International Review of Management and Marketing

ISSN: 2146-4405

available at http: www.econjournals.com

International Review of Management and Marketing, 2027, 17(1), 908-918.

Impact of Sustainable Employee Practices on Organizational Performance of Hotel Businesses in Tamil Nadu: A Structural and Empirical Investigation

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Received: 27 June 2026 **Accepted:** 14 October 2026 **DOI:** https://doi.org/10.32479/irmm.24515

ABSTRACT

This research investigates the impact of sustainable practices for employees on the organizational performance (OP) of the hotel industry, with employee satisfaction (ES) and retention (ER) as key mediating variables. Using the Social Exchange Theory (SET) and the Ability-Motivation-Opportunity (AMO) framework, a conceptual framework is developed and validated. The study collected data from 325 employees in three-, four-, and five-star hotels in the state of Tamil Nadu, India. A cross-sectional study design and Structural Equation Modelling (SEM) analysis were used to validate the hypotheses. The findings indicate that sustainable employee practices have a positive and significant impact on ES and ER. Moreover, ES and ER have a positive and significant impact on OP, with ER being more influential. The findings from the mediation analysis indicate that sustainable employee practices have a positive and significant indirect impact on OP through ES and ER. The findings of this study have important implications for hotel managers, who should treat sustainable employee practices as investments rather than expenses. This research makes a significant contribution to the existing knowledge base on sustainability in hospitality organizations by highlighting socially sustainable employee practices and providing empirical evidence in an emerging economy.

Keywords: Sustainable Employee Practices, Employee Satisfaction, Employee Retention, Organizational Performance, Hospitality Industry, Social Exchange Theory, AMO Framework
JEL Classifications: M54, J28, L83

1. INTRODUCTION

The challenge of sustainability has emerged as a challenge for service-oriented businesses, and the hotel and hospitality industry, in particular, is experiencing this challenge more than ever before. This industry relies on both human and natural resources, and this has impacted the future competitiveness of this industry (Khatter, 2023; 2025; Wang et al., 2025). The government, consumers, investors, and society as a whole are calling on the hospitality industry to transform the way it does business and adopt a new way of doing business that ensures economic objectives are balanced with social and environmental responsibilities (Sun and Nasrullah, 2024; Al-Kwifi et al., 2025). The hospitality industry is therefore focusing on sustainability projects that will positively impact employees with the objective of improving service delivery, efficiency, and overall OP (Rehman et al., 2023; Wang et al., 2025).

People are very important in the hotel industry. People who come into contact with the guests on a daily basis influence the service delivered to the guests. Not only is it the right thing to do, but hotels also support fair pay, the health and well-being of their employees, work-life balance, and job opportunities. They do it because it

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makes the business and the employees' lives better (Sypniewska et al., 2023; Garcia, 2025). Such an approach is important for staying ahead of the competition in the hotel business, where building human capital is a big part of success (Hamadamin and Atan, 2019). Previous research has shown that hotels that focus on eco-friendly employee practices tend to have happier employees who are more dedicated to the company and more likely to offer proactive service (Dang and Do, 2025).

A key finding of this research is that ES and retention are significant outcomes of HR practices as a result of their role as a major intermediary between HR practices and OP in the service sector (Hussein et al., 2023; Abdelhamied et al., 2023; Omidvar et al., 2025). Increased ES leads to improved employee motivation, commitment, and performance, which have a positive effect on service delivery and customer satisfaction (Nuchpramool et al., 2025). Increased ER also has a positive effect on organisational stability as well as reduced costs associated with employee recruitment and training, and on retention of organisational knowledge, which leads to improvements in organisational efficiency and profitability (Urme, 2023). In addition, the practices used by hotel companies in establishing and maintaining employee relationships and the resulting increase in employee stability can make a significant impact on an organisation's success in the face of high employee turnover in the hotel industry (Ghani et al., 2022).

Although there are more and more studies on sustainable human resource management and the performance of organisations, there are still some research gaps in the ones that are already available. First, most of the previous studies were on environmentally responsible business practices, such as eco-friendly operations and sustainable human resource management. There was less emphasis on socially responsible employee practices and their impact on hotel performance, both directly and indirectly (Gupta and Arora, 2025; Rubel et al., 2023). Second, while researchers tend to examine ES and retention as outcomes of HR practices, they have not examined their impact on the link between sustainable employee practices and multi-dimensional OP outcomes. Their failure is because they have not employed advanced analytical techniques such as Structural Equation Modelling (SEM) (Aboramadan et al., 2020; Rubel et al., 2023).

Moreover, there isn't enough real-world research on emerging economies and regional hospitality settings. Tamil Nadu is a very popular tourist and hospitality spot in India. The hotel industry in this region is quite distinct, as it is expanding rapidly, with a diverse workforce, and there is increasing competition among classified hotels (Mareeswaran, 2024; Sarkar et al., 2024). Even though the hotels in this region are slowly adopting greener methods of treating their employees, there is not enough empirical research on the impact of these methods on the performance of the organisation through ES and retention (Mahmood and University 2012). To develop evidence-based managerial knowledge that is regionally specific to hospitality settings, it is necessary to address this contextual gap (Rubel et al., 2023; Chaudhary, 2020).

Given the existing gaps in the literature, the proposed research study aims to investigate the effects of sustainable practices adopted by employees on the performance of hotels in the state of Tamil Nadu. In this regard, it is proposed that ES and retention are significant mediators. By adopting a quantitative research approach and SEM, the proposed study offers a comprehensive perspective on the effects of sustainable employee practices on service quality, operational, financial, and customer satisfaction performance. The anticipated outcomes of the proposed study are that it will contribute to the existing body of knowledge on sustainability in the context of hospitality management, with a clearer focus on the employee perspective.

