# Original Paper

# Sustainable HRM and Employee Performance: An Operational Analysis through AMO Model in Nepalese Hotel Industry

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#### Abstract

The main issue of the study is sustainable human resource management and its impact on the employee performance. Basically sustainable human resource management is new issue in the Nepalese context and has not yet been undertaken single study. Thus, the main aim of this study is to examine the relationship between sustainable human resource management and employee performance and identify the prominent AMO activities in relation to employee performance, customer satisfaction and innovation. This study followed the correlational research design followed by purposive sampling method. Total population of the study were 13552 and 500 employees were taken as sample but only 422 responses were received and used for further analysis. Purposive sampling method were adopted for selecting samples. Positions of different variables were assessed using mean value, fitness of regression models were checked using F-value and regression models were used for examining the relationship between sustainable human resource management and employee performance, customer satisfaction and innovation. Reliability of the data collection tool was tested using corn Bach alpha value. Regression assumptions; multicolinearity test were undertaken using VIF value, linearity test using ANOVA, heterocedasticity was tested using p-value and normality was tested using skewness and kurtosis. The study results reveal that sustainable human resource management is significant predictor of the employee performance, customer satisfaction and innovation. All AMO activities are significant predictors of employee performance and innovation but ability enhancing activity is not the significant predictor of customer satisfaction.

**Keywords:** Ability-enhancing activity, motivation enhancing activity, opportunity enhancing activity, hotel industry, Nepal

#### Introduction

Along with a growing interest on the sustainable human resource management (HRM) as an important stream of strategic management practices, organizations around the world today have increasingly been adopting this strategy for better organizational performances by embracing sustainable business model of socially viable and responsible human resource policies for recruitment, retention, employee engagement, and motivation (Thom & Zaugg, 2004).

Sustainable HRM, as an extension of strategic HRM, continues to be developed as an emerging concept of managing people in an organization that focuses on the long-term human resource development, regeneration, and rejuvenation that ensures the everlasting growth of the organization and contributes positively to the employees involved, including the society, economy, and the environment at large. Thus the concept of sustainable HRM attempts to redefine the human capital management practices in such a way that people, society, economy and the environment are benefitted (Becker et al., 2001) from the business at the present age of alarmingly unequal sharing of benefits among its stakeholders and ruthless exploitation of environment in today's harsh capitalism (Stieglitz, 2003).

As this decade brought about a radical change in the business model that continues to focus on the human capital management for better organizational performance, attentions have been directed

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towards sustainable management of human resource that stresses more on the lasting success of any business organization owned by its stakeholders (customers, suppliers, vendors, employees etc.) and the society as per the resource dependency theory than its financial returns paid back to the shareholders as per the classical profit maximizing theory of microeconomics. As the resource dependency theory basically resides on the premise of utilizing and managing the factors of production for profit generation that are integrally attached to the society, the responsibility or the liability of business organizations is also to benefit its stakeholders, society, and the economy (Bansal, 2005). This concept further substantiated by the co-evolution theory which explains that the survival of the organization is based on exchanging and reproducing the resources that is available to them (Nelson & Winter, 1982).

The core theoretical premise of the sustainable HRM discourse resides on the concept that businesses organizations intends to achieve various types of outcome in order to meet the expectations of their stakeholders such as economic (profit), social, human, or environmental. Firms often pursue them all at the same time, even if one or more of them is more significant to an organization than the others (Carroll, 1991). Thus, sustainability in HRM is much broader and more encompassing than just environmental outcomes and corporate social responsibility.

Within this theoretical backdrop, sustainable HRM study is a survival strategy for organizations to deal with people in such a way that the existing and potential employees would think to work for a particular organization, develop capabilities to perform the duties in the expected manner and employees would have the possibilities to work in terms of health, stress and work-life balance (Ehnert et al., 2014). The concept of sustainability popularized after the explanation of the Bruntland Commission (1987) on sustainable development. This narrative was made originally for basic socio-economic development account at society level but this concept then was borrowed to business studies considering that corporate sustainability is required to maintain interconnectedness among economic, environmental, and social concerns at different levels (Bansal, 2005; and Hahn, Pinkse, Preuss, & Figge, 2015). Generally, HRM practices are focused on the situation of crisis management but most HRM literature claims that human resources are those assets that are critically important to the organizations (Cleveland & Byrne, 2015). While considering the above conviction, it will have a negative impact on employees. Thus, the sustainability issue is considered buzzed in the field of employee relationships and human resource management (Ehnert, Harry, & Zink, 2014).

Despite being emerged as a pertinent stream for the scholarship within HRM, studies in sustainable HRM seems scanty and even more importantly the sustainable HRM has not been incorporated in the curricula of the of the least developed countries' universities including Nepalese universities, nor the scholars have taken initiations for the studies of sustainable HRM and its significance to the corporate sectors of these economies. The study of sustainable HRM, therefore, is new to Nepalese context and it is expected to add value in the literature of HRM. This study in such a context aims to examine the impact of sustainable human resource management on employees' performance.

