

Linking HRM, Organizational Culture, and Sustainable Employee Behaviour: A Study on Sustainability Integration in Financial Service Organizations

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Abstract

As sustainability develops a worldwide significance, service-oriented businesses are progressively stressed to mix socially and environmentally accountable practices into their essential operations. This study discovers how active Human Resource (HR) practices drive sustainable employee behaviour, precisely looking at how a company's core culture helps link that gap. 430 employees were surveyed from financial sector of Kerala, Statistical modelling were used for analysing the associations between policies of HR, Institutional Culture and employees' actions in long term. Three main constructs were used such as effectiveness of HR practices with seven dimensions, Organisational culture with eight dimensions and sustainable employee behaviour with seven dimensions by using Likert five-point scale and for descriptive statistics SPSS and to test hypothesis relationships, Structural equation modelling is used. The results shows that excellent qualified HR practices significantly improve the sustainable behaviour both directly and by developing a better accountable culture in the organisation. The research suggests that managers must inspire "Green" customs in their organisations to bring their HR practices with a culture which promotes sustainable ethics.

Keywords: Human Resource Practices, Organizational Culture, Sustainable Employee Behaviour, Service Sector, Kerala, Sustainability

1. Introduction

The corporate sustainability has completely transformed the human resource management, specifically in service-based industries where the company overall success is vested with the direct activities of the employees who are working in the organisations. Businesses are progressively integrating ecological and social significances into their main strategic frameworks with respect to stakeholders' expectations and global environmental potentialities. In this context the functions of HR practices are act as an important channel for imparting accountable behaviour and inserting sustainable ethics into the regular operational activities. This development is beached in numerous momentous theoretical philosophies: Mark Huselid (1995) recognized that improved-performance practices in HR meaningfully boost employees output and overall outcomes of the firm, whereas Jeffrey Pfeffer (1998)

emphasized that the key stone for getting success is the people -centric management. Moreover, the Ability-Motivation-Opportunity (AMO) outline, presented by David E. Guest (1997) and expanded by Appelbaum *et al.* (2000), postulates that for effective steering of employee's behaviour by enhancing skills of the individuals, encouraging motivation and for developing meaningful paths for organisational participation an effective and efficient HR system is needed in the organisation.

Recently, businesses perform to straighten their employee management with environmental goals as the idea of Green Human Resource Management (GHRM) has increased significance. Key research by Diane Renwick and others (2013), along with Anthony Jabbar (2011), emphasizes that precise HR activities-such as providing eco-friendly training, analysing green performance, and presuming sustainability-

related rewards-has greater influence as, how far the employees are responsible for the actions towards environment. Similarly, studies by Julie Dumont and team (2017) illustrate that the employees motivation and mental health will be enhanced through green HR strategies by providing eco-friendly habits in their work place. Backup this, Thomas A. Norton and his groups (2014) pointed out that merging of strong HR policies along with company-wide sustainability goals is very much important for inspiring employees to perform in environmentally sensible manner.

Furthermore, changing HR principles into physical employee behaviour, culture of the organisation plays a crucial role. Edgar H. Schein (2010) states that the factor which influence employee behaviour and reaction to company efforts are organizational culture and it is made up of norms, values and beliefs. In a similar manner, Daniel R. Denison (1990) highlights that there is a significant connection between corporate culture and organisational success because of some influence of culture on behavioural outcomes. According to Patrick M. Wright and Gary C. McMahan's (1992) behavioural outlook of HRM, HR structures are proposed to produce anticipated employee behaviours, but the efficiency of them is highly dependent on the main cultural situation. With a social exchange perspective, Peter M. Blau (1964) explains that loyal organizational practices generate mutual positive behaviours amongst employees, strengthening sustainability-oriented activities.

Besides, studies shows that organisational culture is a main factor which encourages long term employee behaviour. Research by Patrick Pañ and Olivier Boiral (2013) demonstrate that norms and values of the organisation is having a high impact on pro-environmental behaviour of employees at work. In a similar way, B. F. Daily *et al.* (2009) stress that the employees environmental citizenship behaviour enhances the organisational culture and support. According to research by Suzanne C. Young and Mark Tilley (2006), cultures which arrange sustainability motivates employees to accept eco-friendly behaviours together with waste minimization and resource preservation.

