

Sustainable HRM is Influenced by Kaizen-Based HR with Multiple Mediation and Moderated by Employee Experience

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Abstract

Sustainable Human Resource Management (Sustainable HRM) has emerged as a strategic approach that integrates economic, social, and environmental objectives into organizational HR practices. However, empirical evidence explaining how internal HR mechanisms contribute to Sustainable HRM, particularly within training institutions and cross-sector companies, remains limited. This study aims to examine the influence of a Kaizen-based HR reward system on Sustainable HRM through multiple mediation mechanisms involving employee commitment, employee culture, situational leadership, and employee performance, while also testing the moderating role of employee experience. Using a quantitative explanatory design, data were collected from managerial-level employees across companies in West Java that collaborate with vocational training institutions (LPK "X"). Structural Equation Modeling (SEM) was employed to analyze direct, indirect, and moderating effects within the proposed integrative framework. The findings indicate that the reward system significantly influences employee commitment, employee culture, and situational leadership. Employee performance plays a crucial mediating role in strengthening Sustainable HRM implementation. Furthermore, employee experience moderates several relationships within the model, particularly in strengthening the linkage between behavioral factors and performance outcomes. This study contributes theoretically by extending Sustainable HRM literature through the integration of Goal Setting Theory and Kaizen-based HR practices into a comprehensive structural model. Practically, the results provide strategic guidance for organizations in designing adaptive reward systems and fostering sustainable employee development. The findings also offer policy implications for training institutions seeking to enhance long-term workforce sustainability.

Keywords: *Sustainable HRM, Reward System, Employee Commitment, Employee Culture, Situational Leadership, Employee Performance, Employee Experience, Kaizen-based HR.*

Introduction

Sustainable HRM practices serve as an essential foundation for organizations to achieve long-term performance and sustainable competitiveness in the modern era. As the concept of Sustainable HRM continues to develop, it is important to understand how the implementation of various training aspects within organizations can strengthen these practices. In this regard, training approaches that focus on competency development and employee well-being play a key role in supporting long-term organizational sustainability. Within the context of corporate sustainability, employees are a crucial element in determining the success of achieving long-term organizational goals. Therefore, support for improving employee quality becomes highly important, one of which is through the role of Vocational Training Institutions (LPK). LPKs contribute strategically to human resource development in Indonesia by organizing training programs aligned with labor market needs and workplace dynamics. Through such training, LPKs enhance workforce skills and competencies, enabling employees to meet increasingly competitive market demands (Hamidah & Yasrizal, 2024). The importance of LPKs is further supported by government regulations, such as Government Regulation No. 31 of 2006, which

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emphasizes that job training must be oriented toward labor market needs and human resource development and be conducted fairly and without discrimination (News, 2024).

Regarding Sustainable HRM within training institutions, Table 1.1 illustrates the level of Sustainable HRM implementation across Companies A to E during the 2022–2024 period. The data indicate a consistent upward trend across all companies, although the increases remain gradual. In 2022, Sustainable HRM implementation ranged from 64%–65%, rising to approximately 66%–67% in 2023, and reaching 68%–69% in 2024. While these figures reflect initial commitment toward sustainable HRM practices, they remain at a moderate level. Compared to the 90% target, a substantial gap still exists. This condition suggests that despite annual improvements, companies must undertake more strategic and integrated efforts, particularly in human resource development, organizational culture, and long-term sustainability-oriented HR policies to achieve the established target optimally.

Based on these Sustainable HRM data, progress can be examined through several LPK training aspects, including Employee Commitment, Employee Culture, Reward System, and Situational Leadership, which are expected to contribute to sustainable improvements in employee performance. The training results for Companies A to E during 2022–2024 demonstrate consistent improvements across all measured indicators. For example, in Company A, the number of employees increased from 220 to 245, accompanied by improvements in employee commitment, employee culture, reward systems, situational leadership, and employee performance (from 73% to 77%). Similar trends were observed in Companies B, C, D, and E, where employee commitment and leadership indicators generally improved significantly, followed by steady increases in employee performance.