While dealing with the literature regarding sustainable HRM and organizational performance in the long run, most of the studies reveals a positive relationship creating better organizational image and value through the formation of developing robust human capital and accomplishing societal as well as environmental responsibilities. Whiling dealing with this practice in Nepalese corporate realm, studies conducted by Pandey (2014) and Gautam (2015) also found to have a positive relationship between HRM and organizational performance. The researchers widely followed the AMO (ability, motivation, and opportunity) model to examine the impact of sustainable human resource management practices on organizational performance. The results of these studies were also substantiated with the findings of the study of Wright et al. (2005). As AMO theory explicates that human resource practices influence the ability and motivation and provides opportunities to contribute to the employees which affect individual and organizational performance (Appelbaum et al., 2000; Lepak et al., 2006; and Jiang et al., 2012). The AMO theory simultaneously supports the implementation of sustainable human resource management (Renwick et al., 2013).

Sustainable human resource management basically resides on three HR enhancing practices as ability-enhancing practices like training, occupational health, and safety, participation, education, etc.;

motivation enhancing practices like incentives for environment-friendly performance; and opportunities enhancing practices like transfer of experience, skill transfer for future use, and employability. The AMO theory also embraces the fact that every employee should have the ability, motivation, and opportunities for sustainable practice which enhances the performance of the organizations (Appealbaum et al., 2000; Pandey, 2014; Ehnert, 2014; & Gautam, 2015). Considering a relatively short history of sustainable HRM, the AMO theory has established itself as a pertinent issue for research (Ehnert & Harry, 2012) and demanded increasingly to investigate the impact of sustainable HRM on the performance of employees (Manzoor, Wei, Banyau, Nurnnabi, & Subhan, 2019).

This study proposes the same theoretical base to examine the relationship between sustainable HRM and employee performance by using AMO model in Nepalese hotel industry.

#### Literature Review

The concept of HRM began to take place in the 18th century after the simple idea developed by Robert Owen (1771-1858) and Charles Babbage (1791-1871). At the beginning of the 1980s research on HRM undertaken rapidly and developed the different theories of HRM (Marchengton, 2015; Ulrich, 2015; Beer, Boselie, & Brewster, 2015; and Guest, 2017) and the impact of HRM on performance has considered as the most prominent issue to the researchers (Becker & Huselid, 2006; and Comb, Liu, Hall, & Ketchen, 2006). Different organizations use different HR practices attaining organizational goals. HR management practices like long-term orientation, care of employees and environment, profit sharing, employee participation and social dialog, employee development, external partnership, and flexibility assures the overall performance of the organization (Manzoor, Wei, Banyai, Nurunnabi, & Subhan, 2019). HRM practices begin from hiring the people, and they can be deployed in the organization through training and socialization. After deployment, they are to be encouraged through compensation and rewards (Schuler & MacMillan, 1984). HRM issues are very sensitive and challenging for organizations. Thus these issues are to be seriously addressed otherwise it harms the benefits of the organizations (Harzing & Pinnington, 2010). Such a situation led to rethinking over HRM if they wanted to continue business in the long future. For addressing the long approach of HRM various propositions were suggested by the scholars but some scholars suggested sustainable HRM (De Prins, Van Beirendonck, De Vos & Segers, 2014). They suggested it developing ROC (respect openness continuity) model and AMO model (Appealbaum et al., 2000). Sustainability refers to resource regeneration, development, and renewal (Ehnert, Harry, & Zink, 2014).

The discourse on sustainable human resource management has been taken place due to the crisis faced by the organizations in managing human resources with staff turnover, loyalty declined, stress level raised, and productivity growth diminished (Gollan, 2000). Since that time different scholars advocated in favour of human resource sustainability. They have advocated the shift from short-term corporate survival to long-term business success. This concept led the organizations to shift from short-term financial profit to long-term returns. This forces the managers to change in structure, operation, priorities, and values that forced them to focus on context and recognize fundamental requirements for long-term business success (Pears, 1998). Sustainable human resource management is considered a new issue in the field of human resource management (Stankeviciute & Savaneviciene, 2018) and hence the literature seems to be relatively scanty on the subject as consistent literature were not found in the field of sustainable Human resource management (Ehnert & Harry, 2012). The first write-up on sustainable human resource management was found at the end of the 1990s in Germany (Muller-Christ & Remer, 1999), Switzerland (Zaugg, 2009; and Zaugg, Blum, & Thom, 2001), and Australia (Gollan, 2000). The German approach was related to sustainable resource management assuming the open system which was based on the constant use of resources to alive and reach their goals (Muller-Christ, 2011). This approach is mostly focused on an economically rational interpretation of sustainability in the vein of economic rationality to the business for balancing the use and reproduction of human resources so as to maintain the relationship with the environment that provides resources to the business sustainably. Supporting this approach Muller-Christ and Remer (1999) defined sustainable HRM.

