

IMPACT OF SUSTAINABLE HUMAN RESOURCE MANAGEMENT PRACTICES IN ORGANIZATIONAL PERFORMANCE OF BANKING SECTOR IN TRINCOMALEE DISTRICT IN SRI LANKA

Anuja Raveenther
Trincomalee Campus, Eastern University, Sri Lanka
Koneshapuri, Nilaweli, Trincomalee

Abstract

The objective of this research paper is to assess how the various factors of sustainable HRM practices create an impact on the organizational performance in banking sector operating in Trincomalee District in Sri Lanka. The study conveniently chose 143 managerial staff and collected data by administering a questionnaire consisting of 19 items under 4 sustainable HRM variables or factors. Quantitative analysis has been made to find out the impact of the above mentioned factors on the overall organizational performance. The study concluded that, all factors namely human resource recruitment and retention, performance management, training and development and organizational ethic have a positive influence on the organizational performance of banking sector in Trincomalee District.

Keywords: Sustainable HRM, recruitment and retention, organizational performance

1. Introduction

The most recent decade has adapted plenty of changes in the business world. Numerous variables like globalization and the multiplication of innovation have changed the manner by which business operates. The literature reveals that the terms 'sustainability' have been utilized interchangeably. According to the report titled "Our Common Future" prepared by the World Commission on Environment and Development (1987, as in Rompa, 2011), sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. (cited in Opatha, 2019,p.g 02). 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 millennial 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). The international Institute for sustainable Development (1992, p.2) stresses in its report thus:

“Sustainable development is good business in itself. It creates opportunities for suppliers of ‘green consumers’, developers of environmentally safer materials and processes, firms that invest in eco-efficiency, and those that engage themselves in social well-being. These enterprises will generally have a competitive advantage. They will earn their local communities goodwill and see their efforts reflected in the bottom line.” (Cited in Opatha, 2019).

American Management Association (2007) summarizes that the modern concept of sustainability has evolved from mostly separate streams of parallel conversations into a holistic notion that rejects the premise that social-environmental and economic issues are competing interests; and this new, integrative perspective contends that social, environmental and economic performance can and must be optimized simultaneously for both short and long term success. Although doing the right thing might not always be profitable in the short run, many managers believe that it can provide a competitive advantage by developing a level of trust that money cannot buy (Daft,2014). A sustainable enterprise creates and enhances trust and loyalty within its employees, customers, and suppliers. Thus it is most likely that employees retain until their retirements, customers revisit and repurchase, and suppliers continue on supplying various inputs (Opatha, 2019). However, most business organizations limits sustainability to only doing the corporate social responsibility (CSR) activities and fail to see the long term benefits. Businesses also often ignore the importance of sustainability in human resource management which can have a detrimental effect on the organization in the long period. This is because people are the brain and driving force of any organization. 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 banking sector in Sri Lanka.

2. Literature Review

The HRM function of an organization concentrates on the management level. It consists of practices that help the organization to effectively manage employees during the different phases of the employment, including pre-hire, staffing, and post-hire. HRM practices directly affect employee motivation, their behavior, and skill improvement to boost organizational performance (Abdi and Azizpour, 2013).

The organizations use different HRM practices to achieve their appropriate goals. Accurate human resource management in an organization, such as a friendly environment, pay appreciation for performance, providing feedback to employees, a fair evaluation system for employees, an award ceremony, employee empowerment, extrinsic and intrinsic motivational rewards, recruitment and retention, training and involvement of employees, and performance evaluation, guarantee overall organizational performance.

HRM practices involve all management decision and actions. The role of practices starts with the hiring of people by an organization. Thus, appointing new personnel requires the achievement of HRM practices (Iqbal, Arif and Abbas, 2011). While employed, employees must to be included in the organization’s structure through training and socialization. After this process, key elements

of HRM are evaluated in the development of staff members and encourages them through compensation and reward systems (Schuler and MacMillan, 1984).