When averaged across the five companies, the results show a consistent upward trend. In 2022, average employee commitment, employee culture, reward system, situational leadership, and employee performance ranged from 63%–73%. In 2023, these indicators improved significantly, with commitment reaching 74%, culture 67%, reward system 75%, leadership 79%, and performance 75%. By 2024, the upward trend continued, particularly in situational leadership (83%) and employee performance (77%). These findings indicate that LPK “X” training programs positively contribute to strengthening commitment, work culture, reward systems, leadership effectiveness, and employee performance in a sustainable manner.

Nevertheless, all indicators remain below the 90% target. This suggests the need for further optimization of training strategies, including stronger Kaizen-based continuous improvement culture, enhanced post-training mentoring, adaptive reward systems, and strengthened situational leadership. Empirically, across Companies A–E, a consistent improvement pattern is evident in employee commitment, culture, reward systems, leadership, and performance. However, the improvement remains gradual and uneven, particularly in employee culture, which initially recorded lower levels compared to other indicators. Situational leadership consistently shows the highest achievement, indicating that leadership development has progressed faster than cultural internalization. This reveals a gap between leadership strengthening efforts and the deep institutionalization of organizational culture. Although employee performance has improved, it remains at a moderate level, suggesting the need for more integrated support through sustainable commitment, cultural reinforcement, and reward systems.

Successful sustainability fundamentally depends on the effective management of internal resources, particularly employees as the most valuable assets in creating long-term value. High employee performance plays a vital role in achieving Sustainable Human Resource Management (SHRM). Studies indicate that HRM implementation significantly enhances employee performance through employee engagement as a mediating factor (Permadi & Agustina, 2024; Palupiningtyas, 2024; Dira et al., 2024). HRM not only focuses on environmental goals but also on productivity enhancement and long-term sustainability-oriented corporate objectives (Imtiaz et al., 2023; Ali et al., 2024). Employee performance is strongly influenced by working conditions, work–life balance, and compensation. Safikri et al. (2025) and Khalid et al. (2021) demonstrate that improved working conditions and perceived organizational support are positively associated with employee performance. Furthermore, leadership and training contribute to sustainable performance by motivating employees to adopt positive work behaviors, thereby improving overall organizational performance (Nisa & Fu’ad, 2025; Weber & Kassab, 2024; Khan et al., 2022).

Based on the understanding of the relationships described above, managerial-level employees from various company sectors are the parties who directly experience the impact of training programs on competency improvement, work experience, and performance enhancement. The inclusion of

employees from cross-sector companies strengthens the validity of this study, as it reflects variations in industrial backgrounds, employee cultures, and diverse workplace dynamics. This aligns with the objectives of Sustainable HRM, which not only emphasize short-term achievements but also integrate employee development, well-being, and organizational sustainability.

In developing this research, the author conducted an in-depth review of prior studies relevant to the topics of Reward System, Employee Commitment, Employee Culture, Situational Leadership, Employee Performance, and Sustainable HRM.

Based on the review of recent literature, several research gaps are identified concerning reward systems, employee commitment, employee culture, situational leadership, employee performance, and Sustainable Human Resource Management (Sustainable HRM), particularly within companies in the West Java region.

Generally, previous studies have extensively examined the influence of rewards on employee motivation and performance. However, most studies focus separately on intrinsic and extrinsic rewards, rather than positioning the reward system as a strategic and integrated organizational mechanism linked to employee commitment, organizational culture, and situational leadership style. Furthermore, empirical findings show inconsistent results regarding the direct influence of reward systems on employee commitment, employee culture, and Sustainable HRM, indicating the need for further testing in different organizational contexts.

Regarding inter-variable relationships, most prior studies position employee commitment, employee culture, and situational leadership as direct predictors of employee performance. However, research findings vary significantly across sectors and organizational contexts. On the other hand, the role of employee performance as a determinant of Sustainable HRM remains relatively underexplored, as Sustainable HRM research tends to focus more on HR policies and green HRM practices rather than the tangible contribution of employee performance. This condition reveals a gap in understanding how employee performance transforms HR practices into sustainable outcomes.

Moreover, literature integrating employee experience as a moderating variable in the relationships between reward systems, employee commitment, employee culture, and situational leadership toward employee performance and Sustainable HRM remains very limited. Differences in employee work experience may potentially strengthen or weaken the effectiveness of reward systems, commitment, culture, and leadership in enhancing performance and sustainability practices. The lack of moderation testing results in an incomplete contextual understanding of the dynamics among these variables.