2. REVIEW OF THE LITERATURE

2.1. Theoretical Background

Blau (1964) introduced the concept of SET and applied it to sustainable employee practices in the hospitality industry. SET states that social exchange exists between the employee and the organisation, and the employee has a duty to reciprocate the good that the organisation does for them through positive attitudes and behaviours (Cropanzano and Mitchell, 2005). For a hotel, providing sustainable employee practices, such as work-life balance, wages, career growth opportunities, employee engagement, and employee well-being, is a way to invest in employees and demonstrate the organisation's concern for them (Ehnert, 2009). According to the SET (Kramar, 2014), as employees feel that their employer is interested in their overall welfare and well-being, they are likely to feel satisfied with their jobs and want to stay with that company. In the hotel industry, this type of outcome can be extremely valuable because employee emotional involvement and their commitment to providing quality service and achieving customer satisfaction are directly related to the quality of service and the satisfaction customers receive (Pfeffer, 1998). Sustainable employee practices are ways to encourage hotel workers to trust, commit to, and be loyal to the company. Such behaviour leads to better employee outcomes (Allen et al., 2010; Erasmus et al., 2015).

SET also has a strong theoretical foundation for explaining how ES and retention can affect the link between sustainable employee practices and OP. Happy employees who believe the company is fair are more likely to act in a discretionary way, not withdraw, and be willing to go above and beyond (Karatepe, 2013). Companies with higher levels of retentive employees experience lower employee turnover costs and ultimately enhance their profitability and efficiency in hotel operations by retaining firm-specific human capital (Tracey and Hinkin, 2008). One way companies can leverage the AMO model to assist their employees in becoming more productive is by offering training and development programs, providing employees with equitable compensation packages, and implementing a variety of green HR practices that support employee wellness (Appelbaum, 2000). Engagement practices also provide workers with chances to contribute (Boxall and Purcell, 2022). When these things are in sync, employees are more inclined to be interested in helping the company do well and give good service. For these reasons, SET is the main theory looked at how sustainable employee practices affect hotel ES, retention, and performance. The AMO model expands on these theories by illustrating how sustainable practices can lead to improvements.

These theories complement each other perfectly in helping us understand how sustainable work practices can make a difference for both employees and businesses in the hospitality industry.

2.2. Hypotheses Construction

Hotel sectors are beginning to realise that their employees are a big part of the quality of service and the success of the business in the very competitive, busy, and high-service hotel industry of today. More and more hotels are using eco-friendly employee practices that focus on the long-term health and happiness of their workers, fair treatment, and support for their growth, rather than just saving money in the short term (Ehnert, 2009; Kramar, 2014). This is to keep up with the competition and stay in business. A healthy workplace, fair pay, work-life balance, opportunities for career growth, and getting employees involved are all things that these practices usually include.

SET says that employees are more likely to like their jobs and feel good about their company when they believe that the company cares about their health and professional growth through long-term employee practices (Blau, 1964; Cropanzano and Mitchell, 2005). In the hotel industry, such issues demonstrate that the company is concerned about and cares for its employees, which in turn makes them trust and feel attached to the company. Such issues are significant in making employees happier in an environment where there are many services (Pfeffer, 1998). In previous studies conducted in the hotel industry, it was revealed that employees who believe their company pays them fairly, provides opportunities for advancement within the company, and have a good balance between work and life are more likely to be happy with their job and emotionally attached to their company (Sypniewska et al., 2023; Omidvar et al., 2025).

Research in the hospitality and service industries also supports this correlation. It has been found that socially responsible and environmentally conscious employee practices can lead to an increase in the happiness of individuals in the workplace by reducing stress, increasing motivation, and making them feel as if they belong to the organisation (Hussein et al., 2023; Garcia, 2025). Hotels that support sustainability efforts that target employees also help make the workplace a happier place. This makes employees happier and causes them to treat customers better (Dang and Do, 2023; Wang et al., 2023). Research on both existing and emerging hospitality sectors has found that companies that care about sustainable human resource practices have happier employees (Alipour et al., 2019; Rubel et al., 2023). SET and research in the hospitality industry have shown that sustainable employee practices are very important for keeping hotel workers happy. The following hypothesis was developed based on the literature:

- H_1: Sustainable employee practices have a significant positive effect on ES.

According to SET, employees see loyalty and being a part of the organisation as valuable because they think the organisation provides things like support and stability. Long-term trends bolster both loyalty and commitment to remain with an organisation (Syafri and Rasyid, 2025). In those industries that require employee effort, such as hospitality, loyalty and commitment have historically been challenging due to the nature of the work demands and turnover rates. Research conducted on service and industrial organisations demonstrates that using sustainable HR practices makes ER stronger. Research has shown that employees who feel that their organization is socially and environmentally responsible are more likely to be loyal to the organization and stay with it for a long period of time, thus reducing voluntary turnover (Choongo et al., 2023; Alves et al., 2025). Sustainability-oriented HR practices also play a role in the development of social capital in organizations, which is important in retaining employees because it increases trust, cooperation, and a shared sense of purpose (Irshad et al., 2025). Recent studies have also shown that the adoption of sustainability-oriented practices, such as encouraging equal opportunities at work, giving all employees an equal voice in the decision-making process, and providing a supportive working environment, increases an employee's sense of belonging and job security, which has a significant impact on their retention decisions (Kumari et al., 2025; Padmavathi, 2023). Sustainable practices in the hospitality sector help ensure minimal employee turnover, as consistency in the customer experience and a positive employee experience are crucial for delivering high levels of customer service (Hussain et al., 2023). The subsequent hypothesis was developed centered on the literature:

- H_2: Sustainable employee practices have a significant positive effect on ER.

