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## Transforming Employee Competencies to Organization Performance through a Mediating Role of HRM Sustainability

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### ABSTRACT

In today's service-driven and dynamic business environment, organizational effectiveness depends entirely on how effectively they develop and manage their human resources. This study examines the interplay among employee competency and organizational performance, and HRM sustainability in the tourism industry of Pakistan. Data collected from 420 employees across the tourism industry show how employee competencies contribute to organizational performance. The result shows that the presence of HRM sustainability enhances employee involvement, improving work conditions, and provides long-term career development. HRM sustainability as a mediator highlights how employee competencies effectively improve organizational performance. Overall, this study shows the strategic importance of aligning human capital with sustainable practices of an organization to achieve a

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competitive edge. It also offers valuable insights to practitioners and policymakers to build high-performing and resilient approaches in an organization.

**Keywords:** Employee competencies, organizational performance, HRM sustainability, Pakistan, Tourism

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## INTRODUCTION

In this era of an emerging economy, the tourism industry is making a vital contribution to the development of the service sector, employment generation, and economic growth (Kushakova et al., 2025; Velasco-Muñoz et al., 2025). Tourism is multifaceted in its contribution to global development, providing economic benefits through investment and foreign exchange earnings, as well as supporting small and medium-sized enterprises (SMEs) (Lisboa et al., 2025; Maosul et al., 2025). The tourism industry is considered the largest economy in the world that creates employment opportunities and contributes a significant proportion to the GDP (Vásquez & Ceballos, 2020; Vásquez et al., 2025). Like other countries around the world, the government of Pakistan has recognized that tourism is a key socio-economic development sector, a means of preserving culture and heritage, and an important international engagement sector (Ahmad & Ma, 2022; Ahmed et al., 2024; Ullah et al., 2021). The country boasts varied landscapes ranging from mountain ranges and Mughal architecture to beaches and religious sites, with much potential for tourism growth that can be tapped into through domestic initiatives such as the rejuvenation of the Pakistan Tourism Development Corporation (PTDC) and inclusion of tourism in Vision 2025, as well as international attention on its rise in popularity as a tourist destination highlighted by global publications and travel influencers (Ali et al., 2026; Khan et al., 2022; Mazhar et al., 2025). Tourism is one of the most promising industries in Pakistan, playing an extraordinary role in economic development and job creation (Ashraf et al., 2025; Ashraf et al., 2024; Rehman et al., 2020). With its breathtaking natural scenery, rich cultural heritage, and historical sites, Pakistan attracts international tourism, contributing to the economic growth of the country. As it is the world's oldest civilization, the country has beautiful mountains, deserts, and coastal plains, which offer rich tourism opportunities (Friesen et al., 2022; ILIE, 2025; Moisă, 2024). In 2014, Pakistan received 965,000 international tourists, and by 2022, the international inbound receipts had reached USD 738.1 million, according to the (WTO) World Tourism Organization (Canton, 2021; Grandcourt, 2020). The total contribution of Travel & Tourism to Gross Domestic Product (GDP) was 9.1% in 2023, amounting to USD 9.90 trillion, which was set to grow to 10% in 2024, totaling USD 11.10 trillion. In Pakistan, the industry was expected to grow from 6% of GDP (PKR 5.59 trillion) in 2023 to 6.1% of GDP (PKR 5.91 trillion) in 2024, according to the Economic Impact Report 2024 (Ahmed et al., 2024; Arshad et al., 2018). South Asia is projected to maintain its lead as the rapidly growing region worldwide, with growths of 6.0% in 2024 and 6.1% in 2025, mainly due to India's performance and the recovering economies of Pakistan and Sri Lanka.

On the contrary, the region suffers from challenges such as weak job creation, falling private investment, rampant inflation, and climate change impacts (Javed & Shoaib, 2021; Shabbir et al., 2020). As business confidence increases, Pakistan's economy will keep improving with a growth of 2.3% in FY24/25, but may be constrained due to some underlying fundamental issues in the long run. Their numbers bring to light the importance of Pakistan's tourism contribution to the economy, especially towards the (GDP) growth and job opportunities, and also the possibility for future growth (CREȦU et al., 2023; Friesen et al., 2022; Klika et al., 2024).

Employee competency represents a series of different activities and skills that are highly valuable for individuals and groups to work properly (Gai et al., 2024; Kartika & Balahmar, 2025; Kartika et al., 2024). Self-competency, teamwork competency, and communication competency are some of the competencies required by employees of the tourism industry (Meemuk et al., 2024; Promnil et al., 2024). These competencies facilitate proper handling of tasks for internal customers, improvement in organizational service delivery, and organizational success, respectively (Budiarto & Kusumah; Meemuk et al., 2024; Rony et al., 2025). But inadequate resources have been allocated towards analyzing the relationship among these competencies and the organization's performance in the view of tourism in Pakistan (M. Alam et al., 2024; S. S. Alam et al., 2024; Khan et al., 2023; Tanveer). It is not simply about being prudent in dealing with people, but it is also about how to sustainably foster the values and assets of people in the workplace environment. This is because service delivery in the tourism industry depends on employee performance, and therefore, sustainable HRM can be used in the industry to improve its standards continuously (Ayaz Qaiser, 2024; Franzoni et al., 2021; Manzoor et al., 2019). Despite its strategic importance in all aspects, this industry continuously faces a lot of challenges regarding turnover, weak integration of HRM, professional development, and inconsistent service quality.

