

# IMPACT OF SUSTAINABLE HUMAN RESOURCE PRACTICES ON ORGANIZATIONAL PERFORMANCE

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**Abstract**— Sustainability can be defined as the way in which organizations manage their business so that it benefits their people, economy and environment. It is unarguably one of the most important pillars on which a business has to be built. However, the importance of incorporating sustainability in human resource management is one aspect that is rarely studied or practiced. This study was conducted to understand the role of sustainability in human resource management and to investigate the impact of sustainable human resource practices on organizational performance. The effect of sustainable practices in various dimensions of human resources like recruitment and retention, training and development, performance management and motivation and environmental awareness was studied. The relevant data was obtained by the help of a questionnaire which was distributed among 150 respondents who were chosen by convenient sampling. Cronbach's alpha was used to determine the reliability of the questions and multiple linear regression was used to understand the effect of sustainable human resources on organizational performance. The analysis showed that the sustainable human resource practices had a positive and significant influence on the organizational performance.

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**Index Terms**—Corporate, human resource management (HRM), organizational performance, United Arab Emirates (UAE).

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## I. INTRODUCTION

The last decade has brought about a lot of changes in the business world. Many factors like globalization and proliferation of technology has changed the way in which business operates. The concept of sustainability has become widespread and many companies have included sustainability as one of the key drivers of their business model. Sustainability can be defined as a process in which a business manages its process and activities in such a way that the people, economy and the environment is benefitted. Implementing such a business model ensures that an organization is able to contribute positively to the environment, society and economy Becker.et.al (2001).

A study conducted by Hahn & Figge (2011) showed that millennials prefer to work in companies that follow a sustainable business model. Nowadays customers are also aware about the policies and practices of a business and they prefer to buy products and services of a company who follow sustainable practices. However, in the present business scenario, not all businesses are successful in implementing sustainable practices in all three areas.

Organizations generally limit sustainability to corporate social responsibility and often overlook the importance of implementing sustainable practices in human resource management. There is a lack of frameworks that explain sustainability in a holistic way. One framework that gives a comprehensive view on sustainable business model is the Triple bottom line put forward by John Elkington which states about the importance of having a business model that satisfies the interests of the society, economy and the environment. (Elkington, J. 1997).

A similar model was put forward by De Prins which focuses on 4 concepts for a sustainable business model. These concepts were regarding the psychological aspect which attempts to study what motivates and drives employees, the sociological aspect in which the relation between an organization and its stakeholders is explained, green aspect which relates to the way in which businesses treats the environment around them and finally the strategic HR aspect which relates to the way the long term focus of an organization is studied. (De Prins.et.al 2014). This study will concentrate on the social and the psychological aspect of the sustainable business model put forward by John Elkington and De Prins respectively.

### 1.1 Problem statement

Sustainable business model is one in which a business strives to meet the organizational goals without compromising the environmental, societal or economic aspects. It has been found that sustainability has a positive impact on its people and on the image of the company. In this competitive business environment, sustainability helps in gaining a significant advantage over the others as it has been found that customers prefer products and services companies following a sustainable business model. It was also found that millennials also preferred to work in companies following a sustainable model. However, most companies limits sustainability to only corporate social responsibility (CSR) activities and fail to see the bigger picture. Businesses also often ignore the importance of sustainability in human resource management which can have a detrimental effect on the company in the long run. This is because people are the brain and driving force of any company. So sustainable practices should start from the people hence organizations need

to implement sustainable human resources policies. It is in this aspect that this paper aims to study various aspects of sustainability in human resources and its impact on organizational performance in a UAE based company.

### 1.2 Research questions

What is the importance of sustainable human resource practices?

Does sustainable human resource practices have a significant impact on organizational performance?

### 1.3 Aim

The aim of this paper is study in depth about sustainable HR practices and to understand its effect on organizational performance in a UAE based company.