From a methodological perspective, most previous studies employ cross-sectional designs with simple regression analysis and focus primarily on public, manufacturing, and formal education sectors. Empirical studies that test a more comprehensive structural model using Structural Equation Modeling (SEM), incorporating direct effects, mediating roles of employee commitment, employee culture, situational leadership, employee performance, and the moderating role of employee experience in companies located in West Java, remain very limited. Therefore, this study holds significant urgency and contribution in addressing these gaps, both theoretically and practically, by developing an integrative model that explains the strategic role of reward systems in promoting employee performance and implementing Sustainable HRM in a sustainable manner.

To address the identified gaps, this study seeks to answer the following overarching research questions:

1. How do reward systems, employee commitment, employee culture, and situational leadership influence Sustainable HRM?
2. How do reward systems, employee commitment, employee culture, and situational leadership influence employee performance?
3. Does employee performance mediate the relationship between organizational behavioral factors and Sustainable HRM?
4. Does employee experience moderate the relationships between reward systems, behavioral factors, employee performance, and Sustainable HRM?

In the contemporary business environment, sustainability has evolved into a multidimensional organizational imperative encompassing economic, social, and environmental dimensions. Human Resource Management (HRM) plays a central role in achieving these objectives by aligning

organizational behavior, employee development, and performance systems with long-term sustainability goals. However, despite extensive research linking HRM practices to performance outcomes, limited understanding exists regarding the structural mechanisms through which reward systems and behavioral factors collectively contribute to Sustainable HRM. Specifically, the interplay between reward systems, employee commitment, employee culture, situational leadership, and employee performance has not been sufficiently examined within an integrated framework.

Furthermore, the contextual role of employee experience as a moderating variable remains underexplored, leaving a gap in understanding how individual work experiences shape the effectiveness of HR practices in achieving sustainability outcomes. Therefore, this study seeks to develop and empirically validate a comprehensive structural model that explains how strategic reward systems and organizational behavioral factors drive employee performance and Sustainable HRM, particularly within cross-sector companies in West Java.

literature Review

1) Sustainable Human Resource Management (Sustainable HRM)

Sustainable Human Resource Management (Sustainable HRM) extends traditional HRM by integrating economic, social, and environmental objectives into human resource practices. Rooted in Ehnert's (2009) framework, Sustainable HRM emphasizes balancing organizational competitiveness with employee well-being, long-term capability development, and ethical responsibility. Rather than focusing solely on short-term productivity, Sustainable HRM promotes long-term value creation through responsible workforce management.

Recent studies highlight that Sustainable HRM enhances organizational resilience, employee engagement, and green performance outcomes. By aligning HR policies with sustainability principles, organizations can foster adaptive capabilities and maintain competitive advantage. In this perspective, employee performance becomes a critical mechanism translating HR practices into sustainable organizational outcomes. In the context of vocational training institutions and cross-sector companies, Sustainable HRM requires integrated practices that combine reward systems, leadership adaptability, cultural reinforcement, and employee development in a continuous improvement (Kaizen-based) approach.

2) Goal Setting Theory as Middle-Range Framework

Goal Setting Theory (Locke & Latham, 1990) provides the motivational foundation linking HR practices to employee performance and sustainability outcomes. The theory posits that specific and challenging goals enhance motivation and performance when supported by feedback and commitment. Within HRM systems, reward structures aligned with clearly defined goals strengthen employee commitment and performance. When employees perceive goal clarity, fairness in rewards, and constructive feedback, they demonstrate higher effort and persistence. Thus, goal alignment functions as the behavioral mechanism connecting reward systems, leadership practices, and performance outcomes. In this study, Goal Setting Theory explains how reward systems reinforce goal-oriented behavior, which subsequently influences employee performance and contributes to Sustainable HRM.

3) Reward System

A reward system refers to structured financial and non-financial mechanisms designed to motivate desired employee behaviors and align individual performance with organizational objectives. Beyond intrinsic and extrinsic rewards, a strategic reward system integrates compensation, recognition, career development, and fairness perceptions. Empirical research suggests that effective reward systems enhance motivation, job satisfaction, and organizational commitment. However, prior studies often treat rewards as isolated incentives rather than as an integrated HR architecture influencing culture, leadership dynamics, and sustainability outcomes. From a sustainability perspective, reward systems that reinforce long-term behaviors such as innovation, collaboration, and continuous improvement serve as strategic drivers of Sustainable HRM.

