

HR-Related Antecedents to Sustainability Reporting in Indian Public Listed Firms: The Mediating Role of Employee Commitment

Dr. M. Sathis Kumar¹, Dr. K.Ravi Kumar², Dr.P.Gurunathan³, Mr.A.Balasubramanian⁴

¹Dr. M.Sathis Kumar, Associate Professor, Department of Management Studies, Nehru Institute of Information Technology and Management

²Dr. K.Ravi Kumar, Professor, Department of Management Studies, Nehru Institute of Information Technology and Management

³Dr. P.Gurunathan, Professor, Department of Management Studies, Nehru Institute of Information Technology and Management

⁴Mr. A.Balasubramanian, Assistant Professor, Department of Management Studies, Nehru Institute of Information Technology and Management

Abstract: This study explores the relationship between human resource (HR) practices and sustainability reporting (SR) in Indian publicly listed firms, with a specific focus on the mediating role of employee commitment (EC). As sustainability reporting becomes increasingly vital for corporate transparency and investor confidence, understanding the antecedents that drive these practices is crucial. Utilizing a quantitative research approach, data was gathered from HR professionals and employees across various Indian firms. EC, and SR. The findings reveal that HR practices significantly influence SR, with EC acting as a partial mediator. This research contributes to the theoretical understanding of sustainability in the Indian corporate context and offers practical insights for enhancing sustainability initiatives through HR strategies.

Keywords: Human Resource practices, sustainability report, employee commitment, HR strategy

Introduction

Sustainability has emerged as a critical focus for corporations worldwide, particularly in the context of publicly listed firms where transparency and accountability are paramount. In India, the growing emphasis on sustainability reporting (SR) reflects the increasing demand from stakeholders for detailed disclosures on environmental, social, and governance (ESG) practices. However, the effectiveness of SR is not solely dependent on regulatory requirements; it is also influenced by the internal practices of the organization, particularly those related to human resources (HR).

HR practices that foster employee engagement, commitment, and alignment with sustainability goals can play a pivotal role in enhancing the quality and comprehensiveness of SR. This study aims to explore the HR-related antecedents that influence SR in Indian publicly listed firms. Additionally, it examines the mediating role of employee commitment (EC) in this relationship.

The hypothesis is that while HR practices directly impact SR, the effect is significantly strengthened when mediated by a high level of employee commitment. Sustainability reporting (SR) has become a cornerstone for modern

corporations, particularly for publicly listed firms, where transparency and accountability are critical. In India, the growing focus on SR reflects a broader global trend where stakeholders, including investors, customers, and regulators, demand comprehensive disclosures on corporate practices related to environmental, social, and governance (ESG) aspects. These reports are intended to provide a clear picture of how companies are managing their ESG responsibilities and the impact of their operations on society and the environment. However, compliance with regulatory requirements alone is not sufficient for effective SR.

The quality and depth of sustainability disclosures are significantly influenced by internal organizational practices, especially those related to human resources (HR). HR practices that promote employee engagement, commitment, and alignment with sustainability goals can significantly enhance the effectiveness of SR.

For instance, when employees are deeply committed to the organization's sustainability objectives, they are more likely to contribute to and support the accurate and comprehensive reporting of these activities.

Study Objectives

This study aims to explore the relationship between HR practices and sustainability reporting in Indian publicly listed firms. Specifically, the study seeks to:

1. **Identify HR-related Antecedents:** Investigate which HR practices are associated with improved sustainability reporting. This includes practices that foster employee engagement, align HR strategies with sustainability goals, and support a culture of transparency.
2. **Examine the Mediating Role of Employee Commitment:** Assess whether employee commitment (EC) mediates the relationship between HR practices and SR. Employee commitment is hypothesized to enhance the effect of HR practices on SR. In other words, while HR practices directly impact SR, this impact is expected to be stronger when mediated by high levels of employee commitment.

Hypotheses

The study is based on the following hypotheses:

1. **Direct Effect Hypothesis:** HR practices positively influence sustainability reporting. This hypothesis posits that effective HR practices, such as those that encourage transparency, align employees with sustainability goals, and foster a supportive work environment, will directly improve the quality and scope of sustainability reporting.
2. **Mediating Effect Hypothesis:** Employee commitment mediates the relationship between HR practices and sustainability reporting. This hypothesis suggests that the relationship between HR practices and SR is stronger when employee commitment is high. In other words, the positive impact of HR practices on SR is enhanced when employees are highly committed to the organization's sustainability goals.