Employee retention, training, assessment, communication, and compensating one's domestic workers could pose many difficulties and challenges for organizations (Nadarajah et al., 2012). It is very difficult to manage personnel in an efficient way. The personnel issue needs to be precisely confronted, otherwise it will harm the benefits of the organization (Harzing and Pinnington, 2010). Minor studies have investigated this concept in developing countries. However, evaluation of the sustainable HRM practices on organizational performance across the banking sector is nearly non-existent and very limited. Hence, the current study deliberately assesses this concept in Sri Lanka. The purpose of this study is to analyze the role of sustainable HRM practices in organizational performance in state banks of Sri Lanka. To the authors' knowledge there has never been a study carried out in regard to the correlation between sustainable HRM practices and organizational performance in Sri Lanka. Thus, the present study is based on an inventive idea whose purpose is to examine the hypothetical association of sustainable HRM practices and organizational performance. Furthermore, the present study argues the role of sustainable HRM practices and hypothesizes the effect on organizational performance.

In the current study, the HR practices that are considered are recruitment and retention, performance management, training and development, and organizational ethics and a call for how these practices can play a role in organizational performance. The main reason for choosing these practices is that they connect sustainability to HRM practices. Sustainable HRM is one of the innovative concepts that some scholars and practitioners have researched (Opatha, 2019, Wikhamn, 2019, Stankevi and Savanevi, 2018). As there is no previous study regarding sustainable HR practices (functions), in our study we choose sustainable HRM practices to evaluate organizational performance. The purpose of the study is to increase the knowledge of sustainable HRM by revealing the practices, such as recruitment and retention, performance management, training and development, and organizational ethics on organizational performance. The present study has made an attempt to address the research questions that remain unsettled regarding HRM practices and how the organization can avoid failure by motivating effective human resource practices. Healthy HRM practices is needed to evaluate the extent to which they are pursuing sustainable HR practices in accomplishing their organizational goals.

The current study examines the role of sustainable HRM practices on organizational performance that exists in the mentioned banks. Here, the independent variables in HRM Practices are recruitment and retention, performance management, training and development, and organizational ethics. The dependent variable is organizational performance.

2.1 Objectives of the Study

- To assess the effect of sustainable practices in recruitment and retention
- To assess the effect of sustainable practices in performance management
- To assess the effect of sustainable practices in Training and development
- To assess the effect of sustainable organizational ethics

- To evaluate the effect of sustainable HR on organizational performance.

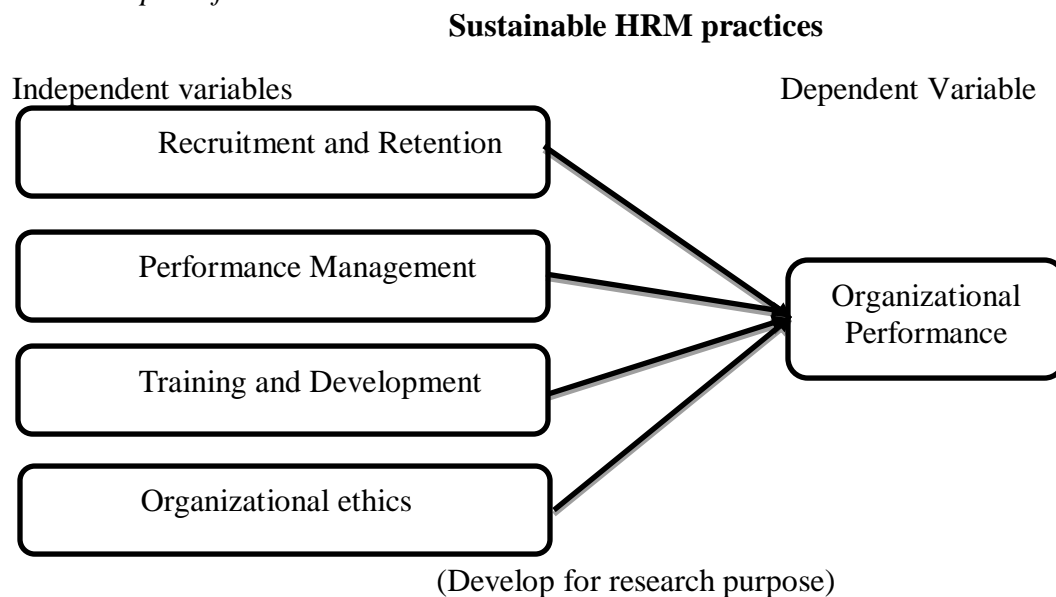
2.2 Significance of the Study

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 serious mistake. People are the most valuable asset of any company and sustainability has to start from them.