Similarly, the Swiss approach is in line with the definition of the Brundtland Commission. This approach advocated that the sustainable human resource management is more dependent on moral and ethical values building as a normative understanding. The sustainability in human resource management is

characterized by increasing employability, promoting individual responsibility, and ensuring work-life balance. The Swiss approach believes in equal partnership between employer and employees. As per this approach sustainable human resource management is defined as the long-term socially and economically efficient recruitment, development, retention, and deployment of employees (Zaugg, Blum, & Thom, 2001). Australian approach of sustainable HRM also advocates almost in the same way that the integration of strategies and policies within this concept focuses on the sustainable retention of employees. Because, in order to attain human resource sustainability, the HR policies and practices have to be integrated for sustained business performance and positive employee outcomes of equity, development, and well-being (Gollan, 2000). Gollan further explains that the event of integrated employee consultation, organizational change, work, and life policy, workplace situation, and comprehensive career development programs for a comprehensive human resource sustainable approach that help organizations achieve great productivity and increase profit.

Sustainable human resource management in recent times is considered as the extension of strategic human resource management and employee relationship that focuses on long-term human resource development, regeneration, and renewal (Stankeviciute & Savaneviciene, 2018). Sustainable human resource management links human resource management with business sustainability. Further, Kramar defined sustainable human resource management focusing on human, social and ecological outcomes based on their contribution in business but not only to the financial outcomes (Kramar, 2014). Sustainable human resource management is considered as the integration of three concepts: the one that emphasized the economic dimensions leading to maximization of economic corporate value associating sustainability (Hedgier, 2010); second that focuses on the environmental dimensions which claims that organization can sustain only when they work without harming the environment (Hawken, 1993); and third emphasized to the societal value to maintain sustainability. But Most of the authors agree in the integration of all these dimensions is required for sustainability (Kramer, 2014; and Ehnert & Harry, 2012). Similarly, the literature on sustainable human resource management covers three corporate social responsibility components; socially responsible human resource management which is mostly associated with corporate social responsibility (Shen & Jhu, 2011; and Barrena-Martinez et al., 2019), Green human resource management (Renwick et al., 2013 and Guerci et al., 2016) and corporate sustainability through value creation (Hediger, 2010). It also shows that the integration of all these concepts constitutes sustainable human resource management. Ehnert (2009) claimed that sustainable human resource management not only covers acquiring and retaining talented employees but also incorporates a healthy work environment and the opportunity to develop.

# Sustainable human resource management and employee performance

Most of the researchers in the field of human resource management agree that human resource management practices are the most important components to organizations for higher performance and help gain sustained competitive advantages (Pandey, 2014; Gautam, 2015; and Wright et al., 2005;) but sustainable human resource management effect on employee performance in different economy's setting is yet to be confirmed (Baptise, 2008). Kramer (2014) claimed that there are still not consistent results on the effect of sustainable human resource management on employee performance and as a whole the organizational performance.

There is no general theory about performance *per se*. However, a number of approaches and models are built on specific disciplinary perspectives (Guest, 1997). Similarly, Guest claimed that performance may include environmental issues, job satisfaction, contribution to community activities, and so on. Four types of performance data are available (Locke & Latham, 1990). The first is related to the output of the organization (goods produced and customers served) which are quantitative in nature. The second is related to quantitative like a number of complaints, a number of errors in the work. The third is related to time which includes delay, absence, lost working time, and failure to meet deadlines, and the final one is the financial performance that includes large numbers of indicators like sales, profit, RoA, RoE, etc. In the same vein Guest (1997) proposed HRM outcomes as employee performance like commitment, quality, and flexibility and performance outcomes as high productivity and innovation, low absenteeism, low employee turnover, low conflict, and low customer complaint meaning high customer satisfaction (Jerome, 2013).

Some researchers (Zhang & Morris, 2013; and Shin & Konrad, 2014) used AMO theory even to measure the performance ladder of the organization. The AMO theory presented a strong base for conceptualizing sustainable Human resource management combining three dimensions of human resource management; ability-enhancing practices, motivation enhancing practices and opportunity enhancing practices (Obeidat et al., 2016; and Kroon et al., 2013). Some of the studies suggested that Ability, motivation, and opportunity motivates employees to work harder for attaining the goal of the organization through their knowledge, skills, and abilities (ability-enhancing), and effort (motivation-enhancing and opportunity to contribute (opportunity-enhancing) (Appelbam et al., 2000; and Jiang et al., 2012).