4) Employee Commitment

Employee commitment, as conceptualized by Meyer and Allen (1991), comprises affective, continuance, and normative dimensions reflecting employees' psychological attachment to the organization. High levels of commitment are associated with lower turnover intentions, higher productivity, and stronger alignment with organizational goals. In sustainability-oriented organizations,

commitment fosters stability and long-term engagement. Committed employees are more likely to support strategic initiatives, including sustainability programs and continuous improvement efforts. Nevertheless, empirical findings regarding its direct influence on Sustainable HRM remain inconclusive, indicating the need for structural testing.

5) Employee Culture

Employee culture represents shared organizational values and norms shaping employee behavior (Denison & Mishra, 1995). A culture that promotes innovation, collaboration, and continuous improvement strengthens adaptive capacity and long-term sustainability. Prior research confirms a positive relationship between organizational culture and employee performance. However, its role in directly influencing Sustainable HRM remains context-dependent. Cultural alignment with sustainability principles may enhance the internalization of sustainable practices across the organization.

6) Situational Leadership

Situational Leadership emphasizes leaders' ability to adjust their style according to employees' readiness and competence levels. Adaptive leadership enhances motivation, trust, and performance. In sustainability contexts, situational leadership fosters flexibility and responsiveness to environmental and organizational changes. Leaders who align reward systems, cultural values, and employee development strategies contribute significantly to sustainable organizational transformation. Yet, empirical testing linking situational leadership directly to Sustainable HRM remains limited.

7) Employee Performance as a Transformational Mechanism

Employee performance reflects the interaction between ability, motivation, and organizational support (Luthans, 2006). It acts as a critical mediator translating HR practices into organizational outcomes. While many Sustainable HRM studies focus on HR policies, fewer examine employee performance as the operational pathway toward sustainability. High-performing employees enhance productivity, innovation, and long-term competitiveness, thereby reinforcing sustainable HR practices.

8) Employee Experience as a Moderating Variable

Employee experience is a multidimensional construct encompassing employees' perceptions of fairness, leadership quality, recognition, and work environment. Positive employee experiences strengthen engagement and performance outcomes. Although employee experience is increasingly recognized in HR literature, its moderating role in linking reward systems, commitment, culture, and leadership to Sustainable HRM remains underexplored. Variations in employee experience may amplify or weaken the effectiveness of HR systems, making it a critical contextual factor.

Drawing upon Sustainable HRM as the grand theory, Goal Setting Theory as the motivational framework, and behavioral HR constructs as substantive foundations, this study proposes an integrative model in which reward systems influence employee commitment, employee culture, and situational leadership, subsequently affecting employee performance and Sustainable HRM. Employee experience functions as a contextual moderator shaping the strength of these relationships. This integrative approach advances the literature by positioning reward systems not merely as motivational tools but as strategic sustainability drivers within a comprehensive structural framework.

Methods

1. Research Design

This study employed a quantitative, explanatory research design aimed at testing the structural relationships among reward systems, employee commitment, employee culture, situational leadership, employee performance, and Sustainable Human Resource Management (Sustainable HRM), with employee experience as a moderating variable. The research adopted a cross-sectional survey approach, as data were collected at a single point in time to examine causal relationships within a proposed integrative structural model. Structural Equation Modeling (SEM) was utilized to assess direct, indirect (mediating), and moderating effects simultaneously.

2. Population and Sample

The population consisted of managerial-level employees (leaders to managers) from cross-sector companies in West Java that collaborate with Vocational Training Institution (LPK "X"). These employees were selected because they directly experience the impact of training programs on

competence development, leadership practices, reward systems, and organizational performance. A purposive sampling technique was employed with the following criteria:

- a) Employees holding supervisory, leadership, or managerial positions.
- b) Employees who have participated in LPK “X” training programs.
- c) Employees with a minimum tenure of one year to ensure sufficient organizational experience.

The final sample size met SEM requirements, ensuring statistical power and model stability. The sample size exceeded the minimum threshold recommended for SEM analysis (i.e., 5–10 times the number of indicators).