Rationale

The rationale behind these hypotheses is rooted in the idea that HR practices play a crucial role in shaping organizational culture and employee behavior. When HR practices effectively align employees with sustainability goals and foster a high level of commitment, employees are more likely to engage in behaviors that support comprehensive and transparent sustainability reporting. This alignment helps ensure that the organization's sustainability efforts are accurately reflected in its SR, thereby improving the overall quality and credibility of the reports. By exploring these relationships, the study aims to contribute to a deeper understanding of how internal HR practices can enhance sustainability reporting and provide practical insights for firms looking to improve their sustainability disclosures through effective HR strategies.

Review of Literature

Sustainability Reporting (SR)

Sustainability reporting refers to the practice of disclosing information related to a company's environmental, social, and governance (ESG) performance. SR has gained prominence as a tool for enhancing corporate transparency and accountability, especially among publicly listed firms where investor scrutiny is high (Global Reporting Initiative, 2020). In the Indian context, SR is becoming increasingly mandated, with frameworks such as the Business Responsibility and Sustainability Reporting (BRSR) introduced by the Securities and Exchange Board of India (SEBI).

Sustainability reporting (SR) has gained significant importance as a tool for organizations to disclose their environmental, social, and governance (ESG) practices. The quality of SR is not only influenced by external regulations but also by internal organizational practices. Research indicates that HR practices play a crucial role in shaping an organization's approach to sustainability. Key HR practices include:

- **Training and Development:** Effective training programs enhance employees' understanding of sustainability goals and practices, leading to more accurate and comprehensive reporting (Bamberger & Meshoulam, 2000). Training can include workshops on environmental management, ethical behavior, and reporting standards.
- **Performance Management:** Integrating sustainability metrics into performance evaluations aligns individual goals with organizational sustainability objectives (Epstein & Buhovac, 2014). Performance management systems that reward employees for sustainability initiatives can drive better reporting practices.
- **Employee Involvement and Engagement:** Involving employees in sustainability initiatives and decision-making processes fosters a sense of ownership and responsibility (Searcy, 2012). Engaged employees are more likely to contribute to detailed and transparent sustainability reports.

HR Practices and Sustainability

HR practices are crucial in embedding sustainability within an organization's culture and operations. These practices include recruitment, training and development, performance management, and employee engagement, all of which can align employees with the company's sustainability goals (Jackson & Seo, 2010; Cohen et al., 2012). HR's role in sustainability is not merely administrative; it is strategic, fostering a workforce that is informed, motivated, and committed to sustainability (Guerci & Pedrini,

2014). Research on the direct impact of HR practices on SR reveals several key findings:

- **Aligning HR Strategies with Sustainability Goals:** Studies suggest that HR strategies aligned with sustainability goals lead to more robust and transparent SR (Jackson & Seo, 2010). HR practices such as recruitment, training, and reward systems that emphasize sustainability contribute to better reporting.
- **Organizational Culture:** HR practices that promote a culture of sustainability positively influence SR. Organizational culture, shaped by HR practices, plays a significant role in determining how sustainability information is reported and communicated (Cameron & Quinn, 2011).
- **Regulatory Compliance and Beyond:** Effective HR practices ensure that sustainability reporting not only meets regulatory requirements but also goes beyond compliance to reflect genuine organizational commitment to ESG principles (Gray, 2010).

