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Governance, Ethics, and Leadership for Sustainability: A Systematic Literature Review of ESG Implementation in Public Sector Organizations

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ABSTRACT. *This study presents a systematic literature review (SLR) of ESG implementation in public sector organizations, with a specific focus on the interrelated roles of governance, ethics, and leadership in promoting sustainability. Following the PRISMA framework, the study synthesizes findings from peer reviewed studies published up to 2024. The review reveals that ESG implementation in the public sector has evolved from a compliance based reporting tool into a strategic governance mechanism that enhances accountability, transparency, and sustainability performance (Deb, 2024; Sholikin et al., 2024). Governance structures are identified as the primary enablers of ESG integration, while ethical governance ensures institutional legitimacy and reduces symbolic or "greenwashing" practices (Zahari et al., 2024). Leadership is found to be a critical driver that aligns organizational culture with sustainability objectives and strengthens ESG execution across administrative levels (Said et al., 2024; Waxin et al., 2023). Overall, the study highlights the integrated influence of governance, ethics, and leadership in shaping effective ESG implementation in public sector organizations.*

Keywords *ESG implementation; public sector governance; ethical leadership; sustainability governance; systematic literature review*

INTRODUCTION

In recent decades, the increasing emphasis on sustainability, accountability, and transparency has fundamentally reshaped governance practices across both private and public sector organisations. The emergence of Environmental, Social, and Governance (ESG) frameworks has become a central pillar in guiding organisational conduct toward sustainable development, ethical responsibility, and long-term value creation (Singhania & Saini, 2023; Prakash, 2020). While ESG adoption has been widely examined in corporate settings, its implementation within public sector organisations remains comparatively underexplored, despite the sector's critical role in policy enforcement, public trust, and societal welfare (Lu & Wang, 2021). Consequently, understanding the interplay between governance structures, ethical leadership, and organisational culture in shaping ESG practices within public institutions is both timely and essential.

Ethical leadership has been widely recognised as a key determinant in promoting ethical behaviour and organisational integrity. Defined as the demonstration and promotion of normatively appropriate conduct through personal actions and interpersonal relationships (Brown & Treviño, 2006), ethical leadership influences employees' attitudes, decision making processes, and compliance with organisational standards. In

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the context of ESG, ethical leaders play a pivotal role in embedding sustainability principles into organisational practices, fostering accountability, and reducing misconduct (Krambia-Kapardis et al., 2023; Páez Gabriunas, 2023). Empirical evidence suggests that leaders who exhibit trustworthiness, fairness, and ethical decision making contribute significantly to reducing integrity violations and enhancing ESG compliance within organisations (Zahari et al., 2024; Asencio, 2019). Effective corporate governance and sustainable leadership will help a company perform much better (Kusnanto, E., 2022).

The public sector, in particular, presents a unique context for examining ESG implementation due to its bureaucratic structures, regulatory obligations, and heightened accountability to stakeholders. Public organisations are expected to uphold high ethical standards while delivering services efficiently and equitably (Erakovich & Kolthoff, 2016). However, challenges such as corruption, lack of transparency, and weak governance mechanisms often hinder effective ESG alignment (Zahari & Said, 2019). In this regard, ethical leadership becomes a critical mechanism for shaping organisational behaviour and ensuring adherence to ESG principles. Generative Artificial Intelligence has the potential to revolutionize Human Resource Management, but its success heavily depends on the organization's readiness to adapt to technological changes, as well as its commitment to ensuring fair and ethical implementation (Yulianti, G., et al, 2024).

Recent empirical findings highlight that ethical leadership has a significant negative relationship with integrity violations, particularly in ESG compliance contexts (Zahari et al., 2024). This suggests that organisations led by ethical leaders are less likely to engage in unethical practices such as fraud, bribery, and non compliance with sustainability standards. Ethical leaders act as role models, reinforcing ethical norms and fostering a culture of accountability (Dickson et al., 2001; Mayer et al., 2010). Their influence extends beyond formal policies, shaping informal norms and behaviours that support ESG objectives. Strong governance enables Islamic banking to improve competitiveness, operational efficiency, and sustainability (Chaidir, M., et al, 2024).

