446$). The effect of SBP on EBG is medium ($f^2 = 0.179$), indicating that the changes in the predictors have a considerable effect on the explanatory power of the employer-branding concept. On the other hand, the medium effect of EBG on TAR ($f^2 = 0.193$) and the small effect of DCS on TAR ($f^2 = 0.025$) and SBP on TAR ($f^2 = 0.009$) show that again, from the statistical standpoint, the main route through which the variables affect the outcomes is EBG. The small sizes of the relationships between the predictors and TAR again provide evidence that the capabilities and sustainability practices only have a small impact on the outcomes, when there is no strong employer brand.

Validated Redundancy values (Q2) on the issue of predictive relevance. Both EBG and TAR indicators present themselves with positive values (EBG = 0.726 and TAR = 0.527), which indicates their very high prediction capacity of the model for the mediator construct and for the outcome construct. In other words, DCS, SBP, and EBG constructs do not only fit the empirical observations but can also predict future employer-branding perceptions and talent attraction and retention of similar generation Z sample of professionals. This is important because it will enable organizations to create a model that will allow them to calculate the influence of sustainability or dynamic capabilities as manifested in employer branding on increased talent attraction and retention.

Conclusions and Recommendations

The key purpose of the research is to investigate the relationship between Sustainable Business Practices (SBP), Dynamic Capabilities (DCS), Employer Branding (EBG), and Talent Acquisition and Retention (TAR) among Generation Z and to test for the mediating effect of EBG with the help of PLS-SEM. Overall, the findings of this research provide statistical support for the model and the positive perception of all four constructs among Gen Z participants.

First, according to descriptive statistics, SBP, DCS, and EBG demonstrate average ratings greater than 4.00 on the scale from 1 to 5, which implies that participants believe their organizations to possess high sustainability practices, agility, and employer brand. Moreover, despite the lower mean of TAR equal to 3.94, it still implies a positive perception of organizational attractiveness and talent retention practices. Thus, it can be assumed that the organizations represented by the sample have already applied some basic principles of sustainable development, agility, and employer branding to attract young professionals.

Structurally speaking, the results demonstrate the lack of statistical significance of the direct effect of SBP on TAR, and therefore hypothesis H1 is rejected. This does not mean that sustainability is not an important factor in attracting and retaining talent; on the contrary, it proves that its impact on these processes is conveyed completely through the mediation of Employer Branding (see full mediation below). Organizations which implement the ESG principles in their everyday operations, like rational consumption of energy, providing safety and security at the workplace, embracing diversity and inclusion policies, and demonstrating transparent and responsible governance are still considered ethical and trustworthy, yet for Gen Z, this reputation will affect their talent decisions only if it is expressed in the context of the employer brand.

An obvious reason for the lack of significance in the SBP→TAR effect might be explained by higher Gen Z mistrust of companies' greenwashing efforts. Being digital natives with easy access to information and peer review, Gen Z job seekers know how to identify real and authentic ESG commitment of firms as opposed to their CSR signaling efforts (Deloitte, 2025; World Economic Forum, 2022). Hence, when sustainability is claimed by firms without any factual proof, this signal is either dismissed or seen as negative, which is entirely understandable in the context of greenwashing research, as decoupling the environmental performance from sustainability actions leads to a loss of legitimacy and stakeholder trust (Delmas & Burbano, 2011; Lyon & Montgomery, 2015). Using Signaling Theory framework (Connelly et al., 2011; Spence, 1973), one can say that sustainability becomes a relevant signal only when it is both credible and coherent; otherwise, sustainability does not have an impact on talent outcomes. It is no coincidence that ESG practices impact TAR not directly but mediated by Employer Branding practices, which provide credibility, consistency, and positive employer experience, allowing Gen Z to see sustainability as authentic. For entities, the success of a sustainability strategy will depend on the transparency of its reporting, independent validation, and even the alignment between its commitments and the real experiences of employees. All of these need to be achieved in order to build trust while avoiding the perception of greenwashing, which allows sustainability practices to boost the company's appeal in the eyes of future companies. SBP is also highly positively correlated with EBG. Firms that incorporate the ESG values in their operations create a reputation that is more believable and future oriented. Generation Z sees sustainability as a sign of integrity and vision of the organization. Thus, sustainability adds to the symbolic value and functionality of the employer brand.

DCS is of equal importance. DCS has a significant positive influence on EBG. It proves that the ability to sense the changes in market and transform the process of operations makes an organization innovative and ready for the future. Generation Z views these characteristics as the ones that correspond to a work environment that appreciates growth and continuous learning.

An organization's ability to quickly adapt has proven to contribute to higher talent acquisition and retention. Flexible work, learning opportunities, and even career development direction become attractive to Gen Z, who value autonomy, learning, and meaningful work, showing that dynamic capabilities support a company's edge, both in its business aspects and in managing the talent it has.

