Innovation, sustainable HRM and customer satisfaction

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ABSTRACT

The purpose of this paper is to explore how sustainable human resource management (HRM) practices impact the innovation-customer satisfaction relationship in Swedish hotels. Responding hotels were profiled into four groups based on their involvement in two sustainable HR practices. The findings indicate the relationship between innovation and customer satisfaction is dependent on sustainable HR practices in the organization. Although innovation and sustainable HR practices impact customer satisfaction positively, their interaction suggests that the one can substitute the other to achieve superior customer satisfaction. The study concludes that sustainable HR practices enhance a hotel's capability to innovate and to have satisfied customers. The relationship between sustainable HR practices and innovation is discussed.

1. Introduction

Innovations are identified as an important catalyst for economic survival and growth in the hospitality literature (e.g., Binder et al., 2013; Orfila-Sintes and Mattsson, 2009; Ottenbacher, 2007; Wikhamn et al., 2018). Their positive impact is well recognized. For instance, innovative hotels are reported to perform better in terms of occupancy rate (Mattsson and Orfila-Sintes, 2014) and customer loyalty (Tsai, 2017). Chadee and Mattsson (1996) show that innovative new products and services improve the financial performance and reputation of a hotel. Storey and Easingwood (1998) also identify a positive link between innovation behavior and hotel reputation. Hjalager (2010) and Hall and Williams (2008) argue that innovations have positive impacts on customer preference, service quality, employee productivity, firms' market value and share, and customer retention. Despite its significance, innovation and its relationship with organizational performance is a major challenge facing the hospitality industry globally (Hjalager, 2002; Miralles, 2010; Ottenbacher and Gnoth, 2005). Some research reports indicate that the innovation-performance relationship may depend on organizational factors, such as implemented HRM policies and practices (Wheatley and Doty, 2010).

HRM policies and practices have an impact on customer satisfaction, service quality and hotel performance (Chand, 2010; Dhar, 2015). This is because human interaction in service delivery is critical for customer experience (Tsaur and Lin, 2004). This suggests that although the survival and growth of the service sector relies on innovative services, labor-intensive industries are equally dependent on the performance of the employees (El Masry et al., 2004; Mohamed, 2016).

Sustainable human resource management, described as the "adoption of HRM strategies and practices that enable the achievement of financial, social and ecological goals, with an impact inside and outside of the organization and over a long-term time horizon while controlling for unintended side effects and negative feedback" (Ehnert et al., 2016, p. 90), has emerged as a new approach to the employment relationship and has gained increased importance in the last decade (Ehnert et al., 2014). Exposed to external pressure, organizations have started to incorporate elements of corporate social responsibility (CSR), including sustainability-directed activities, into their policies and strategies. Moreover, an increasing number of corporations and large firms have started to publish an annual sustainability report (for a comprehensive list, see the sustainability disclosure database), including information on organizational efforts to manage human resources responsibly. Parallel to the developments in practice, growing scholarly attention has been devoted to studying the link between CSR and HRM. For instance, Voegtlin and Greenwood (2016) address the link between an organization's responsibility to act ethically and HRM. Jamali and Karam, (2016, p. 126) highlight HRM as a potentially "promising managerial framework that can support organizational efforts in translating [CSR] strategies into practical managerial actions and outcomes." Similarly, Voegtlin and Greenwood (2016) argue that HRM plays a major role in how CSR is understood, developed and implemented and that organizations' understandings of social responsibility have implications for how they treat their employees. Although substantial research has been conducted on ecological and social sustainability in recent years, little attention has been devoted in this research to individual and collective human sustainability (Baum et al., 2016; Ehnert, 2009; Ehnert et al., 2014; Ehnert et al., 2016; Järlström et al., 2016; Kramar, 2014; Mariappanadar and Kramar, 2014).

Customer satisfaction is a prominent theme in the hospitality industry. Satisfied customers have the potential to become loyal customers and to attract new clients to the hotel. It is widely recognized that customer satisfaction is key for improving profitability in the hospitality sector (Chi and Gursoy, 2009). Considering that hotels offer homogeneous services it is understandable that they compete to better satisfy customers (Choi and Chu, 2001).

The purpose of this paper is to explore how sustainable HRM practices in the hospitality sector (particularly, hotels) impact the innovation-customer satisfaction relationship. Specifically, it seeks to answer the following: How does sustainable HRM associate with customer satisfaction? How does the extent of a hotel's innovation involvement relate to customer satisfaction? And is the relationship between innovation and customer satisfaction dependent on a hotel's involvement in sustainable HRM?