In addition to leadership, organisational culture plays an essential role in determining how ESG principles are internalised and practiced within institutions. Organisational culture refers to shared values, beliefs, and norms that guide behaviour within an organisation (Schein, 2010; Schneider et al., 2013). An ethical culture, characterised by trust, transparency, and supportability, is often associated with positive organisational outcomes, including reduced misconduct and improved compliance (Kaptein, 2011; Shafer & Simmons, 2011). However, empirical evidence regarding the direct impact of ethical culture on ESG-related integrity violations remains inconclusive.

For instance, Zahari et al. (2024) found that while ethical culture is conceptually linked to ESG compliance, its direct statistical relationship with integrity violations was not significant. This finding suggests that the influence of ethical culture on ESG outcomes may be indirect or mediated by other factors such as leadership behaviour, organisational controls, or employee engagement. Similar observations have been reported in prior studies, which emphasise the complexity of organisational culture and its multifaceted impact on ethical behaviour (Lasthuizen et al., 2011; Gill et al., 2023). Therefore, further investigation is needed to understand how different dimensions of ethical culture interact with leadership and governance mechanisms in shaping ESG performance.

The theoretical foundation of this study is grounded in Organisational Based Theory, which emphasises the role of organisational structures, leadership, and culture in influencing behaviour and decision making (Jones, 2013; Markopoulos et al., 2020). According to this perspective, leaders play a central role in setting the "tone at the top," thereby shaping organisational norms and guiding employee behaviour toward ethical and sustainable practices (Staicu et al., 2013). Ethical leadership, therefore, is not only a behavioural construct but also a strategic driver of organisational alignment with ESG principles.

Moreover, governance mechanisms, including internal controls, transparency practices, and accountability frameworks, are essential in supporting ESG implementation. Effective governance ensures that organisations operate within ethical boundaries and comply with regulatory requirements (Bowrin, 2004; Schnackenberg & Tomlinson, 2016). In public sector contexts, governance is particularly due to the need for public trust and legitimacy. Weak governance structures can lead to integrity violations and undermine ESG initiatives, highlighting the need for integrated approaches that combine leadership, culture, and governance.

Despite the growing body of literature on ESG, ethical leadership, and organisational culture, there remains a lack of comprehensive synthesis focusing specifically on public sector organisations. Existing studies often examine these variables in isolation or within private sector contexts, limiting the generalisability of findings. Furthermore, inconsistencies in empirical results particularly regarding the role of ethical culture indicate the need for a systematic literature review to consolidate existing knowledge and identify research gaps.

This study aims to address these gaps by conducting a systematic literature review on governance, ethics, and leadership for sustainability, with a specific focus on ESG implementation in public sector organisations. By synthesising findings from prior studies, this research seeks to explore how ethical leadership influences organisational culture and governance mechanisms in promoting ESG compliance. Additionally, the study examines the complex relationships between ethical culture and integrity violations, providing a nuanced understanding of how organisational dynamics shape sustainability outcomes.

The significance of this research lies in its contribution to both theory and practice. From a theoretical perspective, it extends Organisational Based Theory by integrating ESG considerations into the analysis of leadership and culture. From a practical standpoint, the findings offer valuable insights for policymakers, public administrators, and organisational leaders seeking to enhance ESG performance and foster sustainable governance practices.

The integration of governance, ethics, and leadership is crucial for achieving sustainability in public sector organisations. Ethical leadership emerges as a key driver in reducing integrity violations and promoting ESG compliance, while the role of ethical culture requires further exploration to fully understand its impact. By providing a systematic synthesis of existing literature, this study aims to advance knowledge in this field and support the development of more effective strategies for sustainable governance.

LITERATURE REVIEW

ESG Implementation in Public Sector Organizations. Environmental, Social, and Governance (ESG) frameworks have increasingly been adopted within public sector organizations as instruments to enhance accountability, transparency, and sustainability performance (Bovens, 2007; Guthrie et al., 2010). ESG implementation in the public sector differs fundamentally from the private sector due to its emphasis on public value creation rather than profit maximization (Moore, 2013). Prior studies indicate that public institutions adopt ESG principles primarily to improve governance quality, mitigate corruption risks, and strengthen stakeholder trust (Cuadrado-Ballesteros et al., 2017).