A good way to judge how you feel about your job and workplace is to look at how happy you are with your job. It shows how employees feel about their job, how fair it is, and how much the company cares about them. When employees are happy, they have a higher capacity to be committed, motivated, and willing to do more than what is expected of them at work. This makes the company work better (Ostroff, 1992; Koys, 2001). In service-orientated industries, such as hospitality, ES is paramount, as employees directly influence service delivery, customer perceptions, and overall company performance. Extensive journaling done through academic studies demonstrates that there is a positive correlation between ES and an organisation's level of performance. ES has been proven to increase productivity, customer service and profit (Ouedraogo and Leclerc, 2013; Bakotić, 2016). Therefore, organisations with satisfied employees will experience a decline in employee absenteeism, a decrease in their employees' intent to leave the organisation and an increase in rapport between employees. All of these factors result in an organisation being able to maintain productivity and high levels of performance (Latif et al., 2013). Satisfied employees are also more likely to participate in proactive and cooperative behaviours towards their employer, such as organisational citizenship behaviours, which enhances teamwork, customer service, and continuous improvement (Koys, 2001). Research in the service sector has demonstrated that ES is a crucial determinant of customer satisfaction and loyalty, thereby enhancing the organization's competitive stance and overall performance (Melián-González et al., 2015; Abdulrab and Hezam, 2024; Chaanine, 2025). It is proposed that elevated ES will result in enhanced performance outcomes within the hotel industry, grounded in both theoretical and empirical evidence linking ES to improved OP.

- H_3: ES positively influences OP.

ER is the ability of a company to keep a stable and dedicated workforce over time by reducing the number of employees who leave on their own. Retained employees have knowledge, experience, and skills that are specific to the company. Having a strong ER strategy allows organisations to operate more efficiently while providing better overall performance to clients. As such, organisations in service-based industries need to find ways to keep their employees because the quality of service provided and levels of customer satisfaction rely heavily upon the experience, familiarity, and consistency of the employees with the processes of the organisation. Studies show that the long-term retention of employees leads to improved performance within organisations due to reduced recruitment and training costs, retention of institutional knowledge, and stronger relationships between employees (Swaroopa and Sudhir, 2019). Organisations that retain employees experience increased productivity, more cohesive coordination, and overall improved performance due to increased commitment from employees to the company and alignment with the company's mission (Koys, 2001). Employees who remain with a company tend to be more engaged, go "above and beyond" the call of duty, and foster teamwork and excellence in service. The theory that retaining staff leads to improved business performance is supported by empirical evidence gathered in real-world settings of both service and manufacturing businesses. Companies that retain more employees generally report higher levels of financial performance and have more stable operations with happier customers (Kundu and Gahlawat, 2015; Darko et al., 2024). ER is a key factor in service consistency and long-term business success in the hospitality and service industries. This is because stable workforces are better able to meet customer expectations and deal with competition (Zainal et al., 2022; Lawrence and Koffi, 2024). It is suggested that keeping skilled and dedicated employees improves the performance of hotel businesses because of theoretical arguments and real-world evidence that show this to be true.

- H_4: ER positively influences OP.

The basis for ES determines how sustainable employee practices relate directly to performance outcomes. Employees who feel satisfied are typically more motivated and committed to work; therefore, they tend to offer their discretionary effort, improving the quality of service provided and operational efficiencies and customer satisfaction in many cases, particularly within service-based industries (Ostroff, 1992; Koys, 2001). Further, ER is the behavioural outcome of sustainable employee practices in that those who work within a fair, supported and developed environment will be more likely to remain employed by that employer for the long term (Allen et al., 2010; Hasan and Sadat, 2023). Retention allows employers to retain employees as human capital, minimise turnover-related expenses, and maintain operational continuity, all of which are fundamentally important for sustainable OP. Recently, studies conducted in the hospitality and service industries increasingly support the idea that the employee-related outcomes produced through sustainable human resource practices are a mediator of the link between OP and sustainable HR practices. Studies demonstrate that sustainable-oriented human resource practices facilitate OP via ES, retention, and positive work attitudes rather than only through direct effects (Hussein et al., 2023; Wang et al., 2025). Therefore, these findings suggest it is useful to consider ES and retention as parallel mediators that transmit the effects of sustainable employee practices on OP outcomes. From theory and actual outcomes, it is suggested in this study that the degree of ES and ER helps explain the the connection among sustainable employee practices as well as OP in the hotel business.

- H_{5a}: ES mediate the relationship between sustainable employee practices and OP.
- H_{5b}: ER mediate the relationship between sustainable employee practices and OP.

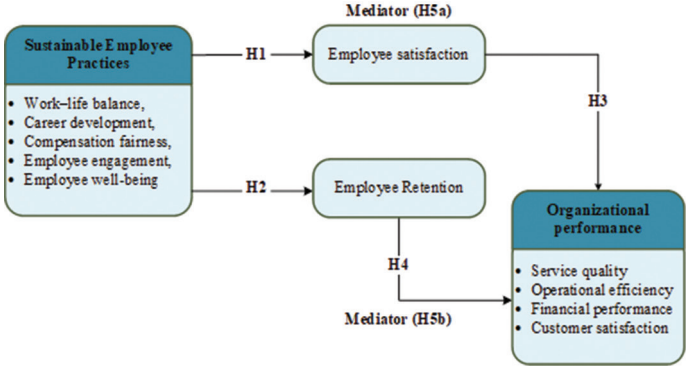
Figure 1 shows the study's conceptual framework, which shows how the sustainable employee practices, employee outcomes, and hotel OP are related to each other. Based on SET and the AMO framework, the model says that sustainable employee practices are a key way for organisations to improve employee attitudes and behaviours, which then leads to better performance.