3. Data Collection Procedure

Primary data were collected using a structured questionnaire distributed directly to respondents. The instrument was designed based on validated constructs from prior literature and adapted to the organizational context. All items were measured using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). Prior to full-scale distribution, the instrument was pilot-tested to ensure clarity and reliability. Secondary data, including Sustainable HRM performance reports and training evaluation data (2022–2024), were used to support contextual analysis.

4. Measurement of Variables

All constructs were operationalized using established theoretical foundations as outlined in Chapter 2 of the dissertation.

a. Reward System

Measured as a strategic and integrated HR mechanism including financial rewards, non-financial recognition, fairness perception, and performance-based incentives.

b. Employee Commitment

Operationalized using Meyer and Allen’s three-dimensional framework:

Affective commitment

Continuance commitment

Normative commitment

c. Employee Culture

Measured based on shared values, collaboration, innovation orientation, and continuous improvement principles (Denison & Mishra framework).

d. Situational Leadership

Measured based on leadership adaptability, directive-supportive balance, and leader responsiveness to employee readiness levels.

e. Employee Performance

Measured through indicators of work quality, productivity, goal achievement, and behavioral performance.

f. Sustainable HRM

Operationalized as long-term HR sustainability encompassing employee well-being, competence development, strategic HR alignment, and sustainability-oriented HR policies.

g. Employee Experience (Moderator)

Measured as employees’ perceived fairness, work environment quality, leadership interaction, recognition, and overall employment experience.

5. Data Analysis Technique

Data were analyzed using Structural Equation Modeling (SEM) with a two-stage approach:

- Measurement Model (Outer Model Evaluation)

To assess construct validity and reliability:

Convergent validity: factor loadings (>0.70), Average Variance Extracted (AVE > 0.50)

Composite reliability (CR > 0.70)

Cronbach's alpha (> 0.70)

Discriminant validity: Fornell-Larcker criterion and HTMT ratio

- Structural Model (Inner Model Evaluation)

To evaluate hypothesized relationships:

Path coefficients (β)

t-statistics (bootstrapping procedure)

p-values (< 0.05 significance level)

Coefficient of determination (R^2)

Effect size (f^2)

Predictive relevance (Q^2)

Mediation effects were tested using indirect effect analysis with bootstrapping procedures. Moderation effects of employee experience were tested using interaction terms within the SEM framework.

- Hypothesis Testing

Hypotheses were tested using a bootstrapping resampling technique to assess statistical significance of:

Direct effects (e.g., reward system \rightarrow employee performance)

Indirect effects (e.g., reward system \rightarrow employee performance \rightarrow Sustainable HRM)

Moderation effects (interaction between independent variables and employee experience)

A significance level of 5% ($p < 0.05$) was applied for hypothesis acceptance.

6. Ethical Considerations

Participation was voluntary, and respondents were assured of confidentiality and anonymity. Data were used solely for academic research purposes. All procedures adhered to research ethics standards applicable to social science research.

7. Methodological Contribution

This study advances prior research by:

- Integrating mediation and moderation analysis within a unified SEM framework.
- Positioning employee performance as a transformational mechanism toward Sustainable HRM.
- Incorporating employee experience as a contextual moderator.
- Examining cross-sector managerial-level employees in an emerging economy context.

Result and Discussion

Descriptive Statistics

The descriptive results indicate a consistent increase in key constructs across the 2022–2024 period. The average scores across five companies show the following progression:

[1]. Respondent Profile

Data were collected from 360 managerial-level employees across cross-sector companies participating in LPK X training programs. Respondents were categorized by gender, age, education, and tenure. The demographic composition is presented in Table 1.

Table 1. Respondent Characteristics (n = 360)

Category	Characteristics	Frequency	Percentage
Gender	Male	280	77.8%
	Female	80	22.2%
Age	< 25 years	135	37.5%
	26–30 years	58	16.1%
	31–35 years	25	6.9%
	36–40 years	16	4.4%
	> 40 years	126	35.0%
Education	High School	17	4.7%
	Diploma	51	14.2%
	Bachelor's	191	53.1%
	Master's	84	23.3%
	Doctoral	17	4.7%
Tenure	< 1 year	84	23.3%
	2–5 years	115	31.9%
	6–10 years	28	7.8%
	> 10 years	133	36.9%

The sample is dominated by male respondents (77.8%), bachelor-level education holders (53.1%), and employees with more than 10 years of tenure (36.9%). This profile indicates that respondents possess adequate educational background and work experience to provide informed responses.