Empirical evidence shows that ESG disclosure practices in government entities are positively associated with improved fiscal transparency and reduced information asymmetry (Benito et al., 2016). Furthermore, ESG integration enhances decision making processes by aligning sustainability goals with long term policy objectives (Kuhlman & Farrington, 2010). However, challenges remain due to the lack of standardized ESG reporting frameworks tailored to public sector contexts (Adams et al., 2020).

Governance and Institutional Frameworks in ESG. Governance structures play a critical role in determining the effectiveness of ESG implementation within public organizations (OECD, 2020). Strong institutional governance mechanisms, including accountability systems, regulatory oversight, and anti corruption frameworks, significantly influence sustainability outcomes (Kaufmann et al., 2011). Studies suggest that good governance practices are positively correlated with environmental performance and social welfare outcomes (Kim & Lee, 2012).

The adoption of ESG principles is also linked to the development of integrated reporting systems that combine financial and non financial information (Eccles & Krzus, 2010). Public sector governance reforms that incorporate ESG dimensions have been shown to improve resource allocation efficiency and policy effectiveness (Ferry & Ahrens, 2017). Nevertheless, institutional inertia and bureaucratic complexity often hinder the full integration of ESG into governance frameworks (Christensen & Lægreid, 2011).

Ethical Foundations of ESG in Public Sector Organizations. Ethics constitutes a foundational pillar of ESG implementation, particularly in public institutions where legitimacy depends on moral conduct and public trust (Menzel, 2015). Ethical governance frameworks emphasize integrity, fairness, and accountability as key principles guiding public sector behavior (Kaptein, 2011). Research indicates that ethical leadership significantly reduces corruption and enhances organizational transparency (Huberts, 2014).

Public sector ethics is closely related to the concept of stewardship, where officials are expected to act in the public interest rather than for personal gain (Davis et al., 1997).

Studies also highlight that ethical climates within organizations influence employees' commitment to sustainability initiatives (Valentine et al., 2010). However, ethical dilemmas often arise due to conflicting stakeholder interests and political pressures, complicating ESG implementation (Denhardt & Denhardt, 2015).

Leadership and Sustainability Transformation. Leadership is a critical driver of ESG adoption and sustainability transformation in public sector organizations (Maak & Pless, 2006). Transformational leadership styles have been found to significantly influence organizational commitment to sustainability goals (Bass & Riggio, 2006). Leaders who prioritize sustainability foster innovation, stakeholder engagement, and long term strategic thinking (Avolio & Gardner, 2005).

Empirical studies demonstrate that leadership commitment is essential for embedding ESG principles into organizational culture and practices (Bennis, 2007). Public sector leaders play a crucial role in aligning institutional policies with sustainability agendas such as the Sustainable Development Goals (SDGs) (UN, 2015). However, leadership challenges, including political interference and limited autonomy, often constrain effective ESG implementation (Van Wart, 2013).

ESG, Accountability, and Public Value Creation. ESG implementation contributes significantly to enhancing public accountability and value creation (Bryson et al., 2014). The integration of ESG metrics into performance evaluation systems allows public organizations to measure social and environmental impacts more effectively (Ball & Grubnic, 2007). Studies suggest that ESG-oriented governance improves citizen satisfaction and trust in government institutions (Tolbert & Zucker, 1996).

Moreover, ESG practices promote participatory governance by involving stakeholders in decision making processes (Freeman, 1984). This participatory approach enhances policy legitimacy and ensures that sustainability initiatives reflect societal needs (Ansell & Gash, 2008). However, measuring ESG outcomes in the public sector remains challenging due to the complexity of social impact assessment (Mickwitz et al., 2019).

Challenges and Barriers to ESG Implementation. Despite its benefits, ESG implementation in public sector organizations faces several structural and operational challenges (Adams et al., 2020). One major barrier is the lack of standardized ESG indicators and reporting frameworks tailored to public institutions (Kotsantonis et al., 2016). Additionally, limited financial and human resources hinder the effective adoption of sustainability practices (Bebbington & Larrinaga, 2014).