3. MATERIALS AND METHODS

In the current research, a quantitative method was adopted as the primary research design to assess the impact of sustainable employee practices on the performance of hospitality/hotel businesses. The current research was facilitated by a cross-sectional survey design, which enabled the researcher to gather information from a large number of individuals simultaneously. Most hospitality and organizational studies adopt SEM as the theoretical framework for analyzing the relationships between variables. In the current research, a quantitative method was adopted to allow the testing of hypotheses.

The research sample consisted of employees of hotels in Tamil Nadu (India) that were rated three stars, four stars, and five stars. To ensure an adequate representation of the hospitality industry, data was collected from hotels located in and around major urban centres and tourist destinations (e.g., Chennai, Coimbatore, Madurai, and Tiruchirappalli). The data was gathered through a stratified random sampling method to guarantee that the sample obtained was representative of the population. The hotels were first stratified according to their respective star ratings, and then the employees were randomly selected. This approach to selecting samples ensured that the sample was representative and the findings could be used for other purposes. We managed

Figure 1: Proposed framework



to get 325 questionnaires that we could use and set aside for the final analysis. This is the ideal number of samples to collect for studies that employ SEM.

We gathered data using a questionnaire with structured questions for the hotel employees. We informed the individuals who participated in the study about the purpose of the study and that the responses would be kept confidential. The participants were free to take part in the study and could withdraw at any time. The questionnaire was in English and used simple terms. We ran a pilot test with a small number of hotel employees to ensure that the information provided was clear and accurate. We made a few small changes based on what they said. It took about 5-7 min to fill out the last questionnaire.

We used scales from recent research studies to measure all the constructs in this study. This is because we wanted to ensure that the scales are relevant in today's business and hospitality settings. We used a 5-point Likert scale to answer the question, where 1 represented "strong disagreement," and 5 represented "strong agreement." Our multi-item scale is based on current research on sustainable employee practices (Kramar, 2014; Choongo et al., 2023; Syafri and Rasyid, 2025) to determine the effectiveness of employees in applying sustainable practices in their work. The scale includes work-life balance, pay equity, job engagement, health, and career development. Some of the items included "My organization supports sustainable work practices that help promote employee well-being" and "The organization provides long-term career development opportunities for its employees." We also used a scale that has been validated in recent service and hospitality research (Bakotić, 2016; Hasan and Sadat, 2023) to determine employee satisfaction, which included items such as "I am satisfied with my job as a whole" and "I am satisfied with the working conditions my company provides."

Moreover, we employed a multi-item scale based on recent research on employee retention (Kundu and Gahlawat, 2015; Choongo et al., 2023; Lawrence and Koffi, 2024). Some of the key items include "I intend to continue working for this organization for the next few years" and "I do not often consider leaving this organization." For organizational performance, we employed an OP scale based on recent research on hotel and business performance (Bakotić, 2016; Melián-González et al., 2015; Hasan and Sadat, 2023). The scale evaluated overall organizational performance, service provision, and goal attainment, using items such as "Our hotel performs better in providing good service than other hotels" and "Overall, our organization meets its performance goals."

For the analysis of data, we employed SEM in combination with SPSS. Descriptive statistics were employed to summarize the demographic information of the respondents at the beginning. The reliability of the study was determined by Cronbach's alpha, while the validity was determined by "Average Variance Extracted" (AVE), the "Fornell-Larcker criterion", and the "Heterotrait-Monotrait ratio" (HTMT). The proposed relationships were tested using SEM, and the indirect and direct impacts among the variables in the study were determined. The influence of ES and retention on the relationship between sustainable employee practices and OP was determined using bootstrapping.

4. FINDINGS

A total of 325 individuals participated in this research and completed full and usable questionnaires. The demographic characteristics of the respondents indicate that the majority of them were males (65%), while only 35% were female. Most of the people who responded to the questionnaire were relatively young. 45% of the respondents were aged 31-40 years, and 35% were aged 25-30 years. Twenty percent of the respondents were employees who were more than 40 years old. In terms of work experience, most of the respondents (40%) reported that they had <5 years of experience in the hotel industry. This figure indicates that there are many young employees in the industry. On the other hand, 35% of the people who responded to the questionnaire had experience in the industry for 5–10 years, while 25% had experience in the industry for more than 10 years. It can be said that the demographic characteristics of the respondents reflect a good mix of age and work experience characteristics, which provide a good foundation for examining the impact of sustainable employee practices on hotel businesses in Tamil Nadu (Table 1 for details).

4.1. Preliminary Analysis

4.1.1. Reliability and validity measures

We employed the SmartPLS algorithm to determine the extent to which the measurement model was valid and reliable. We check the SRMR to determine the extent to which the model fit. If the values are less than 0.08, the model fit is good. The SRMR values for both the saturated model (0.051) and the estimated model (0.070) were below the recommended level. This indicates that the model fit was good. The d_ULS and d_G values were also in the correct range, and the normed fit index (NFI) values of 0.871 and 0.867 indicated that the proposed model was even better than what was expected.

The Cronbach's alpha values were between 0.828 and 0.948, which is higher than the minimum level of 0.70 that is recommended. This is shown in Table 2 and Figure 2. This shows that the internal consistency is strong. The composite reliability (CR) values were also between 0.879 and 0.954, which meant that all of the latent constructs were strong and dependable.