2.3 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.

2.4 Conceptual framework



3. Methodology

The research design used the statistical information to see if dependant variables relating to recruitment and retention, performance management, training and development and organizational ethics are significant factors impact on organizational performance. In this study, the independent variables are the sustainable HR practices and the dependent variable is organizational performance. The selected respondents are banking sector managerial employees in Sri Lanka. The questionnaire issued to 150 employees, 143 respondents were selected for the final analysis 7 questionnaires were not fully filled. The primary data will be collected through questionnaire. SPSS tools will be used for data analysis. Cronbach’s alpha will be used to determine the reliability and internal consistency of the questionnaire. Then the data will be analyzed used using multiple linear regression. This analysis conducted to determine the effectiveness of the research model in assessing the impact of sustainable HR practices on organizational performance.

The target population was the banking staffs who were working in the commercial banks in Trincomalee District. The study conveniently chose 150 banking employees, all of them were working in Trincomalee District.

The sample maintained ethical consideration of not disclosing their name and address in any part of the study. The Questionnaire had been made on the basis of 4 sustainable HRM instruments derived from the research work on sustainable HRM practices in different countries by Zaugg and Thom (2001). The study modified the statements for the survey purpose. Under the four variables, total 20 items were accumulated. The item distributions were as follows:

Sustainable HRM Variables	No. of items
Recruitment and Retention(RR)	05
Performance Management (PM)	05
Training and Development (TD)	05
Organizational Ethics (OE)	04
Total surveyed items	19

The survey response had measured by using a 5 point Likert scale designed by Rensis Likert (1932), where “Strongly Agree” considered the highest score, i.e., 5 and “Strongly Disagree” was the lowest, denoted by 1. SPSS 25.0 software used for conducting analysis. On the basis of the research question and objective, the organizational performance considered as the dependent variable. The sustainable HR variables were the independent variables. The study tested the following hypotheses,

H1: Recruitment and Retention has a positive impact on organizational performance.

H2: Performance Management has a positive impact on organizational performance.

H3: Training and Development has a positive impact on organizational performance.

H4: Organizational Ethics (OE) has a positive impact on organizational performance.

Cronbach’s Alpha had calculated for testing the reliability of the study (Cronbach 1951). Research information of the respondents had shown in descriptive statistics had shown in a table. Regression analysis had conducted in order to find out the impact of sustainable HRM in the organizational performance.

Table 1 showed the descriptive statistics (Mean and Standard Deviation) of the surveyed items.

Indicators	N	Mean	Standard Deviation
RR1	143	3.90	0.798
RR2	143	4.00	0.778
RR3	143	4.48	0.520
RR4	143	4.46	0.501
RR5	143	4.20	0.625
PM6	143	3.89	0.658
PM7	143	3.15	0.925
PM8	143	3.94	0.763
PM9	143	4.46	0.521
PM10	143	3.71	0.686
TD11	143	3.36	0.871
TD12	143	3.89	0.765
TD13	143	3.45	0.824
TD14	143	4.01	0.657
TD15	143	4.05	0.526
OE16	143	3.86	0.623
OE17	143	3.26	0.526
OE18	143	3.89	0.725
OE19	143	3.52	0.521

(Source: Survey data)

Out of the means, statement 3 which was “The banks imposes great importance to assessment centers as a means of personnel recruitment” represented the highest mean, i.e., 4.48 which means, the surveyed respondents showed the most positive response about the assessment centers in their banks which determined the overall sustainable HRM practices. On the contrary, statement 7 entitled “employees performance appraisal systems measured in a regular basis.” showed the least mean value which was 2.01. To illustrate this fact, the organizations measure their employee’s performance but it is not in the regular basis. Next, Cronbach’s alpha was

calculated to measure of the reliability and internal consistency of the survey instrument. The study's Cronbach's Alpha was 0.728 of the 19 surveyed items on various aspects of sustainable HRM practices under 4 factors.

According to the standard value of 0.7 (Cronbach, 1951) which shows that the questionnaire was reliable and had an internal consistency among the surveyed question items. This test showed that all the questions under the four variables had a shared covariance which proved that they all help to understand and measure the same concept of sustainable HR practices.