Notwithstanding a rising form of literature, there remains a limited empirical data regarding how culture of the organisation mediates a link between HR practices and employee's sustainable behaviour, mainly in the service sector of the developing economies in the world. While existing research connects these elements independently, few studies integrate them into a single framework. This study discourses the gap by examining organizational culture as an interceding mechanism in Kerala's financial services sector. By integrating HRM, culture, and sustainability, the investigation proposes an inclusive framework which offers both theoretical improvements and applied strategies for organizations following sustainable development objectives.

2. Review of Literature and Hypotheses

2.1 Human Resource Practices and Sustainable Employee Behaviour

General research highlights that shaping individual attitude, motivation and overall performance of employees have high influence of human resource practices on employee's behaviour. Initial studies by Mark Huselid (1995) establish that high-performance labour practices-including selective recruitment, performance-based pay, and severe training-significantly enhanced productivity and reduces labour turnovers. Accompanying this, Jeffrey Pfeffer (1998) argues that HR policies highlighting empowerment of employees,

dynamic involvement, and job security boost greater organizational commitment and collective effort. By a strategic standpoint, Wright and McMahan (1992) recommend that HR systems are explicitly planned to prompt behaviours which develop organizational goals, while Denise M. Rousseau (1995) states that the role of HR in launching psychological bonds that dictate stages of belief, allegiance, and flexible effort. Also, Meyer and Allen (1991) suggest that loyal HR surroundings strengthen the affective commitment of employees towards organisation, leading to improved organizational citizenship and lower absenteeism. Jointly, these results suggest that reliable, well-designed HR policies are important for steering employee behaviour towards higher organisational results, mainly within active and service-driven organisations. Based on this review the hypothesis was framed:

H1: Effectiveness of HR practices has a significant positive impact on sustainable employee behaviour.

2.2 Human Resource Practices and Organisational Culture

Service industry related researches show, in what way Human Resource Management (HRM) approaches act as a prime catalyst for service quality, employee behaviour, and organizational success. Researchers such as Edgar H. Schein (2010) states that for embedding good culture in the organisation, leadership and socialised facilitated HR is having high impact, which basically shows how employees perceive and deliver service. Bowen and Schneider (2014) uphold that frameworks of HRM—particularly related with recruitment, professional development, and reward—are important factors for developing a service-oriented culture that uplifts customer satisfaction. Observed evidence from Wright and McMahan (2011) suggests that HRM strategies simplifies cultural position, thereby improving service performance. Moreover, Denise M. Rousseau (2000) pointed out that HR practices support theory based psychological contracts which solidify cultural potentials, while studies in the hospitality sector and banking sectors (Kusluvan *et al.*, 2010) approves that HR policies synchronized with business values resulted in the higher engagement and faithful service. In short, HRM is a vital tool for defining and developing high corporate culture, mainly in employee-related areas where the customer involvement is a direct replication of employee behaviour.

H2: Effectiveness of HR practices has a significant positive impact on organizational culture.

2.3 Organisational Culture and Sustainable Employee Behaviour

Mainly in the framework of environmental and social responsibility inside the organizations, scholarly interest in the connection between sustainable employee behaviour and corporate culture has been increased. Initial perceptions of Edgar H. Schein (2010) indicate that highly rooted norms, values, beliefs and assumptions inside a company's culture deeply shapes the attitude of employee and behavioural patterns, which are related with sustainability. Intensifying on this viewpoints, Geert Hofstede (2001) states that how employees shared cultural values highly influenced their perceptions on organisational priorities like environmental responsibility. Research conducted by by Suzanne C. Young and Mark Tilley (2006) establishes that organizations with high sustainability-related cultures highly inspires pro-environmental behaviours in employees, together with waste

eradication and resource preservations. Also, Julian Barling (2014) emphasizes that a prominent leadership style can shape a culture which encourages sustainable practices in the work place. The findings of Neal M. Ashkanasy *et al.* (2011) disclose that value-driven and sympathetic cultures improve engagement of employees in initiatives which are related with sustainability. Moreover, Linda L. Putnam (2016) pointed out the significance of culturally entrenched communication in controlling daily employee behaviour and emphasizing sustainability standards. In general, the frame of research recommends that a high, corporate culture-oriented sustainability act as an important driven force which develop an ethical employee behaviour, finally contributing to better-quality organizational performance and environmental achievement in the long run.