Mostly, prior studies focused on how employee competency and organizational performance are closely connected with each other. Although these studies acknowledge the significance of human capital but often ignore the process of organization that helps to transform competencies into quantifiable performance outcomes. There is a practical and theoretical gap in integrating the framework of connecting employee competency with HRM sustainability. Particularly, it is still unclear if employee competencies enhance organizational performance and how their impact is strengthened through HRM sustainability. To cover this gap, this study proposes and tests a mediation model in which HRM sustainability functions as a bridge that links employee competencies to organizational performance. Drawing upon the theory of sustainable HRM and the resource-based view, this research argues that employee competencies enhance organizational performance with the help of HRM sustainability.

## **LITERATURE REVIEW**

### **Theoretical Understanding**

To recognize the relationship between employee competencies and organizational performance through HRM sustainability requires grounding in organizational theories and established management. This research is supported by the Human Capital theory and Resource-Based View, which collectively explain how employee competencies help improve organizational performance.

### **Resource- Based View**

According to the resource-based view, an organization's competencies and internal resources are the primary sources of long-term competitive advantage. This contrasts with the positioning school's emphasis on external factors like industry structure and firm resources (Barney et al., 2001; Barney, 2001; Barney & Arian, 2005). Jay Barney's seminal 1991 paper was instrumental in forming this viewpoint (Brahma & Chakraborty, 2011; Madhani, 2009; Rau, 2013). The RBV seeks to explain how businesses can enhance their overall performance and obtain a competitive edge. The RBV holds that an organization's internal resources, including its knowledge and competencies as well as its tangible and intangible assets, are essential to its success (Chuang & Lin, 2017; Taher, 2011). According to Barney (1991), these resources, which include knowledge, technological resources, management competencies, capabilities, process resources, and asset resources, help improve organizational performance and provide a competitive advantage.

Supply chain management, marketing law, ethics, and economics are all integrated into RBV's multidisciplinary approach. Barney asserts that to offer a sustained competitive advantage, resources must satisfy the VRIN criteria, which are valuable, rare, unique, and non-substitutable. According to the theory, companies should develop distinctive core competencies to outperform rivals (Boxall, 1996; Legge, 1995). A different viewpoint on human resource management (HRM) at about the same time, making a distinction between soft and hard HRM. In the tourism industry, sustainable HRM, which emphasizes the strategic role of human capital in attaining long-term competitive advantage, is closely aligned with the Resource-Based View (RBV) theory. Developing valuable, rare, inimitable, and non-substitutable (VRIN) resources is a key component of RBV, which in the tourism industry translates to a highly qualified, flexible, and driven workforce. Sustainable human resource management (HRM) in the tourism industry promotes a resilient and engaged workforce that improves service quality and customer satisfaction by ensuring employee well-being, ongoing skill development, and ethical employment practices.

### **Human Capital Theory**

Human capital theory, initially formulated by (Becker, 1975; Rosen, 1976), argues that individual workers have a set of skills or abilities that they can improve or accumulate through training and education. Small business owners' knowledge and experience are the main focus of human capital theory, which highlights how these factors can help small businesses survive and succeed (Brüderl & Preisendörfer, 1998;

Brüderl et al., 1992). It views human capital as an important resource that increases output in a variety of ways. First, according to the theory, education is an investment in skills that boost productivity and performance (Li et al., 2026; Xomidjonov, 2026). According to growth accounting research, education improves a person's human capital, raising productivity and promoting general economic growth. The endogenous growth theory, which ties human capital to the creation of novel concepts and scientific discoveries that propel economic growth (Kaushal & Dwivedi, 2026; Masum et al., 2026). Research and development are encouraged by investments in human capital, which, in turn, increase physical capital and ultimately economic growth (Asteriou & Agiomirgianakis, 2001; Romer, 1990). Further supporting economic growth is the ongoing accumulation of knowledge, which can be achieved through intentional efforts (Romer, 1989; Thøgersen, 2019; Wigger, 2005), or experiential learning (Azariadis & Drazen, 1993). This increases labor and capital productivity.