### 1.4 Objectives

*The objectives of this paper are:-*

To assess the effect of sustainable practices in training and development

To assess the effect of sustainable practices in performance management and motivation

To assess the effect of sustainable practices in recruitment and retention

To assess the effect of sustainable environmental awareness activities

To evaluate the effect of sustainable HR on organizational performance.

### 1.5 Significance of the Study

Sustainability is defined as the way in which organizations should achieve profits in such a way that it is beneficial to all the stakeholders, the economy and without damaging the environment. There has been many examples where companies have misrepresented financial information, followed a business model that was harmful to the environment and have not taken care of their employees. Up until recent times, many organizations have failed to link sustainability to human resource management practices. There are very limited literature and frameworks that explains the implementation of sustainable practices in human resource management. It is in this context that this study becomes significant. This study aims to understand the various sustainable human resource practices and its impact on organizational performance. This study aims to shed more light on how organizations can implement sustainable practices in human resource management that will eventually drive the entire sustainable motives of the company in other fields. This is very significant as most companies overlook the importance of implementing sustainability in human resources which can prove to be a fatal mistake. People are the most valuable asset of any company and sustainability has to start from them.

### 1.6 Scope of the study

In the last few decades, the concept of a sustainable

business model has become very popular. More and more businesses are striving to implement sustainability effectively. However, sustainability can be a difficult parameter to measure as there are a very few frameworks that gives an in depth explanation about this. One such effective framework is the Triple Bottom line which was put forward by John Elkington. According to this framework, a business has to implement sustainability in the social, environmental and financial aspects. These aspects are more commonly referred to as people, planet and profits. Since the detailed study of each aspect requires extensive time and resources, this study will focus on the social and environmental aspects of sustainability.

### 1.7 Focus of the study

This study will focus on the sustainable practices in various dimensions of Human resource management like employee recruitment and retention, employee motivation, employee engagement. It will also determine the various sustainable HR practices that an organization adopts with regard to the environment. Finally, the study will also focus on the impact of sustainable human resource management on organizational performance.

### 1.8 Limitations of the study

This study was conducted in a limited time and by using data collected from the questionnaire. There are chances that the employees might have misinterpreted the questionnaire also

## II. LITERATURE REVIEW

### 2.1 Sustainability definition

The first introduction of the concept of sustainability was in the Brundtland Commission which is also known as the World Commission of Environment and Development (WCED). This was drawn to discuss on the detrimental effects that development had on the deteriorating condition of the environment, society and the harsh consequences on the economy due to mismanagement and misrepresentation of finances. In order to promote a conducive development, Brundtland Commission went on to give one of the first definition for sustainable development and it stated that sustainable development means managing the needs and wants of the present generation without compromising the future (Our Common Future (1987). Even after the Brundtland commission, there was a lack of a strong and effective framework that would help in implementing sustainability in business organizations. Most of the existing definitions were vague and did not give a holistic view. John Elkington in 1997 put forward the concept of Triple Bottom line which was and comprehensive and holistic approach to explain the incorporation of sustainable practices in businesses. (Elkington, J. 1997).

According to Elkington, a sustainable business model must consider if their processes and operations would benefit the society, environment and the economy. According to this model, the society comprised of the stakeholders of a business like their employees (Goel.P, 2010).

A study conducted by Mazur .B, 2013, explained a model put forward by De Prins regarding sustainable business model. This model explains sustainability on the basis on 4 key dimensions. The first dimension is the sociological aspect which talks about the relationship between the employers and the various stakeholders. The second aspect is the psychological aspect which explains the various factors that motivates and drives employees. The third factor is the green aspect which explains about the various policies taken by the organizations regarding the environment.

## 2.2 Sustainable Human resource management

Even though a lot of researches have been done on sustainability, not much studies have focused on sustainable human resource management. Boudreau and Ramstad (2005) stated that there are a lack of studies that relates sustainability to human resource management. Ehnert (2006) put forward a paper that studied the incorporation of sustainability in human resource management. This paper stated that sustainability in HR is a cross functional task and it involves various concepts.