Employee Commitment (EC)

Employee commitment refers to the emotional and psychological attachment that employees have toward their organization and its goals. High levels of EC are associated with increased job performance, lower turnover rates, and greater participation in organizational initiatives (Meyer & Allen, 1991). In the context of sustainability, committed employees are more likely to engage in behaviors that support the company's sustainability objectives, thereby enhancing the effectiveness of SR (Shen & Benson, 2016). Employee commitment (EC) is crucial in translating HR practices into effective sustainability reporting. Research highlights that EC can significantly mediate the relationship between HR practices and SR:

- **Conceptual Frameworks:** Commitment theory suggests that employees who are committed to their organization's values and goals are more likely to support and participate in sustainability efforts (Meyer & Allen, 1991). This commitment can enhance the accuracy and completeness of sustainability reports.
- **Evidence from Studies:** Various studies have shown that high levels of employee commitment lead to improved organizational performance, including in areas related to sustainability (Locke, 1976). For instance, organizations with high employee commitment often exhibit better adherence to sustainability reporting standards and practices.
- **Mediating Effects:** Employee commitment can amplify the effects of HR practices on SR. When employees are highly committed, HR practices designed to enhance

sustainability are more likely to result in improved SR (Harter, Schmidt, & Hayes, 2002). This mediation effect underscores the importance of fostering a committed workforce to achieve better sustainability outcomes.

HR Practices, EC, and SR

Previous research has indicated that HR practices can directly influence SR by fostering a culture of sustainability (Daily & Huang, 2001). However, the relationship between HR practices and SR is likely to be mediated by EC. When employees are committed to the organization, they are more likely to internalize and support its sustainability initiatives, leading to more comprehensive and accurate sustainability reporting (Jabbour, 2013).

- **Regulatory Compliance:** Indian firms are increasingly required to comply with sustainability reporting standards set by regulatory bodies like the Securities and Exchange Board of India (SEBI). Effective HR practices can help firms meet these requirements and enhance the quality of their reports (Kumar & Maheshwari, 2020).
- **Cultural Context:** Indian firms often face unique challenges related to sustainability and HR practices due to diverse cultural and regulatory environments. Tailoring HR practices to address these challenges can improve SR outcomes (Chaudhury & Choudhury, 2021).
- **Employee Engagement:** In the Indian corporate sector, fostering high levels of employee engagement and commitment is crucial for effective SR. HR practices that focus on engagement can help bridge the gap between regulatory compliance and genuine sustainability efforts (Sharma & Gupta, 2022).

Research Methodology

Research Design

This study employs a quantitative research design, using a survey methodology to gather data from HR professionals and employees in Indian publicly listed firms. The survey focused on three key areas: HR practices related to sustainability, levels of employee commitment, and the extent and quality of sustainability reporting.

Sampling and Data Collection

Data was collected from a sample of 300 HR professionals and employees across 50 Indian publicly listed firms. The firms were selected based on their active involvement in sustainability initiatives and reporting. A structured questionnaire was administered, which included Likert-scale items to measure HR practices, employee commitment, and sustainability reporting.

Findings

The analysis revealed several key findings:

1. Direct Relationship between HR Practices and SR:

HR practices were found to have a significant positive impact on sustainability reporting. Companies with robust HR strategies focused on sustainability demonstrated more comprehensive SR.

2. Mediating Role of Employee Commitment: Employee commitment was found to partially mediate the relationship between HR practices and SR. This indicates that while HR practices directly influence SR, their effectiveness is significantly enhanced when employees are committed to the organization's sustainability goals.

3. Significance of Specific HR Practices: Among the HR practices studied, training and development related to sustainability and employee engagement initiatives had the most significant impact on both EC and SR.

4. Influence of HR Practices on Employee Commitment: HR practices that emphasize sustainability have a direct positive effect on employee commitment. Firms with strong sustainability-focused HR practices, such as integrating sustainability into job descriptions and performance evaluations, see higher levels of employee commitment. Employees are more likely to be engaged and motivated when they perceive that their organization values sustainability and provides opportunities for involvement.

5. Impact of Employee Commitment on Sustainability Reporting Quality: Higher levels of employee commitment are associated with more transparent and detailed sustainability reporting. Committed employees are more likely to contribute to and support robust sustainability reporting efforts. This increased engagement can lead to more comprehensive and accurate reporting, as committed employees often take greater pride in showcasing their organization's sustainability achievements.

6. Role of Organizational Culture: A culture that prioritizes sustainability enhances the relationship between HR practices and sustainability reporting. Companies with a strong sustainability-oriented culture see a greater impact of HR practices on sustainability reporting. A supportive culture reinforces the effectiveness of HR practices by aligning organizational values with sustainability goals, which can further drive employee engagement and commitment.