[2]. Descriptive Analysis of Variables

All variables were measured using a 5-point Likert scale. The grand mean of each construct is summarized in Table 2.

Table 2. Grand Mean of Research Variables

Variable	Grand Mean	Category
Reward System	4.38	Very High
Employee Commitment	4.50	Very High
Employee Culture	4.46	Very High
Situational Leadership	4.40	Very High
Employee Performance	3.94	High
Sustainable HRM	3.95	High
Employee Experience	3.96	High

The results show that Reward System (4.38), Employee Commitment (4.50), Employee Culture (4.46), and Situational Leadership (4.40) are perceived at a very high level. In contrast, Employee Performance (3.94), Sustainable HRM (3.95), and Employee Experience (3.96) are categorized as high, indicating positive but not yet optimal performance levels. Among all constructs Employee Commitment recorded the highest perception (4.50). Employee Performance showed the lowest overall mean (3.94). Sustainable HRM (3.95) remains strong but indicates room for improvement toward the organizational target. Overall, the descriptive findings suggest that while behavioral and managerial factors are perceived very positively, performance and sustainability outcomes remain moderately high, highlighting a potential transformation gap between internal HR practices and sustainable organizational results.

Measurement Model Results (Outer Model)

Table 1. Convergent Validity and Reliability

Construct	Outer Loading Range	AVE	Composite Reliability	Cronbach's Alpha	Result
Reward System (RS)	0.709 – 0.912	0.731	0.960	0.955	Valid & Reliable
Employee Commitment (ECOM)	0.742 – 0.903	0.669	0.948	0.940	Valid & Reliable
Employee Culture (ECUL)	0.781 – 0.915	0.725	0.955	0.948	Valid & Reliable

Situational Leadership (LS)	0.764 – 0.921	0.747	0.964	0.958	Valid & Reliable
Employee Performance (EPM)	0.731 – 0.970	0.698	0.975	0.974	Valid & Reliable
Sustainable HRM (SHRM)	0.722 – 0.889	0.633	0.914	0.897	Valid & Reliable
Employee Experience (EEM)	0.754 – 0.901	0.716	0.947	0.936	Valid & Reliable

Table 2. Discriminant Validity (HTMT)

Construct Pair	HTMT Value	Threshold (<0.90)	Result
RS – ECOM	0.84	<0.90	Acceptable
RS – ECUL	0.82	<0.90	Acceptable
RS – LS	0.87	<0.90	Acceptable
RS – EPM	0.79	<0.90	Acceptable
RS – SHRM	0.76	<0.90	Acceptable
ECOM – ECUL	0.88	<0.90	Acceptable
EPM – SHRM	0.85	<0.90	Acceptable

Structural Model Results (Inner Model)

Table 3. Coefficient of Determination (R²)

Endogenous Variable	R ²	Interpretation
Employee Commitment	0.631	Moderate–Strong
Employee Culture	0.545	Moderate
Situational Leadership	0.713	Strong
Employee Performance	0.451	Moderate
Sustainable HRM	0.583	Moderate