Institutional resistance to change and entrenched bureaucratic practices also impede ESG integration (Christensen & Lægreid, 2011). Furthermore, political instability and short term policy cycles often conflict with the long term orientation required for sustainability initiatives (Ferry & Eckersley, 2015). These challenges highlight the need for systemic reforms and capacity building efforts to support ESG adoption in the public sector (OECD, 2020).

The literature indicates that governance, ethics, and leadership are interdependent dimensions that collectively shape ESG implementation in public sector organizations (Maak & Pless, 2006; Menzel, 2015). Effective governance provides the institutional framework, ethics ensures moral legitimacy, and leadership drives strategic direction and cultural transformation (Huberts, 2014).

However, significant research gaps remain, particularly regarding the development of standardized ESG metrics for public sector organizations and the role of digital technologies in enhancing ESG transparency (Adams et al., 2020). Future research should also explore cross country comparisons to identify best practices and contextual differences in ESG implementation (Kuhlman & Farrington, 2010).

METHODS

This study employs a qualitative systematic literature review (SLR) to investigate governance, ethics, and leadership dimensions in Environmental, Social, and Governance (ESG) implementation within public sector organizations. A systematic review approach is appropriate for synthesizing fragmented and multidisciplinary evidence in sustainability governance research, ensuring transparency, reproducibility, and methodological rigor (Tranfield, Denyer, & Smart, 2003; Page et al., 2021).

The study follows the Preferred Reporting Items for Systematic Reviews and Meta Analyses (PRISMA 2020) framework, which provides a structured procedure for identifying, screening, and selecting relevant studies in a transparent and replicable manner (Page et al., 2021). PRISMA has been widely adopted in ESG and public sector governance reviews due to its robustness in managing large and heterogeneous bodies of literature (Sholikin et al., 2024; Deb, 2024).

The literature search was conducted using reputable academic databases, which are commonly used in ESG and public administration research due to their extensive coverage of peer reviewed scholarly outputs (Deb, 2024). The search strategy combined Boolean operators with keywords such as: “ESG implementation”, “public sector governance”, “ethical leadership”, “sustainability governance”, “environmental social governance and public administration”. The search was limited to publications from 2015 to 2024, a period that reflects the increasing institutionalization of ESG frameworks in both public and private governance systems (Jámbor & Zanócz, 2023).

Studies were included based on the following criteria: peer reviewed journal articles and conference proceedings, focus on ESG implementation in public sector or quasi public organizations, address governance, ethics, or leadership in sustainability contexts, written in English. Studies were excluded if they: focus exclusively on private-sector ESG without public governance relevance, are editorial notes, book chapters, or non peer reviewed publications, do not explicitly discuss governance, ethics, or leadership dimensions. This selection approach aligns with prior ESG systematic literature reviews in public administration contexts (Sholikin et al., 2024; Nofianti & Sutopo, 2024).

The study selection followed the four-stage PRISMA flow process: identification, screening, eligibility, and inclusion. Initially, all retrieved records were imported into a reference management system, and duplicate entries were removed. Titles and abstracts were screened for relevance, followed by full-text assessment to determine eligibility. This structured screening process ensures transparency and minimizes selection bias in systematic reviews (Page et al., 2021; Deb, 2024). A similar approach has been used in ESG public sector studies, where systematic filtering resulted in a refined dataset for thematic analysis and synthesis (Sholikin et al., 2024).

Data extraction was conducted using a standardized coding framework to capture the following dimensions. Author and publication year. Geographic and institutional context. ESG dimensions (Environmental, Social, Governance). Governance, ethics, and leadership constructs. Methodology and theoretical framework. Key findings and contributions.

The extracted data were analyzed using qualitative content analysis and thematic synthesis, which allows for systematic identification of patterns, recurring themes, and conceptual relationships across studies (Braun & Clarke, 2006). This method is particularly suitable for ESG research, as it enables integration of diverse qualitative and quantitative findings into coherent thematic structures (Zahari et al., 2024).

Each selected study was assessed for methodological rigor using adapted appraisal criteria, including: clarity of research design, transparency of data sources, validity and reliability of findings, relevance to ESG governance in the public sector. Quality assessment ensures that only methodologically sound studies contribute to the synthesis, improving the credibility of the review outcomes (Tranfield et al., 2003).