Conclusion

This study highlights the critical role that HR practices play in driving sustainability reporting in Indian publicly listed firms. It also underscores the importance of employee

commitment as a mediator in this relationship. By fostering a committed workforce through strategic HR practices, companies can enhance their sustainability reporting, thereby meeting stakeholder expectations and regulatory requirements. The findings offer practical insights for HR professionals and corporate leaders looking to strengthen their sustainability initiatives. The literature review highlights the critical role of HR practices in influencing sustainability reporting and the mediating effect of employee commitment. Effective HR practices, when combined with high employee commitment, can enhance the quality and comprehensiveness of sustainability reports. This review provides a theoretical foundation for understanding these relationships and offers practical insights for Indian firms looking to improve their sustainability reporting through strategic HR interventions.

References

- [1] Cohen, E., Taylor, S., & Muller-Camen, M. (2012). HR's role in corporate social responsibility and sustainability. *Society for Human Resource Management*.
- [2] Daily, B. F., & Huang, S. C. (2001). Achieving sustainability through attention to human resource factors in environmental management. *International Journal of Operations & Production Management*, 21(12), 1539-1552.
- [3] Global Reporting Initiative. (2020). *GRI Standards*. Retrieved from <https://www.globalreporting.org/standards>
- [4] Guerici, M., & Pedrini, M. (2014). The role of the HR director in CSR practices: an analysis of the CSR-HR relationship. *Business Ethics: A European Review*, 23(2), 169-186.
- [5] Jackson, S. E., & Seo, J. (2010). The greening of strategic HRM scholarship. *Organization Management Journal*, 7(4), 278-290.
- [6] Jabbour, C. J. C. (2013). Environmental training and environmental management maturity of Brazilian companies with ISO14001: Empirical evidence. *Journal of Cleaner Production*, 96, 331-338.
- [7] Meyer, J. P., & Allen, N. J. (1991). A three-component conceptualization of organizational commitment. *Human Resource Management Review*, 1(1), 61-89.
- [8] Shen, J., & Benson, J. (2016). When CSR is a social norm: How socially responsible human resource management affects employee work behavior. *Journal of Management*, 42(6), 1723-1746.
- [9] Bamberger, P., & Meshoulam, I. (2000). *Human Resource Management: A Strategic Approach*. Sage Publications.

-
- [10] Cameron, K. S., & Quinn, R. E. (2011). *Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework*. Jossey-Bass.
- [11] Chaudhury, S., & Choudhury, S. (2021). *Sustainability Reporting in Emerging Markets: The Indian Experience*. Journal of Sustainable Finance & Investment.
- [12] Epstein, M. J., & Buhovac, A. R. (2014). *Making Sustainability Work: Best Practices in Managing and Measuring Corporate Social, Environmental, and Economic Impact*. Berrett-Koehler Publishers.
- [13] Gray, R. (2010). *Is accounting for sustainability actually accounting for sustainability... and how would we know? An exploration of narratives of organizations and the role of accounting*. Accounting, Organizations and Society, 35(1), 47-62.
- [14] Harter, J. K., Schmidt, F. L., & Hayes, T. L. (2002). *Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: A meta-analysis*. Journal of Applied Psychology, 87(2), 268-279.
- [15] Jackson, S. E., & Seo, J. (2010). *The role of human resource management in creating sustainable organizational performance*. In *The Oxford Handbook of Human Resource Management*. Oxford University Press.
- [16] Kumar, R., & Maheshwari, A. (2020). *Corporate Sustainability Reporting in India: Regulatory Challenges and Solutions*. International Journal of Corporate Social Responsibility, 5(1), 1-17.
- [17] Locke, E. A. (1976). *The Nature and Causes of Job Satisfaction*. In *Handbook of Industrial and Organizational Psychology*. Rand McNally.
- [18] Meyer, J. P., & Allen, N. J. (1991). *A Three-Component Conceptualization of Organizational Commitment*. Human Resource Management Review, 1(1), 61-89.
- [19] Searcy, C. (2012). *Sustainability Reporting and Performance Management*. In *The Handbook of Sustainability Literacy: Skills for a Changing World*. Green Books.
- [20] Sharma, P., & Gupta, V. (2022). *Employee Engagement and Commitment i*