Table 1: Demographic representation of respondents (n=325)

Variable	Category	N	%
Gender	Male	211	65
	Female	114	35
	Total	325	100
Age group	25–30 years	114	35
	31–40 years	146	45
	Above 40 years	65	20
	Total	325	100
Work experience	<5 years	130	40
	5–10 years	114	35
	More than 10 years	81	25
	Total	325	100

Figure 2: Measurement model

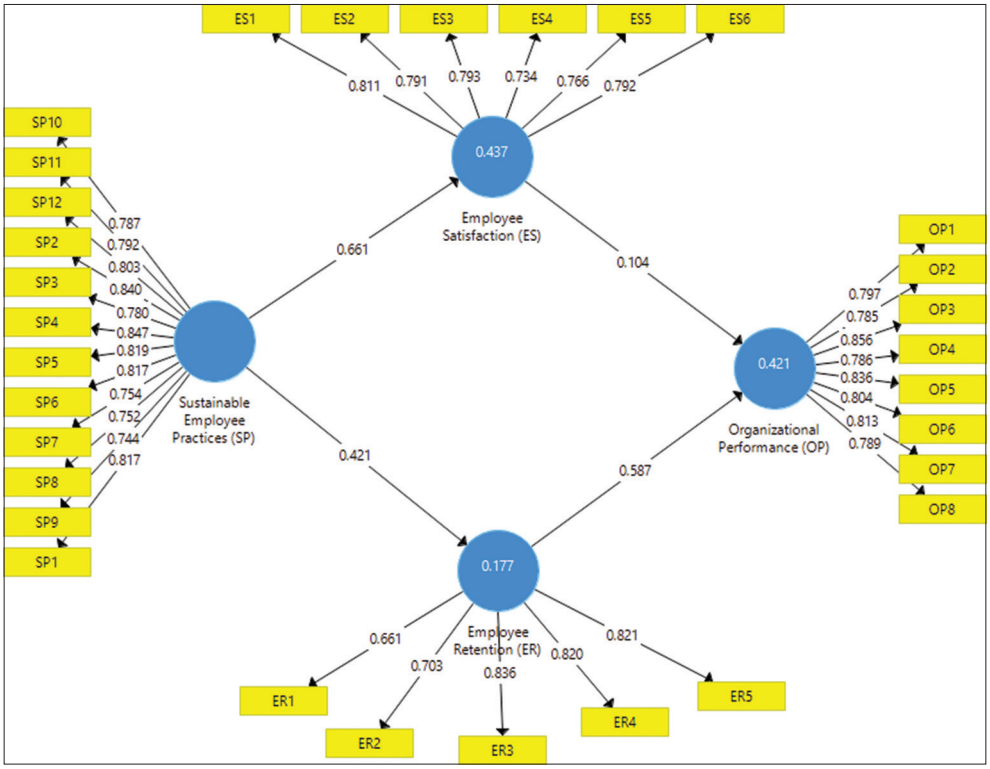


Table 2: Convergent validity

Construct	Item code	Factor loading	Cronbach's alpha	CR	AVE
Sustainable Employee Practices (SP)	SP1	0.817	0.948	0.954	0.635
	SP2	0.84			
	SP3	0.78			
	SP4	0.847			
	SP5	0.819			
	SP6	0.817			
	SP7	0.754			
	SP8	0.752			
	SP9	0.744			
	SP10	0.787			
	SP11	0.792			
	SP12	0.803			
Employee Satisfaction (ES)	ES1	0.811	0.872	0.904	0.611
	ES2	0.791			
	ES3	0.793			
	ES4	0.734			
	ES5	0.766			
	ES6	0.792			
Employee Retention (ER)	ER1	0.661	0.828	0.879	0.595
	ER2	0.703			
	ER3	0.836			
	ER4	0.82			
	ER5	0.821			
Organizational Performance (OP)	OP1	0.797	0.924	0.938	0.654
	OP2	0.785			
	OP3	0.856			
	OP4	0.786			
	OP5	0.836			
	OP6	0.804			
	OP7	0.813			
	OP8	0.789			

Convergent validity is how well different ways of measuring the same thing are related to each other. We checked it with average variance extracted (AVE) and factor loadings. Existing studies show that for convergent validity to be true, factor loadings must be greater than 0.60 and AVE values must be greater than 0.50. The results show that all of the item loadings were higher than what is acceptable, and most of them were higher than 0.70. Some of the indicators had loadings that were a little higher than 0.60, but they were kept because they were theoretically important and made the construct more reliable. The AVE values for all constructs were also between 0.595 and 0.654, which is higher than the threshold value of 0.50. In general, the measurement model is reliable, convergent, and fits the model well. This means that the constructs are measured correctly and can be used to look at more structural models.

Table 3: Validity

Constructs	1	2	3	4
1. Sustainable Employee Practices (SP)	**0.797**			
2. Employee Satisfaction (ES)	0.661	**0.781**		
3. Employee Retention (ER)	0.421	0.632	**0.772**	
4. Organizational Performance (OP)	0.354	0.465	0.725	**0.809**

The square root of AVE is all the bold values along the diagonal

4.2. Discriminant Validity

Researchers often use discriminant validity to look at the effect of each construct on unreliable variables and figure out which one is more important. For discriminant validity to be true, two things must be true. First, Kline (2023) says that the study's ideas must be related and not higher than 0.85. Second, the square root values of the AVE must be higher than the f-value of their predecessors (Fornell and Larcker, 1981). The results of the discriminant variable showed that all of the variables are greater than 0.50. To find out how closely related two variables are, we take the square root of each one. Table 3 shows the organized values for each variable.