After getting the reliability and consistency score, the study moved to the calculation of multiple regression analysis was used to understand the effect of the sustainable HRM impact in the overall organizational performance. For this study, sustainable HR factors like human resource recruitment and retention, performance management, training and development and organizational ethics were taken as the independent variables because these were considered as the determinants of sustainable HRM practices in an organization and the organizational performance was taken as the dependent variable which actually depended on the sustainable HR factors.

Table 2 showed the value of R square,

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.892 ^a	.795	.786	.294

a. Predictors: (Constant), recruitment and retention, performance management, training and development, organizational ethics

(Source: Survey data)

The R square value of the model 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 (Gupta 2000). From table 2, it can be seen that the R square value of the study was 0.795, which means that 79.5% of the variability of the dependent variables, that is, the organizational performance explained by the independent variables, that is, the factors of sustainable HRM (Gupta 2000). The Adjusted R square denoted that 78.6% of the variance in the organizational performance explained by the instruments of sustainable HRM (Gupta, 2000).

Table 03 showed the Result of Hypotheses Testing

Hypotheses	Correlation coefficient (r)	P value	Accepted/ not accepted
Hypothesis 1: <i>Recruitment and Retention has a positive impact on organizational performance</i>	0.431	0.000	Accepted
Hypothesis 2: <i>Performance Management has a positive impact on organizational performance.</i>	0.497	0.000	Accepted
Hypothesis 3: <i>Training and Development has a positive impact on organizational performance</i>	0.524	0.000	Accepted
Hypothesis 4: <i>Organizational Ethics (OE) has a positive impact on organizational performance.</i>	0.626	0.000	Accepted

(Source: Survey data)

Table 3 showed the correlation coefficient test output summary. This helps to determine the significance and the relationship of sustainable human resource practices on organizational performance. It also represented the effect between sustainable human resource activities and organizational performance. From table 3, it can be seen that the significant value of the all independent variables which were, human resource recruitment and retention, performance management, training and development and organizational ethics were lesser than the standard significance value of 0.05 which depicted that all these factors were significant and had a significant effect on organizational performance.

From table 3, it can also be seen that the r values for the factors, that is, human resource recruitment and retention (0.431), performance management (0.497), training and development (0.524) and organizational ethics (0.626) were positive. In terms of testing the research hypotheses, the study accepted H1 (Recruitment and Retention has a positive impact on organizational performance), H2 (Performance Management has a positive impact on organizational performance), H3 (Training and Development has a positive impact on organizational performance), and H4 (Organizational Ethics (OE) has a positive impact on organizational performance.). The implication is that, all variables or factors (recruitment and retention, performance management, training and development and organizational ethics) have positive influences as instruments of sustainable human resource management in the performance of the organization.

4. Conclusion

This is the first ever quantitative study on sustainable HRM in the Trincomalee District in Sri Lanka. This study was conducted to assess if sustainable human resource practices have an impact on organizational performance. Extensive and exhaustive review of various research papers, scholarly journals and resourceful articles related to sustainable human resource management and its impact on organizational performance was reviewed and studied. The study concluded that, all four factors or variables of sustainable Human Resource Management have a positive impact on the overall organizational performance.

The first one is human resource recruitment and retention. Human resource recruitment and retention process is only sustainable when it is capable of recruiting employees who most adequately meet the requirements of the open position. The next one is performance management. A company intending to effectively enhance its performance appraisal systems in the banking sector, next variables is training and development, this factors is highly impact on organizational performance therefore, organizations or banking sectors highly invest on training and development programs, and the final factor is organizational ethics that is organizational culture, systems, vision mission everything is impact on organizational performance.

5. Limitations and Directions for the Future Research

As this is the first ever quantitative study on Trincomalee District banking sector in order to determine the impact of sustainable HRM factors in organizational performance, the study has limitations. The study is limited to explore the sustainable HRM practices impact on organizational performance. All findings are based on the information provided by the respondents. The scope of this study is restricted to the study of employees in banking sector; the findings may change if the study were to be applied to a different area, demographic landscape or economy. This study conducted on only 143 banking managerial staff and no specific organizational sustainable HRM analysis has been made. Future research could be made on some specific banks aspects. Moreover, the future study could be conducted by taking large sample. The study considered only four factors. Future research could be considered more factors in addition to these factors.

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