According to Thom & Zaugg (2004), a sustainable HR policy focuses on implementing proper, transparent procedures for recruitment and retention, training and development, performance management and motivation and employee engagement. Based on a study conducted by the University of Bern, Switzerland, a theoretical concept of sustainable human resource management was put forward after an empirical study conducted in Swiss companies. They defined sustainable HRM as a conceptual approach and activity that is long-term oriented in developing socially viable and responsible policies for recruitment and retention, employee engagement, deployment and motivation.

Another solid reason for implementing sustainability in human resource management is given by Hahn & Figge (2011). According to their study, organizations play a key role in sustainably developing societies and organizations need to implement a sustainable business model. In such a model, organizational success is not defined only by financially. It is also measured by social and environmental factors.

This was again studied by Taylor, Osland & Egri, (2012) who stated that all the procedures and practices in the organizations should be focused on achieving sustainability. One of the key studies that was done to gauge the importance of sustainable human resource management was done by Wirtenberg, Harmon,

Russell and Fairfield (2007). They conducted an extensive interviews with the top management of nine public conglomerates. These multinational companies where well known on their policies on handling environmental issues, work polices, employee management and retention. From the interviews, it was noted that implementing sustainable human resource policies helped in creating more productive and motivated workforce. This eventually led to organizational success. Some researchers have also studied on the characteristics of a sustainable organizational. According to Ehnert (2009b). Some of the features of a sustainable HR model is that it anticipates on the short term and long term effects of implementing a policy and measures organizational success in social and environmental dimensions and not just by the financial aspect. It also utilizes the power of human resource management to develop and empower employees by building a conducive work environment. Cohen et al. (2012) also put forward three aspects of a sustainable organization which is holistic employee development, wellbeing of the employees, organizational culture and leadership.

According to Pfeffer (2010), organizations should act in a sustainable way as it will benefit the companies in the long run to have sustainable business models. This is because in today's world, most of the resources are scarce. So if the companies act recklessly, they could harm their own business in the long run.

Bansal (2005) stated that implementing a sustainable business model is different from have sustainable corporate social responsible activities. CSR is just one dimension of a sustainable business model. He also put forward a resource dependent theory to explain sustainability. According to this theory, organizations by nature are dependent on the resources. The resource may be in the form of nature, human and other factors. Hence it is the responsibility of an organization to give back to the society and the people. This can be accomplished only by maintaining a sustainable business model. Bansal (2005) also drew up a co-evolution theory which explained that the survival of the organization is based on exchanging and reproducing the resources that is available to them.

## III. RESEARCH METHODOLOGY

Research methodology is the overall strategy that is used for the logical integration of all the elements in the study. This study follows an exploratory or causal research methodology. This type of methodology is used in cases where there is a cause and effect relationship between the independent and dependent variables. So this methodology helps to understand the effect caused by the independent variable on the dependent variable. In this study, the independent variables are the sustainable HR practices and the dependent variable is organizational performance.

### 3.1 Data collection method

This study utilized both primary and secondary data. The primary data was gathered with the help of a structured questionnaire. The questionnaires were distributed to 150 respondents. After considering the reliability and the plausibility of the data, 120 completely filled questionnaires were used for data analysis. The secondary data was collected from magazines, articles, journals, PDF's and interviews. Primary and secondary data was interpreted and analyzed to arrive at logical conclusion.

### 3.2 Data analysis tools

SPSS tools was used for data analysis. Cronbach's alpha was used to determine the reliability and internal consistency of the questionnaire. Then the data was analyzed using multiple linear regression. This analysis was conducted to determine the effectiveness of the research model in assessing the impact of sustainable HR practices on organizational performance and also to find out if the impact was significant.