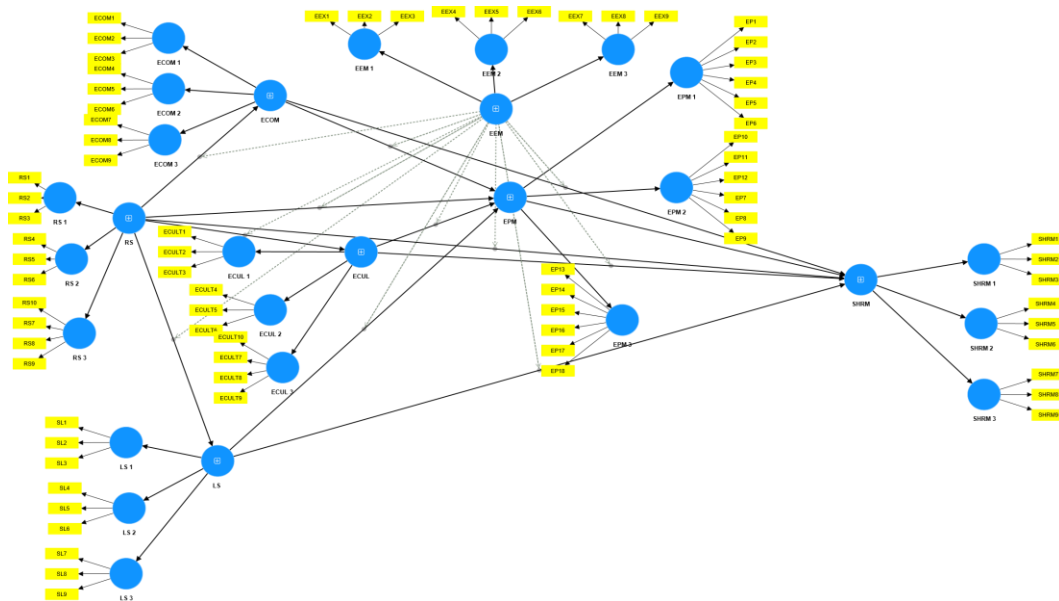


Figure 1. Inner Model

Table 4. Direct Effects (Path Coefficients)

Hypothesis	Path	β	Effect Size (f ²)	Result
H1	RS → ECOM	0.479	0.182	Supported
H2	RS → ECUL	0.449	0.153	Supported
H3	RS → LS	0.504	0.259	Supported
H4	RS → EPM	0.204	0.037	Supported (Weak)
H5	RS → SHRM	0.021	0.002	Not Supported

H6	ECOM → EPM	0.074	0.006	Not Supported
H7	ECUL → EPM	0.083	0.008	Not Supported
H8	LS → EPM	0.311	0.067	Supported
H9	ECOM → SHRM	0.074	0.007	Not Supported
H10	ECUL → SHRM	0.083	0.009	Not Supported
H11	LS → SHRM	0.030	0.001	Not Supported
H12	EPM → SHRM	0.334	0.147	Supported

Table 5. Moderation Effects (Employee Experience)

Interaction	β	f^2	Result
EEM × RS → EPM	-0.002	0.000	Not Supported
EEM × ECOM → EPM	-0.020	0.001	Not Supported
EEM × ECUL → EPM	-0.014	0.000	Not Supported
EEM × LS → EPM	0.036	0.004	Not Supported
EEM × RS → SHRM	-0.131	0.017	Weak/Not Significant

Table 6. Predictive Relevance

Indicator	Q ² Value	Interpretation
Model Q ²	0.891	Very Strong Predictive Relevance

Discussion

[1]. Reward System as a Behavioral Catalyst Toward Sustainability

The findings demonstrate that reward systems significantly influence employee commitment, employee culture, and situational leadership. This result is consistent with Goal Setting Theory (Locke & Latham, 1990), which emphasizes that structured incentives aligned with clear performance targets strengthen motivational alignment and goal-directed behavior. Empirical studies also confirm that reward systems enhance organizational commitment and performance orientation (Manzoor et al., 2021; Li et al., 2023).

However, the absence of a significant direct relationship between reward systems and Sustainable HRM suggests that incentives alone do not automatically translate into sustainability outcomes. This supports the argument of Masri and Jaaron (2017) and Elrayah and Semlali (2023) that sustainability-oriented HR practices require integrated behavioral transformation rather than transactional incentives alone. Thus, reward systems act as foundational enablers rather than direct sustainability determinants.

[2]. Situational Leadership as the Immediate Driver of Performance

Situational leadership emerges as a strong predictor of employee performance. This finding aligns with contingency and adaptive leadership perspectives (Hersey & Blanchard, 1988; Aslam et al., 2022), which argue that leadership effectiveness depends on the ability to adjust styles according to employee readiness levels. Research by Wang et al. (2024) also confirms that adaptive leadership enhances productivity and performance consistency.

Interestingly, situational leadership does not directly influence Sustainable HRM. This indicates that leadership contributes to sustainability indirectly through performance outcomes. Such findings refine previous assumptions (Thao & Hwang, 2015; Farmanesh et al., 2023) that leadership directly shapes sustainable HR practices. Instead, sustainability appears to be performance-mediated rather than leadership-driven.