Stankeviciute and Savaneviciene (2018) suggested the characteristics of sustainable human resource management through a systematic review of the literature to; long-term orientation of human resources, care of employees, employee participation and dialogue, employee development, flexibility, employee cooperation and fairness, and equality. If we connect these characteristics with the AMO model, employee development comes under ability-enhancing activities. Similarly, employee participation and social dialogue, compliance beyond labour regulations, and employee cooperation are the opportunities enhancing activities. They clarify the development of employees considering as core factors of development to training, job rotation, focus on future skill and employability, and transfer of experience. Similarly, care of employees, long-term orientation, profitability, flexibility and fairness, and equality are the common motivation enhancing activities. They suggested as the measuring factors for activities are; long term orientation of employees includes the elimination of hire and fire policy and consideration of future needs of the employees, care of employees refers to health and safety management and work-life balance, profitability refers to sharing programs, flexibility includes flexible working arrangements and fair and equality includes fostering diversity and respectful relationship and fairness in remuneration and career. Similarly, employee participation is explained by different types and forms of participation, and employee cooperation explained by employee representation in decision making, a process beyond the statutory requirement and financial and non-financial support. Thus, this study has taken AMO practices as sustainable HRM practices.

Zaugg and Thom (2001) remarked that there are instruments in sustainable human resource management on which the performance of the employees depends. Similarly, Arman (2017) found that human resource recruitment and selection, human resource marketing, and disemployment affect the performance of the organization. This study was conducted in Bangladesh considering the perception of Bangladeshi Human resource professionals. Sustainable human resource management highlights the significance of human resource management practices for organizational outcomes which is beyond financial performance (Ehnert, Parsa, Roper, Wagner, & Muller-Camen, 2016). David et al. (1999) claimed that sustainable human resource management impacts the performance of the organizations and employee morale, goodwill, productivity and efficiency, the quality of work, innovation and creativity, and the attitude of employees at the workplace. Denison (1990) found that organizations that extensively use sustainable human resource management can achieve success. Similarly, Manzoor, Wei, Banyai, Nurunnabi, and Subhan (2019) claimed that developing sustainable human resource practices is meaningful for maintaining earth clean and healthy and healthy employees. When employees of the organization help to mitigate waste and improving efficiency then it pays a lot. Sustainable human resource management is a forward-thinking process so it helps to improve the performance of the organization and improving and growing company sustainability. Thus, the hypothesis is proposed as;

H1: Sustainable human resource management positively affects employee performance.

## Sustainable human resource management and innovation

In the 1960s, innovation has considered as an activity that is organized and programmed. It means if you have sufficient resources at the place where necessary innovation can be made. Therefore, organizations set up Research and Development Department (Drucker, 1985). Bekkers et al. (2011) and Castells (1996) discussed the 'milieux of innovation'. This concept emphasizes the sharing of major resources (idea, knowledge, people, fund, and technology) across organizational boundaries. Thus the concept of milieux is considered as the process of collaboration and joint creation among stakeholders to address societal challenges (Voorberg et al., 2015).–

A priori research on Human resource management and innovation presented a positive relationship in recent years (Seeck & Diehl, 2016). Numbers of approaches are available in the literature linking human resource management and innovation but the most relevant argument is the knowledge-based view. This view shows the path of innovation through the development of knowledge of the employees (Lin & Sanders, 2017). This model emphasizes knowledge management capacity (Chang et al., 2013; Chen & Huang, 2009 and Collins & Smith, 2006) and organizational learning (Lin & Sanders, 2017; Shipton, Fey, West, Patterson, & Birdi, 2005) for fostering innovation.

In the last decade, large numbers of human resource management literature have been devoted to assessing human resource management and innovation relationship (Leapak, Takeuchi, Erhardt, & Colakoglu, 2006). Out of the 35 studies they reviewed, 13 studies that examined the direct effect of human resource management on innovation (Seeck & Diehl, 2017). Thus, human resource management and innovation results can be seen directly. Manzoor et al. (2019) found a positive and significant relationship between sustainable HRM practices and job performance. Amble et al. (1996) examined the environmental work factors and found that the conducive work environment boosts creativity and innovation.

Wang (2019) claimed that human resource practitioners could promote the application of innovation activities with sustainable human resource practices in hospitality organizations. As per AMO theory, ability-enhancing, motivation-enhancing, and opportunity-enhancing activities develop supportive and sharing culture. These practices are the major domains of sustainable human resource management. And this culture helps innovation within the organization and provide novel value to the customer which will satisfy them. Almarzooqi et al. (2019) suggested that organizations having sustainable human resource management practices and dynamism in managers for change can achieve innovation. Several a priori studies disclosed that the HR functions support organizational sustainably and sustainable human resource practices leverage sustainable culture for innovation and overall organizational performance (Hamed et al., 2017). Similarly, Salim et al. (2020), found that telecommunication industries should focus on sustainable human resource management practices that have a significant impact on radical and incremental innovation. Finally, Sustainable HRM leads to supportive culture that ultimately leads to innovation. Thus the second hypothesis is;

H2: Sustainable HRM practices enhances innovation.