H3: Organizational culture has a significant positive impact on sustainable employee behaviour.

Mediation Hypothesis

2.4 Organizational Culture in the Relationship between HR Practices and Sustainable Employee Behaviour

Strategic Human Resource management and sustainability have widely studied the facilitating role of industrial culture in connecting HR practices and policies to sustainable behaviour of employee. The initial work done by Edgar H. Schein (2010) describes that corporate culture, which is of shared standards and values, figures the behavioural pattern of employees by inserting hopes into normal working habits. Based on this interpretation, Patrick M. Wright and Gary C. McMahan (1992) claims that HR practices and policies are formulated to influence employee behaviour, whereas their effectiveness and efficiency highly depend on the context of culture where it is applied. Observed verdicts from Amy C. Edmondson (1999) shows that employee related organizational cultures will enhance transparency and learning which in turn increases the influence of HR practices on employee's performance. Further, research by Suzanne C. Young and Mark Tilley (2006) highlights that employees will adopt responsible environmental behaviours in addition to their formal work roles, to improve sustainability-oriented cultures in the organisation. Likewise, Denise M. Rousseau (1995) states that HR practices and policies in the organisation shape psychological bonds that effects flexibility in employee behaviour, which in turn reinforce by organizational culture. Neal M. Ashkanasy *et al.* (2011) describes culture as a social control device which aligns employee behaviour with organizational objectives, including sustainability goals. In total, the research literature reliably accepts the view that organizational culture serves as an important and significant facilitating mechanism, which renders HR practices into sustainable employee behaviour, mainly in service and knowledge related environments.

H4: Organizational culture mediates the relationship between HR practices and sustainable employee behaviour.

3. Research Design and Methodology

The present study is quantitative research in nature, used to analyse the mediating role of culture in the organisation and the association between HR Practices, policies and sustainable employee behaviour in the financial sector organisations in Kerala. Primary data was collected from 430 employees working in different financial sectors in Kerala by using a standardised questionnaire and the sampling technique used is convenience sampling. Three constructs were established such as organisational culture having 8 numbers of variables

like leadership support, innovation, shared values, communication, ethical climate, team orientation, sustainability orientation and empowerment; effectiveness of HR practices having 7 variables like training & development, performance appraisal, recruitment & selection, employee participation, compensation, work-life balance and career development; and 7 variables of sustainable behaviour such as eco-friendly behaviours, waste reductions, energy conservation, corporate citizenship behaviour, usage of responsible resources, energy conservation and environmental awareness. A five-point Likert scale was used for measuring the variables.

A pilot study was conducted with thirty respondents to check validity, reliability and precision of the instrument. Reliability was confirmed by using Cronbach's alpha values which is more than the acceptable level of 0.70, which signifies internal consistency. Confirmatory factor analysis (CFA) was used to assess construct validity and expert assessment was used to prove content validity. The data were analysed using statistical tools such as AMOS/PLS-SEM for structural equation modelling and SPSS for descriptive statistics such as mean and standard deviation to test suggested correlations and mediating impacts.

4. Data Analysis and Results

The descriptive statistics indicate that employees reported moderately high perceptions across all variables. For HR practices, the mean scores were: recruitment & selection (M=3.86, SD=0.71), training & development (M=3.90, SD=0.66), performance appraisal (M=3.75, SD=0.74), compensation & rewards (M=3.67, SD=0.82), employee participation (M=3.87, SD=0.71), career development (M=3.77, SD=0.74), and work-life balance (M=3.82, SD=0.74). With respect to organizational culture, the mean values were: shared values (M=3.93, SD=0.64), leadership support (M=4.04, SD=0.62), communication (M=3.88, SD=0.65), team orientation (M=3.92, SD=0.64), innovation & adaptability (M=3.76, SD=0.74), ethical climate (M=4.02, SD=0.63), employee empowerment (M=3.83, SD=0.73), and sustainability orientation (M=3.85, SD=0.67). For sustainable employee behaviour, the mean scores were: energy conservation (M=3.93, SD=0.63), waste reduction (M=3.85, SD=0.64), eco-friendly practices (M=3.77, SD=0.74), participation in sustainability initiatives (M=3.84, SD=0.68), organizational citizenship behaviour toward sustainability (M=3.87, SD=0.64), responsible resource utilization (M=3.94, SD=0.62), and environmental awareness (M=4.01, SD=0.62). Relatively high mean values and low to moderate standard deviations shows that business culture observations, sustainable behaviours and efficiency of HR practices of employees are usually positive.