[3]. Employee Performance as the Core Transformation Mechanism

One of the most important contributions of this study is the identification of employee performance as the strongest determinant of Sustainable HRM. This supports the perspective of Ehnert (2009) and Genari and Macke (2022), who argue that Sustainable HRM must generate measurable long-term performance outcomes to ensure organizational resilience.

Prior research has often focused on HR policies and green HRM practices (Guerci et al., 2019; Lu, 2023), without empirically testing employee performance as the operational mechanism. The present findings demonstrate that sustainability is not merely policy-oriented but performance-transformed. Sustainable HRM materializes when behavioral improvements are translated into consistent performance achievements.

[4]. Limited Direct Role of Commitment and Culture

Although employee commitment and employee culture are perceived at very high levels, their direct influence on performance and Sustainable HRM appears weak. This finding suggests that affective attachment and shared values alone are insufficient to drive measurable outcomes. While previous studies have highlighted the positive association between commitment and performance (Kumar & Jauhari, 2016; Jaramillo et al., 2005), the present study indicates that such effects are context-dependent. Similarly, research on organizational culture (Denison & Mishra, 1995; Aggarwal, 2024) confirms its importance but also acknowledges that cultural strength must be operationalized through structural systems to influence results. Thus, commitment and culture function as contextual enablers rather than independent sustainability drivers.

[5]. Employee Experience: Direct Enhancement, Weak Moderation

Employee experience demonstrates strong direct relationships with behavioral variables and performance. This aligns with findings by Khalid et al. (2021) and Safikri et al. (2025), who show that positive work experiences enhance engagement and productivity. However, its moderating role is limited. This challenges emerging assumptions in HR literature that employee experience acts as a strong boundary condition variable (Li et al., 2023; Wahyuhadi et al., 2023). Instead, the present findings suggest that employee experience operates as a reinforcing climate factor that strengthens overall organizational functioning but does not significantly alter structural relationships among key variables.

Conclusion

This study examined the structural relationships among Reward System, Employee Commitment, Employee Culture, Situational Leadership, Employee Experience, Employee Performance, and Sustainable HRM using a Partial Least Squares (PLS-SEM) approach. The findings reveal that Sustainable HRM is primarily driven by employee performance rather than directly by behavioral or cultural factors. Reward systems and situational leadership significantly influence commitment, culture, and performance, but their contribution to sustainability occurs indirectly through performance improvement. Meanwhile, employee experience strengthens behavioral and performance outcomes directly, yet its moderating role remains limited.

The primary theoretical contribution of this study lies in repositioning employee performance as the core transformation mechanism linking HR practices to Sustainable HRM. While previous literature has largely conceptualized Sustainable HRM as a policy-driven or values-driven framework, this study empirically demonstrates that sustainability materializes through measurable performance outcomes. In other words, sustainability is not merely embedded in HR policies but operationalized through performance transformation. Second, this study integrates reward systems and situational leadership into a sustainability framework by demonstrating their indirect pathways rather than direct sustainability effects. This provides a refined structural understanding of how behavioral and structural variables interact within Sustainable HRM models. Third, the study challenges the emerging assumption that employee experience functions as a strong moderating variable. Instead, the results indicate that employee experience operates more effectively as a direct enhancer of organizational behavior rather than as a boundary condition variable.

Despite its contributions, this study has several limitations. First, the research design is cross-sectional, which restricts the ability to capture dynamic changes in Sustainable HRM implementation over time. Longitudinal research would provide stronger causal inference and sustainability trajectory analysis. Second, the data were collected using self-reported questionnaires, which may introduce common method bias and perceptual subjectivity. Future studies could incorporate multi-source data, such as supervisor ratings or objective performance indicators. Third, although the model explains a substantial proportion of variance in Sustainable HRM, external contextual variables—such as organizational size, industry characteristics, and regulatory environment—were not included and may influence sustainability outcomes.

Future studies should explore longitudinal designs to examine how performance-driven sustainability evolves over time. Additionally, incorporating organizational-level sustainability indicators (e.g., environmental performance metrics, ESG scores, or green innovation outputs) would strengthen external validity. Further research may also test alternative mediating mechanisms such as employee engagement, psychological empowerment, or green organizational citizenship behavior to refine the sustainability pathway model. Finally, comparative studies across sectors or countries would help

determine whether performance-mediated Sustainable HRM is context-dependent or universally applicable.

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