As this study relies exclusively on secondary data from published academic literature, no human participants are involved. Ethical integrity is maintained through proper citation practices, avoidance of misrepresentation, and adherence to academic honesty standards.

RESULTS

Overview of ESG Implementation in Public Sector Organizations. The systematic synthesis of the literature indicates that ESG implementation in public sector organizations has evolved from a compliance-oriented reporting mechanism into a broader governance and value creation framework. Recent studies highlight that ESG in the public sector is increasingly integrated into policy design, institutional accountability, and sustainability oriented public governance systems (Sholikin et al., 2024; Nofianti & Sutopo, 2024).

Public sector ESG adoption is driven primarily by regulatory pressure, stakeholder expectations, and international sustainability agendas such as the Sustainable Development Goals (SDGs). However, implementation remains inconsistent due to institutional fragmentation and limited standardization of ESG metrics in governmental systems (Jámbor & Zanócz, 2023).

Governance Structures in ESG Implementation. A dominant theme in the literature is the critical role of governance structures in shaping ESG outcomes. Governance in ESG implementation is characterized by multi level coordination involving central government agencies, regulatory bodies, and public institutions.

Research shows that effective ESG governance requires alignment between strategic governance frameworks and operational implementation mechanisms, including transparency systems, accountability structures, and integrated reporting mechanisms (Müller et al., 2024).

However, several studies emphasize that many public sector organizations still operate under fragmented governance systems, leading to inefficiencies in ESG monitoring and inconsistent sustainability reporting practices (Sholikin et al., 2024).

Furthermore, governance complexity increases when ESG is implemented in quasi public institutions, where hybrid accountability structures create tensions between public value creation and managerial autonomy (Zhanbayev et al., 2023).

Ethical Foundations of ESG in Public Sector Contexts. Ethics emerges as a central pillar in ESG implementation, particularly in reinforcing transparency, integrity, and public trust. The literature indicates that ethical governance culture significantly enhances the credibility of ESG reporting and reduces the risk of symbolic or "greenwashing" practices (Zahari et al., 2024).

Ethical leadership is identified as a key determinant of ESG success, as leaders in public institutions shape organizational norms, compliance behavior, and sustainability priorities. Studies show that organizations with strong ethical leadership frameworks demonstrate higher ESG disclosure quality and stronger alignment with sustainability objectives (Deb, 2024).

However, ethical challenges persist, particularly in developing countries, where weak institutional oversight and limited enforcement mechanisms reduce the effectiveness of ESG related ethical standards.

Leadership and Sustainability Orientation. Leadership is consistently identified as a critical enabler of ESG integration in public sector organizations. Transformational and sustainability oriented leadership styles are associated with improved ESG performance, stakeholder engagement, and innovation in public service delivery.

Leadership in ESG contexts is not limited to top executives but extends to distributed leadership across departments responsible for environmental management, social policy, and governance compliance (Waxin et al., 2023).

The literature further indicates that leadership commitment is essential in embedding ESG into organizational culture, particularly in aligning sustainability goals with institutional performance management systems (Zahari et al., 2024).

Nevertheless, leadership effectiveness is often constrained by bureaucratic rigidity and short term political cycles, which hinder long term sustainability planning in public governance systems.

Barriers and Challenges in ESG Implementation. The review identifies several recurring barriers to effective ESG implementation in public sector organizations: Institutional Constraints, fragmented governance systems and lack of standardized ESG frameworks (Sholikin et al., 2024). Measurement Limitations, absence of consistent ESG indicators tailored to public sector contexts (Nofianti & Sutopo, 2024). Resource Constraints, limited financial and human resources for sustainability reporting and monitoring. Cultural Resistance, weak sustainability culture and limited ethical awareness in some institutions (Deb, 2024). These challenges collectively reduce the effectiveness of ESG integration and limit its transformation into actionable governance tools.

Emerging Trends and Conceptual Developments. Recent literature highlights a shift from ESG as a reporting instrument toward ESG as a governance innovation system. This includes the integration of digital technologies, data-driven accountability systems, and smart governance mechanisms.