### 3.3 Sampling

Convenient sampling was used to select the respondents. This is a non-probability sampling method in which the respondents are selected based on their ease of access or reach. The questionnaire was emailed to 150 respondents of a UAE based organization. After considering the reliability and the plausibility of the data, 120 completed questionnaires were chosen.

### 3.4 Hypothesis

In order to attain the objectives of the paper, a set of hypothesis are drawn up. This hypothesis is to prove if sustainable HR practices have a significant impact on organizational performance.

H1: Sustainable HR practices have a significant impact on organizational performance

H2: Sustainable HR practices do not have a significant impact on organizational performance.

### 3.5 Research Model

Figure 1 represents the research model used in this project. The independent variables in this research model are Recruitment and retention, Performance management and motivation, Training and development and Environmental awareness activities. The dependent variable used in this study is organizational performance.

## IV. ANALYSIS AND INTERPRETATION OF DATA

### 4.1 Respondent's characteristics analysis

This section includes the analysis and interpretation of the data collected from the questionnaires. The questionnaire was distributed to 150 respondents.

After ensuring the integrity and the reliability of the data, 120 questionnaires were selected. The first part is the gender, age and experience analysis of the respondents. Out of the 120 respondents, 79 of them were males and the rest 41 were females. This is shown in figure 1 given below.

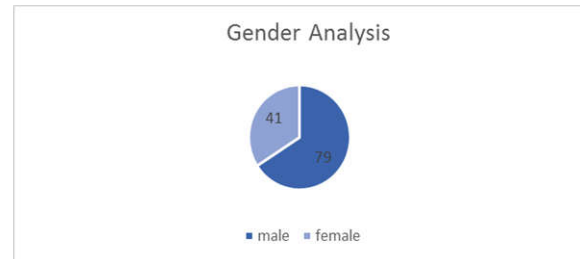


Figure 1: Graph representing the gender analysis of the employees

From the figure 2 given below, the age groups of the respondents can be analyzed. Majority of the employees (37) belong to the age group of 35-45. The second group containing majority of the employees were in the age group of 25-35 with 33 employees. The least number of employees were from the above 50 age group with 9 employees

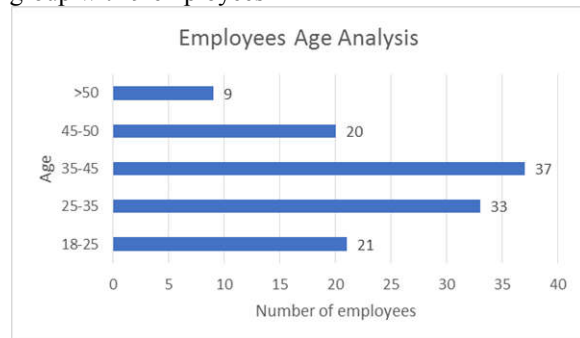


Figure 2: Graph representing the age analysis of the employees

From the figure 3 given below, the experience of the respondents can be analyzed. Majority of the employees (52) had an experience in between 5 to 10 years. The second group containing majority of employees had an experience of 0-5 years with 46 employees. The least number of employees were from the above 15 experience group with 6 employees.



Figure 3: Graph representing the experience analysis of the employees.

### 4.2 Reliability analysis of the survey instrument.

The survey instrument used for this study was a structured questionnaire. The questions was drafted by

using Likert scale. The questions were related to various topics in human resources like recruitment, motivation, training etc. these questions were drafted to gauge the sustainable human resource management practices in organizations and their impact on the organizational performance. Cronbach's alpha was utilized to measure of the reliability and internal consistency of the survey instrument. This method also helps to understand if the items in the questionnaire have shared covariances. According to the output table 1, it can be seen that the Cronbach's alpha is 0.845. This value is greater than the standard value of 0.7 which shows that the questionnaire is reliable and have an internal consistency among the questions. This test showed that all the questions have a shared covariance which proves that they all help to understand and measure the same concept of sustainable HR practices.