The significance of this study is multifold. First, studying HRM is important because the workforce is generally neglected in tourism and hospitality research (Baum, 2018; Baum et al., 2016). Second, the connection between sustainability and the workforce is largely overlooked (Ehnert, 2009; Ehnert et al., 2014; Järlström et al., 2016; Kramar, 2014; Mariappanadar and Kramar, 2014). How employers translate the employment relationship in practice is a non-trivial part of sustainability work (Hall and Brown, 2006) that organizational leaders refer to in assessing organizational effectiveness (Boudreau and Ramstad, 2005). Third, actors in the tourism and hospitality sector focus mainly on economic rationalism (efficiency and cost reduction), which results in employing low-skilled, low-paid and temporary workforce. This reality is paradoxical for the HR function in the tourism and hospitality sector. HR managers are compelled to cope with the dual responsibilities of providing the organization with the best employees to deliver valued services and hence improved financial performance, and at the same time a legal (and moral) duty to provide a decent work environment where employee well-being and personal development are not ignored. HR policies and practices (e.g., fairness, lack of discrimination, diversity, learning and development) are an essential ingredient in an organization's social sustainability and responsibility profile. On the ground, however, hospitality actors committing themselves to sustainability thinking often prioritize investing financial resources in environmental management (e.g., energy savings, recycling, waste management) rather than in people. Hence, there is a lack of balance in how these actors engage in sustainability work in reality (Hall and Brown, 2006). Fourth, the relationship between innovation and performance is under-researched. The majority of scientific attention has thus far been devoted to understanding how innovation affects financial outcomes (for a review, see Bowen et al., 2010; Rosenbusch et al., 2011). Non-financial indicators, although vital for economic performance (Chand, 2010), have generally not received comparable attention in the innovation discourse. Finally, research investigating the three aspects of sustainable HRM, innovation and customer satisfaction simultaneously within the hospitality context is – to the best of author's knowledge – still unexplored.

2. Theory and previous research

2.1. Sustainable HRM

The concept of sustainable development originates from the United Nations' Brundtland Report, which defined it as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987, p. 41). Sustainable development demands simultaneous consideration of the environment, economy and society (Strange and Bayley, 2008). The majority of sustainability research has been devoted to environmental sustainability and been linked to organizations' efforts to be involved in CSR. Although some of these efforts have targeted the link between the environment and HRM (for instance, the greening of organizational culture (Harris and Crane, 2002), the greening of strategic HRM research (Jackson and Seo, 2010), greening people (Wehrmeyer, 1996), and greening the workplace (Stringer, 2010)), the social aspect of sustainability has remained generally neglected.

The term sustainable HRM is relatively new. The field is still in its infancy and this explains the lack of an established definition for the concept. In her work on sustainable HRM, Ehnert (2009) defines it as "the pattern of planned or emerging human resource strategies and practices intended to enable organizational goal achievement while simultaneously reproducing the HR base" (p. 74). Similarly, Kramar, (2014, p. 1084) describes sustainable HRM as "the pattern of planned or emerging HR strategies and practices intended to enable the achievement of financial, social and ecological goals while simultaneously reproducing the HR base over a long term." Ehnert et al. (2014) view sustainable HRM as a design option for the employment relationship and as a contribution to sustainable corporate development. They argue that sustainability goes beyond being economically and environmentally sustainable. It is additionally about other aspects such as employee development, employability, employee health and well-being, employee participation, and justice. More recently, and in a similar vein, Baum (2018) highlights the significance of the term in the tourism industry and expands its connotation beyond organizational level to societal contexts and policies.

Although the social dimension of sustainability is extensively discussed in CSR discourse, a systematic connection to HRM research was not established until recently. A review of literature by Voegtlin and Greenwood (2016) reveals that the existing body of research on the link between CSR and HRM can be categorized into four groups: HRM is part of CSR, CSR is part of HRM, CSR and HRM overlap, and CSR and HRM are presented without overlap. The first two groups dominate scholarly work, with discussions of one contributing to the other.

Attempting to answer what characterizes sustainable HRM, Järlström et al. (2016) investigated how Finnish top managers construct the meaning of sustainable human resource management (HRM) and its responsibility domains. Their qualitative analysis reveals four dimensions of sustainable HRM: justice and equality, transparent HR practices, profitability, and employee well-being. Four broader responsibility areas were also identified: legal and ethical, managerial, social, and economic. Owners, managers, employees, customers, and employee representatives, as well as their special roles and requirements for sustainable HRM were all identified by top managers as 'stakeholders' in the same study.

Sustainable HRM highlights the importance of HR practices for organizational outcomes that go beyond financial performance (Ehnert et al., 2014; Ehnert et al., 2016; Järlström et al., 2016; Kramar, 2014). Referring to previous research, Hobelsberger (2014) maintains that when organizational effectiveness and goals comprise economic, social and environmental criteria, sustainable HRM tasks are twofold: 1) providing human resource strategies based on a systemic and long-term approach, in order to stimulate and support an organization's sustainability strategy, and 2) contributing to an organization's survival by attracting, retaining and developing employees in order to preserve a quality human resources base. Sustainable HRM evolves around soft issues such as demonstrating sincerity towards the employees, including providing a decent work environment and conditions, providing development opportunities and being attentive to employees' physical and psychosocial well-being at work. Consistently with this view, Ehnert (2009) maintains sustainable HRM entails not only attracting and retaining motivated and talented employees but also providing them with a healthy work environment and opportunities to develop (regenerate). Sustainability for her is "the balance of 'consuming' (or deploying) and 'reproducing' human resources" (p. 241). In this sense, sustainability is regarded as "corporate self-interest" (p. 69). Drawing on the arguments of Ehnert et al. (2016, p. 90) that sustainable HRM is about "developing mutually beneficial and regenerative relationships between internal and external resource providers (e.g.