The results provide a clear indication of how Employer Branding can have a positive effect on Talent Acquisition and Retention. A business entity that can offer career development prospects, fair reward systems, and even work that has meaning and purpose is more likely to attract and retain Gen Z in the long run. It shows that Employer Branding can act as a bridge to clearly translate organizational strategies into career decisions for both potential and current employees

Finally the mediation analysis demonstrates that EBG plays a crucial role in converting SBP and DCS into talent outcomes. For SBP, EBG fully mediates the relationship with TAR, meaning sustainability influences attraction and retention mainly when it is communicated through a strong employer brand. For DCS, EBG partially mediates the relationship, amplifying the effect of dynamic capabilities on TAR. In sum, EBG functions as the key mechanism through which sustainability and organizational agility translate into Gen Z talent attraction and retention.

Theoretically, this paper offers some important contributions. First, it combines four main theories (Strategic Human Resource Management (SHRM), the Triple Bottom Line (TBL), Dynamic Capability Theory, and Employer Branding Theory) into a single model to explain the Employer evaluation of Gen Z. The empirical results indicate that Sustainable Business Practices (SBP) and Dynamic Capabilities (DCS) both have indirect effects on Talent Acquisition and Retention (TAR) via Employer Branding (EBG). That's a clear example of how sustainability, agility, and branding are not mutually exclusive goals, but rather all interrelated factors of talent outcomes. This integration enhances literature, since previous studies usually looked at these areas separately.

Secondly, the research supports the growing literature on Gen Z behavior in the workplace. Talent studies continue to be largely about older generations, and Gen Z has other expectations inspired by digital lifestyles, concerns about global issues, and a focus on purpose. The results show that Gen Z is focused on sustainability statements, learning experiences, and authenticity. It is important to recognize that the full mediation effect of EBG for SBP illustrates that sustainability is important but the way that it is communicated and lived is even more important. It enriches the theoretical debate related to the signaling theory and psychological contracts between employers and younger employees.

Thirdly, the study is of methodological value, in that it examines a multi-construct mediation model by using PLS-SEM. The reliability, validity and predictive power of measurement and structural models are good. Indirect effects are important because they show the importance of understanding the mediation process to uncover how organizational practices become outcomes of talent decisions.

The results have clear implications for companies, HR practitioners and policymakers from a practical point of view. For companies, sustainability should not just be part of CSR, compliance or marketing but part of strategy as well. If ESG practices and agile capabilities are sincere, they boost employer brand and improve Gen Z attraction and retention.

The study highlights the role of 'the translation layer' within the employer brand, between the strength of the organization and employee perception, for HR leaders. HR needs to articulate what they have achieved in sustainability, the innovative steps they are taking and the opportunities for growth in a consistent employer value proposition when recruiting, on-boarding, developing and within internal communications. If promises are fulfilled, Gen Z displays more engagement and commitment.

Policy implications of the findings are also discussed. Indonesia and other countries with a demographic bonus should incentivize and set reporting standards that include ESG and talent development. Sustainability and talent indicators can be added to investors' evaluations as well.

While some areas of the study are subject to some limitations (such as the fact that it is based on self-reported Gen Z data and formal-sector employers), the findings illustrate clearly the link between sustainability, agility and employer branding, and how all three can help organizations attract modern talent and become more resilient.

This study proposes a new integrated model named Sustainability – Dynamics Capability – Employer Branding (SDCEB) Mediation Model for Gen Z Talent. The framework integrates the main conclusions by highlighting the role of employer branding as the main driver between sustainable practices and increased outcomes in terms of attracting and retaining talent.

Sustainable Business Practices (SBP) and Dynamic Capabilities (DCS) lay the foundation for the framework. SBP will be defined by a company's long-term efforts for people, planet and profit across ESG, ethical conduct and good governance. DCS demonstrates the organization's "sensitivity" to change, "sense" of new opportunities, and "configuration" of resources and processes. This is combined to create the “do good and do well” agenda that Gen Z expects from employers.

Employer Branding (EBG) is the middle ground, communicating these strengths to potential candidates and current employees in a believable way and through their everyday experiences. With a sound value proposition and strategic HR practices, EBG influences how Gen Z thinks about and embraces sustainability and agility.

Talent Acquisition & Retention (TAR) is the top of the triangle, where organizational values align with the aspirations of Gen Z. The SCEB framework therefore redefines sustainability and agility as "taking responsibility for it, being flexible and good communicators" – the latter two of which are defined as key talent strategies – and emphasizes the fact that sustained talent competitiveness is inextricably linked to responsible behavior, adaptability, and authentic communication.

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