### Sustainable HRM and customer satisfaction

The service management literature claim that customer satisfaction is perceived better value than the payment they have made for or relationship- where the value of it to the customers is equivalent to service quality related to price and customer costs (Blanchard & Gallowar, 1994; and Heskett et al., 1990). Oliver et al. (1989) argued that a transaction-specific effective response resulting from the customers' comparison of product performance to some pre-purchase standards (Hunt, 1993; and Oliver, 1997). Customer satisfaction is taken as a judgment of customers after use by Hunt (1993). Some other researchers related customer satisfaction with performance expectation of products/ services, the perceived performance, and perceived value and the results of the customer satisfaction are customer behaviours like loyalty and complaints (Fornell, 1992; Fornell, Johnson, Anderson, Cha, & Bryant, 1996; Grund & Bruhn, 2000 and Anderson & Fornell, 2000).

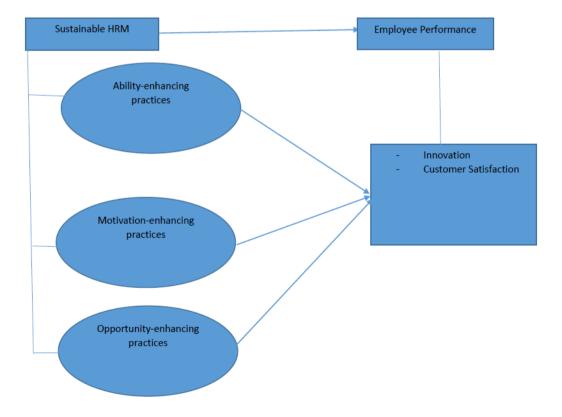
Recent development in the business environment has focused to sustainable human resource management (Mohrman & Worley, 2010; and Smith, 2010). This view is getting gradually Popularity and acceptance that the short-term exploitation of natural, social, and human resources is not desirable and it is to be replaced by a long term approach that includes sustainability of the resources (Docherty, Kira, & Shani, 2002; and Ehnert, Harry, & Zink, 2014). The study on the impact of human resource management on customer satisfaction is not new at a global level but the impact of sustainable human resource management on customer satisfaction is yet to be proved (Almarzooqui, Khan, & Khalid, 2018). Guest (1997) proposed as performance outcome to customer complaints. It shows that customer satisfaction is one of the outcomes of HRM. Almarzooqui, Khan, and Khalid (2018) used customer satisfaction as a performance outcome in their study.

This study tries to see the relationship between sustainable HRM and customer satisfaction. There are numbers of literature look at the HRM and employee and organizational performance relationship (Pandey, 2014; Hasan et al., 2016; Huselid, 1995; MacDuffie, 1995; Guest, 1997; Gile et al., 2018; and Delery & Doty, 1996). Some researchers claim that employee-customer interaction is significant for customer experience and hence customer satisfaction (Chand, 2010; and Choi & Chu, 2001). Meyer and Collier (2001) conducted a study in the health sector and found a positive relation between HRM and customer satisfaction. Similarly, Moynihan et al. (2001) state that HR practices like employee involvement and identification, part of sustainable HRM, influence customer satisfaction. In the same vein Najam et al. (2010) conducted research in the health sector of Pakistan. They found the significant mediating role of HR practices (considering the practices suggested by AMO theory) that significantly leverages the satisfaction of customers but it passes through employee satisfaction. Very less literature was found in sustainable human resource management and customer satisfaction (like, Wikhamn, 2019; Jarlstorm et al., 2016). Jarlstorm (2016) found that integrating CSR and HRM forms sustainable HRM and sustainable HRM positively satisfies the stakeholders through transparency and profitability. Salim et al. (2020) found that Telecommunication industries should focus on sustainable HRM practices, as sustainable HRM practices have a significant impact on innovation and customer satisfaction. Wikhamn (2019) found that in organizational environments where HRM practices nurture employee well-being and learning and competence building, employees are expected to put extra effort into innovation that delivers value to the customers which surely satisfies them. Thus, the Hypothesis is developed as follows;

H3: Sustainable HRM enhances customer satisfaction.

#### Theoretical framework

Based on the above literatures and AMO theory following theoretical framework has been developed:



#### Research Methodology

This study follows descriptive research design to assess the level of sustainable HRM practices practiced in the hotel industry of Nepal, and correlational research design has been used to examine the impact of sustainable HRM activities on employee performance explain by customer satisfaction and innovation. All five-star hotel employees are considered as the population. The number of employees working in these hotels till 2020 September is 13,552 (Hotel Association Nepal report, 2020, September). Among them, 500 samples were taken based on purposive sampling. Especially the employees working in the HR department and senior level employees working in other departments were taken as sample because it is assumed that they can better understand the HR activities and performance of the employees than other employees working in junior level. In order to gather information as per the objective, structured 5-point Likert scale questionnaire were administered to the employees selected as sample personally and online. A total of 422 responses were collected.

The first section of the questionnaire included the demographic information of respondents like age, and years of job experience at the current hotel, while the second section was designed to explore sustainable HRM practices and the last part of the questionnaire contained the questions related to employee performance i.e. innovation and customer satisfaction. Scale was developed ranging 1= strongly disagree to 5 = strongly agree. The information was analysed using SPSS version 26. Mean, multivariate regression and ANOVA were used for the analysis of data.