Studies suggest that ESG is increasingly being linked with digital governance transformation, where transparency and accountability are enhanced through data analytics and integrated reporting platforms (Müller et al., 2024).

Moreover, ESG is increasingly conceptualized as a mechanism for public value creation rather than merely compliance, emphasizing long-term sustainability outcomes rather than short-term reporting outputs (Sholikin et al., 2024).

Overall, the findings demonstrate a strong interrelationship between governance, ethics, and leadership in determining ESG effectiveness in public sector organizations. Governance provides structural coordination and accountability mechanisms. Ethics ensures integrity, transparency, and legitimacy. Leadership drives strategic alignment and cultural transformation. These three dimensions function as an integrated system that determines the success or failure of ESG implementation in public sector environments.

DISCUSSION

Overview of ESG Implementation in Public Sector Governance. The findings of this systematic literature review indicate that ESG implementation in public sector organizations is increasingly positioned as a governance transformation instrument rather than merely a reporting mechanism, aligning with broader sustainability governance reforms (Deb, 2024; Sholikin et al., 2024). This evolution reflects a shift from compliance based environmental reporting toward integrated governance systems that embed Environmental, Social, and Governance (ESG) principles into public decision making structures (Nofianti & Sutopo, 2024).

This transformation is consistent with global evidence showing that ESG in public administration is moving toward value creation and policy integration, rather than being limited to disclosure activities (Said et al., 2024). Similarly, a large scale review of 76 studies confirmed that ESG adoption in public institutions is increasingly linked to sustainability policy design and institutional accountability frameworks rather than isolated reporting tools (Torres et al., 2024).

Comparatively, Waxin et al. (2023) in their systematic review of environmental management systems in public organizations also found that sustainability adoption evolves through structured institutional drivers such as regulation and stakeholder pressure, reinforcing the governance-centered nature of ESG transformation in public sector contexts.

Governance as a Structural Backbone of ESG Implementation. A dominant theme across the reviewed literature is that governance structures are the primary determinant of ESG effectiveness in public sector organizations (Müller et al., 2024). Governance mechanisms define accountability lines, coordination systems, and institutional capacity for implementing ESG across multiple administrative levels.

Müller et al. (2024) identify 11 governance dimensions in ESG implementation, including organizational structure, strategy alignment, and implementation control systems. These findings align with the present review, which shows that public sector ESG governance is inherently multi level and polycentric, involving coordination between ministries, agencies, and regulatory institutions.

Similarly, Zhanbayev et al. (2023) highlight that governance fragmentation in quasi public organizations creates structural inefficiencies that weaken sustainability performance. This is consistent with the present synthesis, where governance fragmentation emerged as a key barrier in multiple public sector contexts.

Furthermore, Said et al. (2024) emphasize that ESG governance in public administration is shaped by three major forces: regulatory pressure, ethical governance culture, and digital readiness. These findings reinforce the idea that governance effectiveness depends not only on structure but also on institutional capacity and technological integration.

Compared with private sector ESG governance, public sector governance tends to be more complex due to political cycles, bureaucratic hierarchies, and accountability to multiple stakeholders, which limits implementation consistency (Deb, 2024).

Ethical Foundations and Institutional Integrity in ESG Systems. Ethics emerged as a central pillar influencing ESG implementation across all reviewed studies. Ethical governance ensures transparency, accountability, and legitimacy in sustainability reporting and decision making (Zahari et al., 2024).

Zahari et al. (2024) argue that ethical culture directly strengthens ESG disclosure quality in public organizations by reducing opportunistic reporting behavior. This aligns with Deb (2024), who found that ESG effectiveness in public administration is strongly dependent on integrity systems and anti-corruption governance mechanisms.

However, ethical challenges remain significant. The present synthesis reveals that symbolic adoption of ESG where organizations report sustainability outcomes without substantive implementation is a persistent issue. This finding is consistent with Waxin et al. (2023), who identified similar risks of superficial environmental compliance in public organizations implementing EMS frameworks.

In comparison, Landrum and Ohsowski (2018) (as cited in ESG literature) describe this phenomenon as “greenwashing logic,” where sustainability reporting becomes a legitimacy tool rather than a transformation mechanism. The convergence of these studies indicates that ethical governance is a critical safeguard against ESG decoupling in public sector institutions.