4.3. Common Method Bias (CMB)

It was essential to investigate the possible occurrence of CMB, given that the data for this study were obtained through a single survey instrument. The aim of this analysis was to evaluate whether the data collection method introduced any systematic bias among the constructs. There was also an evaluation performed by Harman's Single factor and then subsequently checking for high collinearity or CMB through the Extensive use of Variance Inflation Factors (VIFs) as defined by the methodology. Initially, an exploratory factor analysis without rotation was conducted with all measurement items put together as one set of measures (Eddy et al., 2019). The result showed that the first factor only accounted for 44% of the total variance, which is below the threshold of 50% set. This finding implies that since no single factor accounted for most of the variance, it is likely that CMB is not a problem. Furthermore, VIFs were used to perform a full assessment of the potential for CMB within the PLS-SEM method via checking for high variance inflation (VIF cut-off point of 3.3 indicate the absence of CMB). The results demonstrated that the VIF values for all indicators were between 1.379 and 2.981, and the VIF values at the construct level were also within acceptable limits. These results further confirm that multicollinearity and CMB do not pose significant threats to the validity of the findings.

4.4. Hypothesis Testing

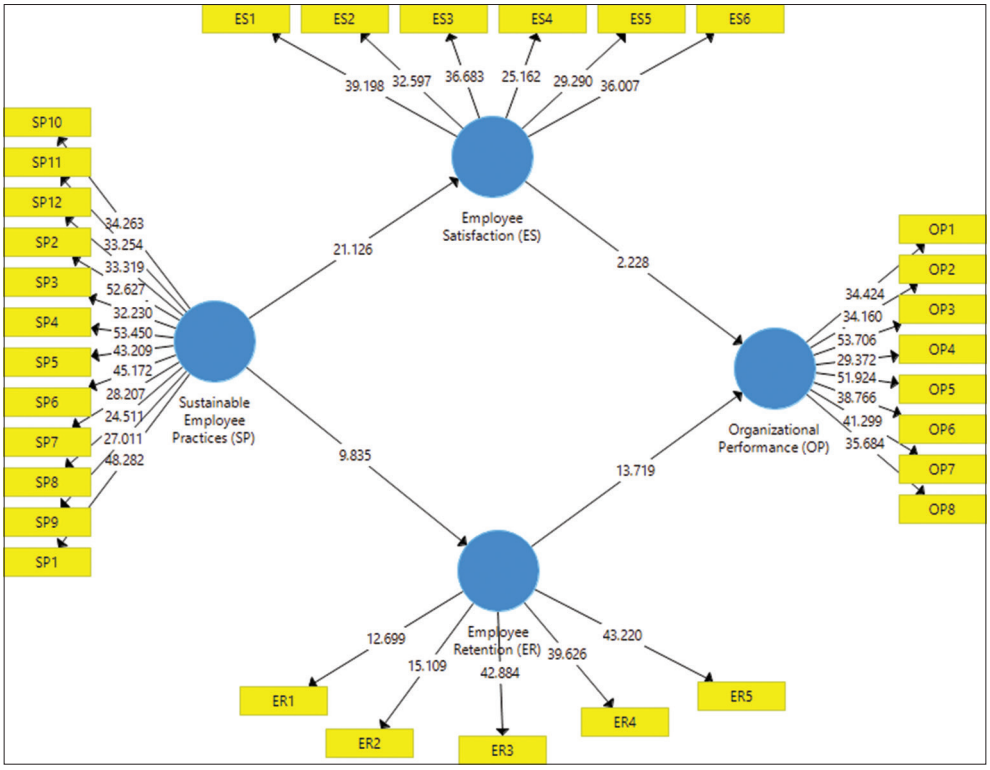
Structural equation modeling was used to test the hypothesis within this study, employing bootstrapping as a method of testing the measurement model, and a p-value of significantly less than 0.05 was required for acceptance of the model according to Hair (2009). As shown in Table 4 and Figure 3, the results indicate that the implementation of sustainable employee practices in hotel organizations has a significant impact on hotel employees' satisfaction and retention, thus supporting H_1 and H_2.

Moreover, the results show that both ES and ER have a positive impact on hotel OP, which supports the hypotheses H_3 and H_4. The information found in these results reveals that it is essential to keep employees knowledgeable and consistent in their hotel environments for a hotel to be successful. The amount of time an employee remains with the company and the amount of experience they gain will greatly influence the quality of service received by guests and also effect the overall experience of a guest. With the findings derived, it is evident that hotel managers will improve the overall performance of their establishment through the implementation of sustainability in their employee practices. This is based on an analysis of how ES and retention affect each other. The significant indirect effects of both mediators support H_5

Table 4: Hypothesis testing results

Hypothesis	Structural Path	β (O)	STDEV	t-value	P-value	95% CI (LL–UL)	Result
H_1	SP→ES	0.661	0.037	17.816	0.000	(0.578, 0.725)	Supported
H_2	SP→ER	0.421	0.048	8.824	0.000	(0.314, 0.513)	Supported
H_3	ES→OP	0.104	0.047	2.219	0.027	(0.012, 0.189)	Supported
H_4	ER→OP	0.587	0.04	14.69	0.000	(0.506, 0.663)	Supported
H_{5a}	SP→ER→OP	0.247	0.036	6.783	0.000	(0.164, 0.312)	Supported
H_{5b}	SP→ES→OP	0.069	0.031	2.219	0.027	(0.008, 0.125)	Supported

Figure 3: Structural model



(i.e., through improving ES and retention, sustainable employee practices enhance hotel performance).

The R^2 values for the endogenous constructs show that the structural model can explain things well. Sustainable employee practices account for 17.7% of the variance in ER and 43.7% of the variance in ES among hotel employees, demonstrating a moderate level of explanatory power. Additionally, ES and retention account for 42.1% of the variance in OP, indicating that employee-related factors significantly influence performance in hotel organizations.