#### **Reliability Test**

Before analysing the relationship between sustainable HRM measures and organizational performance, reliability and consistency of the responses drawn from the questionnaire administration was examined by employing Cornbach Alpha test to indicate the degree to which measurement scores are free of random errors and ensures consistent measurement across time and items in the instrument (Zikmund, 2003; Sekaran, 2016).

Constructs	α -value
Sustainable human resource Management	.856
Ability enhancing activities	.855
Motivation enhancing activities	.801
Opportunity enhancing activities	.911

Constructs	α -value
Employee performance	.897
Customer satisfaction	.911
Innovation	.883

The result of the Cornbach Alpha operated for the data suggests that the responses were consistent as  $\alpha$  -value for sustainable HRM was 0.856 and that of employee performance figured 0.897 both were greater than  $\alpha$  -value  $\geq$  0.7. Kervin (1992) suggested that if the  $\alpha$  -value is  $\geq$  .7 then the reliability of measuring tool is sufficient for further analysis. The  $\alpha$  -value of all the construct of sustainable human resource management and employee performance are  $\geq$  .7.

#### **Analysis and Result**

This section presents the analysis of data using various statistical tests so as to draw the conclusions.

#### Respondents' Profile

This section presents the distribution of respondents based on their demographic profile. The demographic profile may help explain the condition of generalizability of the research findings.

#### Profile of respondents based on age

Table 1. Age-wise Profile of Respondents

Age Group	Number of respondents	Percentage
26 – 30	54	12.81
31 - 35	82	19.47
36 - 40	252	59.72
Above 40	34	8.00

The maximum number of respondents (59.72 %) fall under the 36-40 age category. Second largest age-group is 26-30. Thus the results of this study is influenced by the opinion of the age group 31-40. It shows that the young but the employees who can maturely think are under the sample.

Table 2. Work Experience-wise Profile of the Respondents

Experience	Number of respondents	Percentage
Upto 5 years	94	22.27
6 – 10 years	242	57.35
11 – 15 years	60	14.21
More than 15 years	26	6.17

Table 2 shows the distribution of respondents on the basis of their work experience. As substantial majority of the respondents in the sample has the work experience of 6 to 10 years and second big number with an experience upto 5 years. I can, therefor, claim that the opinion is more dominated by less experienced employees.

# Perception on the use of sustainable HRM

Nepalese hotel industries, in recent times, have been endorsing HR practices considering to the long term perspectives (Gamtam, 2014) for sustained organizational growth with better performance. They have developed HR strategy so as to achieve the goal of the industries. Thus, they are exercising sustainable HR practices. This section deals with perceptions of the employees towards sustainable HR practices in the Nepalese hotel industry.

Table 3. Descriptive Statistics of Study Variables (N=422)

Variables	Minimum	Maximum	Mean	SD	Skewness	Kurtosis
Ability enhancing practices	1	5	2.09	0.64	-0.005	-0.091
Motivation enhancing practices	1	5	4.21	0.79	0.169	-0.304
Opportunity enhancing practices	1	5	2.43	0.80	-0.568	0.456
Summated mean score of Sustainable HRM	1	4	2.91	0.74		

Table 3 shows that the motivation-enhancing activities are satisfactory in the perception of employees but ability-enhancing and opportunity-enhancing activities are not satisfactorily carried ahead. As mean value of Motivation-enhancing practices is in the satisfactory point i.e. more than 4 and mean value of other two practices are at dissatisfactory point i.e. 2. And the overall mean value that measures the sustainable HRM practices also at the dissatisfactory point nearly 2. Thus the sustainable HRM practices are not satisfactorily applied in the Nepalese hotels. This indicates that they have given focus on short-term benefits but not on sustained success.

#### Perception of hotel employees on the customer satisfaction and innovation and test of normality

Table 4. Descriptive Statistics of Study Variables (N=422)

Variables	Minimum	Maximum	Mean	SD	Skewness	Kurtosis
Innovation	1	5	3.09	0.64	0.030	0.034
Customer satisfaction	1	5	2.61	0.79	0.225	-0.441
Summated mean score of Employee performance	1	4	2.85	0.72		

Table 4 shows that the innovation and customer satisfaction are also not in the satisfactory position. It shows that the Nepalese hotels are not able to differentiate the products and avail distinct value to their customers. The overall mean value which measure the employee performance in this study also at the dissatisfactory level. Thus, the performance of the employees in terms of innovation and customer satisfaction is not satisfactory.

Similarly, the Skewness and Kurtosis value is between -2 to +2 (George & Mallery, 2010) indicating that the data are normally distributed. This allows to run the data for regression, however, some diagnostic tests such as multicollinearity and heterocedasticity need to be checked before operating regression analysis.