Additionally, ethical challenges are more pronounced in developing governance systems where enforcement mechanisms are weak and institutional oversight is limited, reinforcing the importance of strong ethical leadership structures (Sholikin et al., 2024).

Leadership as a Driver of ESG Transformation. Leadership plays a decisive role in shaping ESG implementation effectiveness in public sector organizations. The findings indicate that transformational and sustainability oriented leadership significantly enhances ESG integration by aligning organizational culture with sustainability objectives (Zahari et al., 2024).

Leadership influence is not limited to senior executives but extends across bureaucratic layers, where distributed leadership enables implementation across departments and agencies (Waxin et al., 2023). This multi-level leadership structure is particularly important in public governance systems characterized by hierarchical complexity.

Comparatively, Müller et al. (2024) highlight that leadership effectiveness in ESG depends on the ability to integrate strategy, governance structures, and operational execution. Without leadership alignment across these dimensions, ESG implementation tends to remain fragmented and symbolic.

Said et al. (2024) further argue that leadership readiness is one of the strongest predictors of ESG adoption in public institutions, especially when combined with digital governance capacity. This suggests that leadership is not only a behavioral factor but also an institutional capability.

However, leadership effectiveness is constrained by political turnover, bureaucratic inertia, and short term policy cycles, which reduce continuity in sustainability governance strategies (Deb, 2024). This limitation differentiates public sector ESG leadership from corporate governance, where leadership continuity is often more stable.

Drivers of ESG Implementation in Public Sector Organizations. Across the reviewed studies, three dominant drivers of ESG adoption were consistently identified: regulatory pressure, stakeholder expectations, and institutional legitimacy (Nofianti & Sutopo, 2024; Said et al., 2024).

Regulatory frameworks such as sustainability reporting mandates and international ESG standards act as external enforcement mechanisms that accelerate adoption in public institutions (Sholikin et al., 2024). Stakeholder pressure, including public demand for transparency, further strengthens ESG institutionalization.

Economic and reputational incentives also drive ESG adoption, as public institutions seek to improve legitimacy and trust through sustainability performance

(Zahari et al., 2024). These drivers align closely with Waxin et al. (2023), who identified similar environmental and stakeholder-driven motivations in EMS adoption.

However, the effectiveness of these drivers depends heavily on institutional capacity, which remains uneven across public sector organizations globally (Deb, 2024).

Barriers and Structural Challenges. Despite increasing ESG adoption, several persistent barriers hinder effective implementation. First, institutional fragmentation remains the most critical challenge, where overlapping governance frameworks (e.g., SDGs, GRI, national policies) create inconsistencies in reporting systems (Nofianti & Sutopo, 2024).

Second, limited measurement standardization reduces comparability and accountability across public organizations. Said et al. (2024) highlight that lack of unified ESG indicators is a major obstacle in developing consistent public sector sustainability reporting systems.

Third, resource constraints, particularly in developing economies, limit the ability of institutions to implement robust ESG monitoring systems (Deb, 2024). Fourth, cultural resistance and low ethical awareness hinder deep institutionalization of ESG principles (Zahari et al., 2024).

These barriers closely mirror findings from Waxin et al. (2023), who identified similar challenges in environmental management system implementation, including budget limitations, human resource constraints, and managerial inefficiencies.

The synthesis of findings suggests that ESG implementation in public sector organizations is determined by the interaction of governance structures, ethical foundations, and leadership capacity, rather than any single factor in isolation.

Governance provides structural coordination and accountability mechanisms (Müller et al., 2024), ethics ensures integrity and legitimacy (Zahari et al., 2024), and leadership drives strategic alignment and implementation effectiveness (Said et al., 2024). Together, these three dimensions form an integrated ESG implementation system.

This triadic relationship explains why ESG adoption often fails when only one dimension is strengthened. For example, strong governance without ethical enforcement leads to symbolic compliance, while strong leadership without governance structure results in fragmented implementation. Therefore, ESG in public sector organizations should be understood as a multi dimensional institutional system rather than a technical reporting framework.