Structural Equation model demonstrates that HR policies of the organisations is having high direct and indirect effect on employee's sustainable behaviour through the culture in the organisation. High association ($\beta=0.67$) among HR practices and culture of the organisation specify that a major role is played by the HR system in framing a good moral environment, ethics and values in the working environment. By this, culture is highly influences sustainable behaviour ($\beta=0.52$), shows that employees are very much interested to work in an environment where sustainability is acting as one of the key business principles.

With respect to mediation study, it shows that though HR practices self-sufficiently back sustainable behaviour, a major portion of their influence is shifted through corporate culture.

This shows that organisations must combine HR practices and policies in a positive manner, focusing on culture-based sustainability to enhance behavioural results.

SEM model states that business culture plays an important role in connecting HR creations to long term behaviour of employee, naturally back all of the prospects. This result shows that companies face high level challenges especially in the service sector to integrate sustainability into HR practices and policies and nurture it through a culture which can highly enhance long term performance of the organisation and environmental accountability.

Model Fit Indices

Index	Value	Threshold
CFI	0.93	>0.90
TLI	0.91	>0.90
RMSEA	0.04	<0.08
Chi-square/df	2.11	<3

Path Coefficients

Path	Beta (β)	p-value	Result
HR Practices → Sustainable Behaviour	0.33	0.002	Significant
HR Practices → Organizational Culture	0.69	0.000	Significant
Organizational Culture → Sustainable Behaviour	0.52	0.000	Significant

Mediation Effect

Effect Type	Value	Result
Direct Effect	0.33	Significant
Indirect Effect	0.35 (0.68 × 0.51)	Significant
Total Effect	0.68	Significant

5. Findings and Discussion

The results of the study confirms that HR practices influence employee’s sustainable behaviour directly and indirectly over organisational culture. A high link among HR systems and corporate culture states that structured HR practices enhance shared values, ethical norms, and sustainability related attitude in Kerala financial service sectors. Reliable with previous studies, with the help of shared norms organisational culture shapes employee behaviour, whereas efficient and effective HR policies improve behavioural and performance out comes. The study also states that sustainability related cultures encourage environmentally responsible activities and that HR systems functions within a frame work of culture. This research discovers partial mediations instead of full mediations as several studies suggests, signifying that HR practices directly affect employee behaviour. This supports the opinion that HR strategies can affect employee attitudes independently, contributing a more inclusive understanding of both direct and indirect pathways through which HR practices drive sustainability results.

6. Scope for Further Studies

The study recognises various paths and direction for future research. The future studies can be expanded beyond Kerala financial sector and can include various varied industries and localities. While inculcating various qualitative techniques and advanced methods like multi group SEM, researchers can examine controlling factors like leadership style and demographics to extend various perceptions across variety of organisational frameworks.

Conclusion

The study conducted in Kerala’s financial service sector, analyses the relationship existed between HR practices and employee’s sustainable behaviour stating the role of culture in the organisation. The results shows that effective and efficient HR practices have both direct and indirect effects on sustainable behaviour, with organizational culture playing a important, however partial, mediating role. This postulates that while HR practices independently inspire sustainability, much of their effect is channelled through the progress of shared values, ethical standards, and sustainability-oriented beliefs. By mixing HRM, organizational culture, and sustainability into a single experimental framework inside a developing country’s service situation, the study pays to existing literature. It points out the need for organizations to go beyond formal HR policies and adopt a loyal culture aligned with sustainability goals. Almost, it recommends that managers should align HR practices such as training, performance evaluation, and employee engagement with sustainability objectives while humanizing a culture that encourages responsible behaviour, finally supporting long-term organizational performance and sustainable development.

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