#### **Test of Multicollinearity**

Table 5. Test of Multicollinearity Regressing Sustainable HR Practices and Employee Performance

Unstandardized Model Coefficients			Standardized Coefficients		Collinearity Statistics		
	В	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	.667	.213		3.123	.002		
Ability enhancing	_	.050	053	1.356	.176	.878	1.139
Motivation enhancing	.362	.053	.356	6.793	.000	.490	2.043
Opportunity enhancing	.097	.039	.130	2.508	.013	.496	2.016

a. Dependent Variable: Employee performance

While regressing independent variables with employee performance VIF value of every independent variables is  $\leq 5$ . It shows that the independent variables are not significantly correlated to one another or there is no multicollinearity effect.

Table 6. Test of Linearity Using ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
<b>.</b>	(Combined)	1025.216	53	19.344	3.647	.000
	Linearity	157.147	1	157.147	29.628	.000
<b>F</b>	Deviation from Linearity	868.068	52	16.694	3.147	.000
Within Gr	roups	1750.339	330	5.304		
Total		2775.554	383			
		Between Groups  Linearity  Deviation from Linearity  Within Groups	Between Groups (Combined) 1025.216  Between Groups Linearity 157.147  Deviation from Linearity 868.068  Within Groups 1750.339	Between GroupsLinearity157.1471Deviation from Linearity868.06852Within Groups1750.339330	Combined   1025.216   53   19.344	Combined   1025.216   53   19.344   3.647

Table 6 shows the deviation from linearity. p-value is .000. It shows that the null hypothesis is not accepted. Thus, there is linear relationship between sustainable HRM practices and employee performance.

# Test of heterocedasticity

Burns and Burns (2008) proposed that data should be distributed homogeneously for predicting the effect of independent variables on dependent variables using regression model. Sheehan et al. (2007) argued that the test of heterocedasticity is important in hypothesis test to use regression model. This research tested the heterocedasticity regressing dependent errors with independent errors.

Table 7. Test of Heterocedasticity Using Regression (p-values)

Independent / Dependent variables	Innovation	<b>Customer satisfaction</b>
Ability enhancing	.999	.058
Motivation enhancing	.998	.771
Opportunity enhancing	.999	.975

Heterocedasticity was tested using a correlation of Spareman ranks. The errors of different Sustainable HRM variables and employee performance errors are considered to be negligible while regressing to the errors. Therefore, it can be inferred that there is no heterocedasticity problem with the data used in analysis, as they are distributed randomly.

# Relationship between Sustainable HRM and employee performance

The aim of this study is to examine the impact of sustainable HRM on customer satisfaction, innovation and overall employee performance represented by innovation and customer satisfaction. To assess the impact linear regression models are used. The models used are;

Model 1: Employee performance=  $\alpha + \beta$  Sustainable HRM +  $\epsilon i$ 

Model 2: Employee performance=  $\alpha + \beta$  ability enhancing activities +  $\beta$  Motivation enhancing activities +  $\beta$  Opportunity enhancing activities +  $\epsilon$ i

Model 3: Customer satisfaction =  $\alpha + \beta$  ability enhancing activities +  $\beta$  Motivation enhancing activities +  $\beta$  Opportunity enhancing activities +  $\epsilon$ i

Model 4: Innovation =  $\alpha + \beta$  ability enhancing activities +  $\beta$  Motivation enhancing activities +  $\beta$  Opportunity enhancing activities +  $\epsilon$ i

Model 5: Customer satisfaction =  $\alpha + \beta$  Sustainable HRM +  $\epsilon i$ 

Model 6: Innovation =  $\alpha + \beta$  Sustainable HRM +  $\epsilon i$ 

**Table 8. Model Summary and Model Fit Results** 

Models	R2	Df	F-value	P-value	
Model 1	.654	1	104.243	.000	
Wiodel 1	.034	421	104.243	.000	
Model 2	.346	3	52.217	.001	
Model 2	.340	418	32.217	.001	
Model 3	.324	3	47.376	.000	
Widdel 3	.324	418	47.370	.000	
Model 4	222	3	12.291	000	
Model 4	.333	418	12.291	.000	
Madal 5	224	1	00.100	000	
Model 5	.234	421	90.109	.000	
Model 6	092	1	26,020	004	
	.083	421	26.930	.004	

Table 8 shows the explanation power of models used for analysing data and goodness of fit. Sustainable human resource management explains 65.4 percent of the variation of employee performance. Similarly model 2 has examined the explaining power of AMO activities to employee performance. AMO activities are able to explain 34.6 percent variance on employee performance. However, the AMO activities explain customer satisfaction by 32.4 percent and innovation by 33.3 percent variance. But while testing the explaining power of sustainable human resource management on customer satisfaction only 23.2 percent and innovation is 8.3 percent. While considering to F and p-value all model are fit (p-value= .000, .000, .000, .000, .000, .000, .000 and .000 respectively which are  $\le .05$ ).