CONCLUSION

This systematic literature review demonstrates that ESG implementation in public sector organizations is fundamentally shaped by the interdependent roles of governance structures, ethical foundations, and leadership capacity. Across the synthesized literature, ESG is no longer understood merely as a reporting framework but as a strategic governance mechanism for sustainability transformation in public administration (Deb, 2024; Sholikin et al., 2024).

The findings indicate that governance provides the structural backbone for ESG implementation through regulatory frameworks, accountability systems, and institutional coordination mechanisms. However, fragmented governance structures and lack of standardization continue to limit effective ESG integration in many public institutions (Müller et al., 2024; Nofianti & Sutopo, 2024).

Ethics emerges as a critical enabler of ESG legitimacy, ensuring transparency, integrity, and trust in sustainability reporting. The literature consistently shows that ethical governance reduces the risk of symbolic ESG adoption and strengthens the credibility of sustainability disclosures in public sector organizations (Zahari et al., 2024; Deb, 2024).

Meanwhile, leadership plays a decisive role in driving ESG transformation by aligning organizational culture with sustainability goals and ensuring strategic implementation across administrative levels. Transformational and sustainability-oriented leadership is repeatedly identified as a key determinant of successful ESG integration (Said et al., 2024; Waxin et al., 2023).

Overall, the synthesis suggests that ESG effectiveness in the public sector depends on the dynamic interaction between governance systems, ethical culture, and leadership capability, rather than on isolated institutional reforms. When these three dimensions are aligned, ESG becomes a powerful instrument for enhancing public value, sustainability performance, and institutional legitimacy.

This review contributes to the growing body of ESG literature by proposing a triadic integration model of ESG implementation in public sector organizations, where governance, ethics, and leadership function as mutually reinforcing components.

First, the findings extend governance theory by demonstrating that ESG requires not only structural compliance mechanisms but also adaptive governance capacity that integrates sustainability across policy domains (Müller et al., 2024).

Second, the study reinforces institutional theory by highlighting that ethical norms and values are essential for reducing legitimacy gaps in ESG reporting systems (Zahari et al., 2024).

Third, the review expands leadership theory by emphasizing that ESG success depends on distributed and transformational leadership styles capable of operating within complex bureaucratic environments (Said et al., 2024).

From a policy perspective, the findings suggest that governments and public institutions should prioritize: Strengthening integrated ESG governance frameworks to reduce fragmentation across agencies. Enhancing ethical governance systems to ensure transparency and reduce greenwashing risks. Developing leadership capacity-building programs focused on sustainability and ESG competencies. Standardizing ESG indicators for public sector accountability and comparability.

These actions are essential for improving ESG implementation effectiveness and ensuring alignment with sustainable development objectives (Sholikin et al., 2024; Nofianti & Sutopo, 2024).

LIMITATION

Despite its contributions, this systematic literature review has several limitations. First, the study is based on secondary data sources, which means that findings are dependent on the availability, scope, and quality of existing literature. This may introduce publication bias, as studies with positive or significant findings are more likely to be published (Deb, 2024).

Second, the review is limited to English language peer reviewed articles, which may exclude relevant studies published in other languages, particularly from developing countries where ESG implementation in public sector organizations is still emerging (Nofianti & Sutopo, 2024).

Third, although the PRISMA framework was applied to ensure methodological rigor, the interpretation of qualitative themes involves a degree of researcher subjectivity, especially in thematic synthesis and categorization processes (Braun & Clarke, 2006).

Fourth, ESG is a rapidly evolving field, and the literature included in this study up to 2024 may not fully capture recent institutional reforms and emerging digital ESG governance practices that are still developing in practice (Said et al., 2024).

Finally, this study focuses primarily on governance, ethics, and leadership dimensions, while other relevant factors such as technological infrastructure, financial constraints, and citizen participation were not explored in depth.

Future studies are encouraged to: Conduct empirical case studies on ESG implementation in specific public sector organizations. Explore the role of digital transformation and AI in ESG governance systems. Investigate cross country comparisons of ESG public governance models. Develop quantitative models to test the governance, ethics, leadership, ESG relationship. Such research would strengthen the empirical foundation of ESG governance theory and support more effective policy design in public administration.

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