**Table 1: Cronbach's Reliability test output**

Cronbach's Alpha	N of Items
.845	13

#### 4.3 Analysis of the impact of sustainable human resource practices

After checking the reliability and the consistency of the questionnaire, the impact and significance of sustainable human resource practices on organizational performance was analyzed. Multiple regression analysis was used to understand the effect of the. For this study, sustainable practices like HR concepts like training and development, performance management and motivation, recruitment and retention and environmental awareness activities were taken as the independent variables and organizational performance is taken as the dependent variable. Table 2 shows the R square value of the model and this value helps to understand if the research model undertaken is a good fit for the research data and it also explains how much variability of the dependent variable is explained by the independent variable. From table 2, it can be seen that the R square value is 0.641. This means that 64% of the variability of organizational performance can be explained by sustainable human resource practices.

**Table 2: Model Summary**

Model	R	R Square	Adjusted R Square	Std Error of the estimate
1	0.509	0.641	0.685	2.68

Table 3 shows the ANOVA test output which helps in understanding if the independent variables used in this model is effective in predicting the dependent variable. From table 3 it can be seen that the sig value is 0.022 which is less than the standard p value 0.05. So it proves that the independent variables chosen for this

model (training and development, performance management and motivation, recruitment and retention and environmental awareness activities) are helpful in determining the dependent variable which is organizational performance.

**Table 3: ANOVA test output**

Model	Sum of Squares	Df	Mean Square	F	Sig
1. Regression	32.180	6	5.541	2.514	0.022
Residual	108.065	52	2.182		
Total	140.245	58			

Table 4 shows the regression test output. This helps to determine the significance and the effect of sustainable human resource practices on organizational performance. It also shows the relationship between sustainable human resource activities and organizational performance. From table 4, it can be seen that the sig value for all the independent variables (training and development (0.037), performance management and motivation (0.015), recruitment and retention (0.013) and environmental awareness activities (0.032)) is lesser than the standard significance value of 0.05 which proves that all these factors are significant and have a significant effect on organizational performance. From table 4, it can also be seen that the beta values for all these factors (training and development (0.599), performance management and motivation (0.573), recruitment and retention (0.443) and environmental awareness activities (0.457)) are positive.

This implies that these factors are positively related to organizational performance. So if the sustainable HR practices increases, organizational performance also increases. On the basis of the analysis performed, the hypothesis H1 stating that sustainable human resource management has a positive and significant influence on the organizational performance can be accepted

**Table 4: Multiple regression output**

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std Error	Beta		
1. (Constant)	34.041	3.043		6.755	0
Recruitment and retention	0.221	0.107	0.443	0.295	0.013
Performance management and motivation	0.354	0.325	0.573	2.371	0.015
Training and development	0.334	0.068	0.599	2.138	0.037
Employee engagement in environmental awareness activities	0.215	0.095	0.457	0.481	0.032

## CONCLUSION

This study was conducted to investigate if sustainable human resource practices have an impact on organizational performance. Extensive and exhaustive review of various papers, journals and articles related to sustainable human resource and its impact on organizational performance was reviewed and studied. The data was collected with the help of a structured questionnaire that was distributed to 150 respondents in a UAE based organization. From the data analysis and the interpretation, it can be observed that sustainable human resource practices do have a positive and significant impact on organizational performance. Implementing sustainable practices in training and development, performance management and motivation and recruitment and retention was helpful in managing the employees in a productive way. Employees also had a positive attitude towards the organization and worked better. One another key area was to implement environmental awareness activities in organization and to involving employees in it. This showed a positive impact as employees were found to have a deep connection with the companies that had a sustainable business model that involved the betterment of the people, environment and the economy. Sustainability has to be implemented in human resource management as people are the most valuable assets of any company. And in order to implement sustainability in to all areas in a company, it has to start from the people as they are the brain and heart of any organization.

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