Table 9. Relationship between Dependent and Independent Variables of Different Models

Models	Variables	β-value	t-value	p-value	Alternative Hypotheses
Model 1	SHRM——— Employee performance	.625	10.210	.000	Accepted
Model 2	Ability enhancing activities — Empl. Perfor.	.491	7.451	.000	
	Motivation enhancing — Empl. Perfor	.345	5.547	.000	
	Opportunity enhancing — Empl. Perfor	.146	3.491	.001	
Model 3	Ability enhancing activities consumer satis	096	-1.201	.231	
	Motivation enhancing——— consumer satisf	.663	8.812	.000	
	Opportunity enhancing — consumer satisf	.226	4.482	.000	
Model 4	Ability enhancing activities Innovation	.213	3.412	.001	
	Motivation enhancing — Innovation	.157	2.658	.008	
	Opportunity enhancing — Innovation	.078	1.959	.051	
Model 5	SHRM Customer satisfaction	.704	9.493	.000	Accepted
Model 6	SHRM——— Innovation	.288	5.189	.000	Accepted

Table 9 shows the impact of different independent variables on dependent variables. In the first model researcher examined the impact of sustainable HRM on employee performance. The relationship is found significant (p-value is  $\le$  .05 and β-value is .625). Similarly the test shows that all three variables of sustainable HRM are the significant predictors of employee performance (p-value is .000, .000, and .001 and β-value is .491, .345 and .146 respectively). Customer satisfaction would significantly influence by motivation-enhancing and opportunity enhancing activities (β-value is .663 and .226 and p-value is .000 and .000 which is  $\le$  .05). But ability enhancing activity is negatively and insignificantly affects to customer satisfaction (β-value is -.096 and p- value is .231 which is  $\ge$  .05). However, innovation can be significantly leveraged by AMO practices (β-value is .213, .157 and .078 and p- value are .001, .008 and .050 which are  $\le$  .05). In overall, customer satisfaction and innovation is significantly influenced by sustainable human resource management (β-value are .704 and .288 and p-values are .000 and .000 respectively which are  $\le$  .05). Thus the set alternative hypotheses i.e. sustainable HRM enhances employee performance, customer satisfaction and innovation are accepted by the analysis.

#### Discussion

The main objective of the study is to examine the impact of sustainable human resource management on employee performance, customer satisfaction and innovation. Sustainable human resource management is explained by using AMO model developed by Appealbaum et al. (2000) and employee performance is explained by customer satisfaction and innovation. The study found that sustainable human resource management significantly and positively affect the performance of the employees. This result seems to be consistent with the findings of Wikhamn (2019), Newand Manzoor et al. (2019), however, all these studies were undertaken in the developed countries. Similarity in the findings may due to be the similarity in the problems faced by the hotel industry and solutions and opinions of the employees are similar all around the world.

Similarly, the sustainable human resource management practices positively and significantly influence the customer satisfaction and innovation while analysing separately. These results are also consistent with the results of Wikhamn (2019), Nicolau and Santa-maria (2013) and Declercq et al. (2011). The consistency might have seen in the findings because all hotel industries around the world are facing the high turnover problem and hotel managers all over the world might have been searching the ways for retaining the employees to add more values.

While analysing the decisive factors that affect employee performance in overall customers' satisfaction and innovation, all AMO practices are significant to the employee performance and innovation. Customer satisfaction is positive and significant with the motivation enhancing and opportunity enhancing activities but not with the ability enhancing activities. The insignificant relation of ability enhancing activities with customer satisfaction may be due to the ability of the employees is meaningless until they translate their ability into value to satisfy customers.

Simultaneously this study confirmed to the impact of sustainable human resource management (AMO model) on performance of the employees of the hotel industry of least developed economies like Nepalese economy.

## **Conclusions and Implication**

Sustainable human resource management, customer satisfaction and innovation all are important to the hotel industry of Nepal. If the hotel industry invests further in the ability enhancing, motivation enhancing and opportunity enhancing activities (dimensions of sustainable human resource management) customer satisfaction as well as innovation can be achieved. Since hotel industry is service industry, it is more influenced by the knowledge and skills of employees. An organization can use the knowledge and skills only when organizations provide environment for ability development, motivation and opportunities to be participated and learned. Additional opportunities to the employees compel them to think in different ways that helps for innovation and thereby satisfy the customers.

The findings of this study may support to the hotel industry of least developed economy's human resource managers to formulate the human resource policy. Since the hotel industry in these economies have been facing the problem of turnover, this study may guide to sustain the human resources in the same industry. This study has considered AMO practices as sustainable human resource management

domains. As the scope for further research, researchers may use other variable like the hiring, training, development as the sustainable human resource management variables for undertaking the research. Same model can be replicated and test in the other sectors of business like manufacturing, pharmaceutical, banking and many more other sectors for more generalizability of the sustainable human resource management model. The more, other researchers can add moderators and mediators to check the use of it in different categories of people and organizations as well to see the partial and direct impact of sustainable human resource management on employee performance.

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