According to PLS-SEM rules, f^2 values of 0.02, 0.15, and 0.35 show small, medium, and large effects, in that order. The findings indicate that sustainable employee practices have a large effect on ES ($f^2 = 0.775$). This implies that HR and workplace practices that are concerned with sustainability have a large effect on the level of happiness of hotel employees. Sustainable employee practices also have a moderate effect on ER ($f^2 = 0.215$). ER has a large effect on the performance of the organization ($f^2 = 0.422$). On the other hand, ES has a small effect on how well an organization works ($f^2 = 0.013$). The f^2 results show that sustainable employee practices are the most important factors in the model. This is mostly because they have a big effect on ES and a small effect on OP through ER.

The Stone–Geisser Q^2 value, which was found through the blindfolding process, was used to measure predictive relevance. The Q^2 values for ER (0.102), ES (0.261), and OP (0.270) are all greater than zero, which shows that the model has good predictive power. Taken together, these findings suggest that the proposed model has been able to explain a significant proportion of variance and has strong predictive power in explaining the effect of sustainable employee practices on hotel OP through ES and retention.

4.5. Importance–Performance Map Analysis (IPMA)

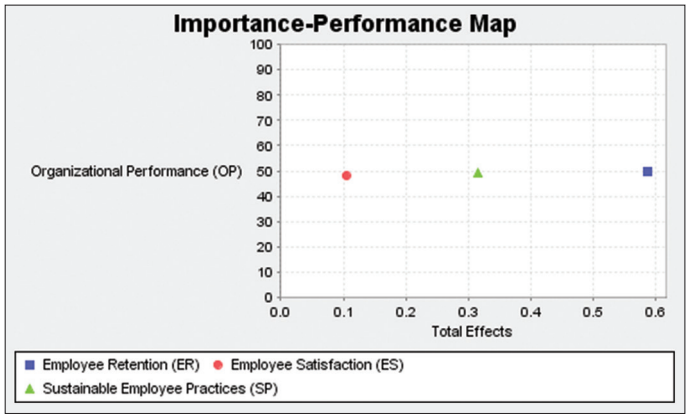
IPMA improves the results of the structural model by looking at the total effects of the exogenous constructs on OP and their latent variable (LV) performance metrics at the same time (Table 5 and Figure 4). The results show that ER has the biggest effect on OP (0.587). This means that managers should pay the most attention to this area. Sustainable Employee Practices (SP) are also very important because they have a big effect on ER (0.421) and ES (0.661). This shows that they have a strategic, indirect effect on how well the organization does. On the other hand, ES has a direct effect on OP that is not very strong (0.104).

All constructs have LV scores for performance that range from 48 to 51 and are close together. The highest score is for OP (50.824), followed by ER (49.870) and Sustainable Employee Practices (49.207). The lowest is ES (48.140). ER is the most important thing to improve because it is very important but only somewhat effective. Even small gains in retention are likely to lead to big gains in OP. SP is another important leverage construct that can boost OP by spreading improvements through ER and ES. The IPMA results show that to improve the performance of an organization, it needs a plan that focuses on keeping employees and practices that are good for the environment.

Table 5: Importance–Performance map results

Construct	Total effect (importance)	LV performance
Employee Retention (ER)	0.587	49.87
Employee Satisfaction (ES)	0.104	48.14
Sustainable Employee Practices (SP)	0.421*	49.207
Organizational Performance (OP)	—	50.824

Figure 4: IPM of employee retention, employee satisfaction, and sustainable employee practices in relation to organizational performance



5. DISCUSSION AND IMPLICATIONS

Research has become more focused on sustainability and human resource management. However, the hospitality sector, particularly in countries with new economies like India, has not developed sustainable hospitality practices to a high standard. Earlier studies have largely concentrated on practices that are environmentally focused, whereas there have been a limited number of empirical studies that have investigated the employee side of sustainability and how it affects performance in hotels (Ehnert 2009; Kramar, 2014; Rubel et al., 2023). The current study investigates empirically the effects of sustainable employee practices on the performance of hotels in the region of Tamil Nadu, using ES and retention as mediating factors for an organization's performance.

The study's findings indicate that ES was positively influenced by Sustainable Practices of Employees (H1) due to the significant relationship between the variables as supported through the SET (Blau, 1964; Cropanzano and Mitchell, 2005). Therefore, employees who perceive that their organization actively supports them by offering such things as a balanced lifestyle, fair pay, good working conditions, and opportunities for personal development begin to view their employer as a caring and supportive entity and thus feel more positive about their work experience (Sypniewska et al. 2023; Omidvar et al. 2025). This conclusion is in line with previous hospitality research that found sustainability-oriented HR practices had a positive influence on ES and emotional association with the organization (Hussein et al., 2023; Garcia, 2025).

The research also confirms the evidence that sustainable employee practices have a strong positive effect on ER, thus supporting H2. The previous study supports this result, suggesting that employees

who feel their organization is committed to their well-being and development are more likely to remain with the organization (Allen et al., 2010; Choongo et al., 2023). The hospitality organization with a high rate of employee turnover will use sustainable practices to foster trust, loyalty, and attachment to the organization, which will ultimately reduce the employee's desire to leave the organization (Ghani et al., 2022; Padmavathi, 2023). Considering SET, the act of retention is merely an action that represents the employees' appreciation for the company's efforts to support them and their desire to continue the relationship in the long run.

The results show that both ES and ER have a positive effect on OP, thus supporting H_3 and H_4. But the effect of ER is much more substantial than ES. According to previous studies, employees who are satisfied will contribute to improving service quality and teamwork, while staff members who remain at an organization over time possess a higher degree of collective experience, possess company-specific knowledge, and provide a higher quality of service (Tracey and Hinkin, 2008; Kundu and Gahlawat, 2016). Through this continuity, the hotel industry has minimized employee turnover, created improved employee performance by shortening the hiring and training processes of new employees, and provided an enhanced level of customer relationship quality (Zainal et al. 2022; Darko et al. 2024).

The findings from the mediation analysis also contribute to the literature on environmental sustainability practices and operational outcomes by showing that ES and ER jointly mediate or collaboratively mediate the relationship between ES and OP, therefore supporting H_{5a} and H_{5b}. The findings indicate that sustainable employee practices affect performance mostly through employee-related outcomes and not only through direct effects. This conclusion is consistent with previous studies in the hospitality and service sectors that demonstrated that HR sustainability practices enhance OP by fostering positive employee attitudes, commitment, and retention (Hussein et al., 2023; Wang et al., 2025). The results add to the AMO framework by showing how sustainable practices can increase motivation and opportunity, which provide employees more power to reach organizational goals (Appelbaum, 2000; Boxall and Purcell, 2022).

IPMA demonstrates to managers that retaining employees is the most critical thing for the organization to do well. ER is critical, but it can only be done at an average level, so there is room for improvement. Based on the above finding, hotel managers should emphasize sustainable practices that target ER specifically. A marginal change in employee stability can cause a significant difference in OP. Moreover, since there is a strong correlation between ER and performance, ER becomes a strategic tool that can be used to enhance ES and ER.

5.1. Practical Implications for the Hospitality Sector

The findings of this study have significant implications for hotels ownership groups, and for hotel-industry government policy makers, especially at a time when Tamil Nadu's labour market is extremely tight. In order to view sustainable "people" practices as a long-term strategic investment in human capital rather than just a short term financial commitment to sustainability, management and owners need to incorporate these principles into their organisation's strategic plan. Such practices include enhancing employee well-being, creating opportunities for fairness in promotion and employment offers, encouraging workers to engage in their work, and ensuring workers continue to have a career path available to them within their organisation. In order to create retention and develop loyal, committed employees who are able to deliver quality service, hotels should improve their sustainable HR practice by ensuring promotion and reward systems are structured fairly, by providing access to health and wellness and development programs, and by developing a supportive work environment that fosters a climate of retention for experienced employees. Retaining experienced employees have a positive effect on the organisations ability to perform well and outperform competitors. Third, training and development programs should be designed with sustainability in mind, focusing on long-term employability, balancing work and life and letting employees help make decisions. These programs are motivational and help build a sense of reciprocity and trust. By sharing these programs through internal communication, the company website, and employer branding, the company can enhance the employees' sense of belonging and shape the external image of the company as a responsible employer. Finally, it is evident from the study that there is a need to integrate employee-centric sustainability into the overall hotel performance strategy. In the service industry, employees are the key link between the organization and its customers. Building a supportive, fair, and sustainable work environment not only improves ES and ER but also service quality.

5.2. Theoretical Contributions

This study theoretically enhances the sustainability and hospitality management literature through this research are a result of an expansion of focus from solely environmental/green HRM practices toward inclusion of socially sustainable employee practices.In addition, this research extends the SET and AMO frameworks as explanations for how Sustainable HRM practices impact OP, whereby ES and retention share equal status as mediating variables. Furthermore, by focusing on Tamil Nadu, this study provides valuable contextual evidence regarding a developing hospitality market in response to the increasing call for sustainable research that is less geographically limited.

6. CONCLUSION AND FUTURE RESEARCH

In conclusion, this research uses real-world examples to demonstrate how crucial it is for hotels in Tamil Nadu to have sustainable employee practices if they want to improve. This research explains in great detail how sustainability initiatives aimed at employees will help the hotel improve by keeping employees and making them happier. This is achieved by combining the SET and AMO models. The findings indicate that green practices have a large impact on employee happiness and loyalty. This, in turn, helps the hotel improve overall. The most important thing that this research contributes is the concept that sustainable employee practices can help an organization improve by keeping employees happy and keeping them around. Both of these concepts are important, but the findings indicate that keeping employees is more important for how well the organization does

than making them happy. This is important because it shows just how important it is for industries that require a lot of service, such as the hospitality industry, to have a steady workforce with a lot of experience and unique skills that the company possesses. IPMA verifies this finding by showing that keeping employees is the most important thing that an organization can do. This verifies that hotel managers need to make sure that sustainability initiatives that help keep employees are at the top of their to-do list.

The study offers a lot of useful information, but it also has some limitations, which means that there is a lot of room for future studies. Because of the nature of the study, it is hard to make strong statements about the variables in the study. Future studies could use a longitudinal design to study how employee practices, satisfaction, and retention change over time and how these changes affect the performance of the organization over time. This would enable the researchers to follow changes in employee attitudes and behaviors over time. Second, the study only focuses on ES and retention as variables that affect other variables. Future studies could include more outcomes for employees, such as work engagement, organizational commitment, organizational citizenship behavior, employee well-being, or absenteeism. This would enable the study to enhance the model in future studies. If we merged the social and behavioral outcomes, we would have a better understanding of how well businesses apply sustainable employee practices. Third, future studies could focus on more performance areas by including green and non-financial metrics such as service innovation, green operational performance, employer branding, customer loyalty, or hotel reputation. This would enable us to determine whether sustainable work practices affect performance metrics related to money, operations, and sustainability differently. Lastly, other service sectors such as healthcare, tourism, education, or telecommunications could potentially apply the proposed framework in future research studies. In addition, future research may also expand to study additional countries or regions. These expansions would enable us to understand how sustainability practices for employees work and how they relate to cultural and situational variables in more contexts and environments than originally defined in the initial research.

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