In the tourism industry, sustainable human resource management entails promoting worker well-being, moral work practices, and ongoing professional growth. A resilient workforce that supports sustainability objectives can be created by organizations that prioritize skill development, commitment, and motivation (Afiouni, 2013; Hamadamin & Atan, 2019). Furthermore, (Hatch & Dyer, 2004) proposed that HRM strategies should incorporate previously disregarded elements like attitude and adaptability, particularly in sectors like hospitality, where excellent customer service and customer engagement are crucial (Arif, 2012). Incorporating human capital development into Sustainable HRM strategies can help Pakistan's tourism industry gain a competitive edge and secure long-term success in a global market that is changing quickly.

### **Employee Competency**

In the hospitality sector, employee competency is a key factor in determining both operational success and service excellence. Employees can meet industry demands, improve customer satisfaction, and support long-term organizational growth with a wide range of skills, abilities, and knowledge. Employee competency is essential to maintaining high service quality, effective operations, and competitive advantage in the dynamic and customer-focused hospitality industry (Rao et al., 2026; Wijayanti & Sari, 2023). Self-competency is one of the main components of employee competency; it includes motivation, emotional intelligence, and personal growth and enables workers to effectively handle challenges at work. In order to create a positive service environment, interpersonal competency focuses on developing relationships with coworkers and clients via active listening, empathy, and conflict resolution. In order to guarantee efficient operations and high customer satisfaction, teamwork competency places a strong emphasis on cooperation, coordination, and flexibility (Austin & Miyazaki, 2026; Basit et al., 2026).

### **HRM Sustainability**

Particularly in Pakistan's hospitality sector, sustainable human resource management (HRM) acts as a mediating factor in the relationship between employee

competencies and organizational performance. Decent Work, Workplace Democracy, and Sustainable Career Climate are its three main facets (Bibi et al., 2026). In addition to promoting employee motivation and lowering turnover, Decent Work guarantees fair wages, job security, safe working conditions, and work-life balance. In order to create an inclusive and motivated workforce, workplace democracy places a strong emphasis on diversity, open communication, transparency, and employee involvement in decision-making (Alzuman et al., 2026; Ullah et al., 2026). A sustainable career climate fosters lifelong learning, professional development, and mental health, which increases employee flexibility and dedication. Sustainable HRM acts as a mediator, enhancing the effects of employee competencies like communication, adaptability, and service improvisation by fostering an environment at work that encourages moral labor practices, career advancement, and employee empowerment (Leal-Solís et al., 2026; Shafik, 2026). Employee engagement, motivation, and commitment are increased when they have access to good working conditions, democratic participation, and career development opportunities. This enhances customer satisfaction, service quality, and overall organizational performance. Therefore, incorporating Sustainable HRM into the hospitality sector cultivates a resilient, high-performing, and sustainable workforce (Haeruddin et al., 2023; Shafik, 2026).

### **Organizational Performance**

A company's overall effectiveness in accomplishing its strategic goals is reflected in its organizational performance, which includes both financial and non-financial outcomes in the hospitality sector. A crucial component of financial performance is revenue growth, profitability, and return on investment, all of which impact an organization's capacity for growth and stability (Espino-Rodríguez & Ramírez-Fierro, 2018; Mai et al., 2023). Quality of service and customer satisfaction are equally important because long-term success is fueled by satisfied customers, a strong brand reputation, and repeat business. Because motivated and effective employees support improved service standards and operational excellence, employee performance and productivity are also very important (Galarza et al., 2023; Pushpakumara et al., 2019). Additionally, a company's ability to compete successfully in the ever-changing hospitality industry depends on its level of market competitiveness (Robaki et al., 2020). Through the development of employee competencies, improvement of service quality, and promotion of long-term sustainability, sustainable human resource management (HRM) practices further contribute to the performance of organizations (Sharifonnasabia et al., 2018). Organizations can achieve superior financial results, retain a devoted customer base, and establish a thriving, competitive presence in the industry by coordinating Sustainable HRM with business objectives (Lin & Lin, 2011; Tsai et al., 2015).

### **Hypothesis Development**

#### **Employee Competency and HRM Sustainability**

Employee competencies include behaviors, knowledge, skills, and abilities of employees that allow them to carry out their jobs efficiently (Mahmood et al., 2018;

Wijayanti & Sari, 2023). To provide excellent customer service and operational excellence in the hospitality sector, various competencies are crucial (Sabuhari et al., 2020). These include communication skills, teamwork, flexibility, and digital skills. HR policies and practices that consider environmental, social, and economic sustainability (Daniali et al., 2022; Ley & Albert, 2003). It gives importance to the well-being of employees, encourages diversity among employees, and also ensures ethical practices and green HRM. The assumption that competent employees incorporate sustainability into HR practices forms the base of the relationship between employee competency and HRM sustainability (Diaz-Fernandez et al., 2024; Otoo, 2019). Several important dimensions can be used to analyze how employee competency affects HRM sustainability. A competent workforce is more likely to be engaged and content with their work, which lowers absenteeism and turnover. For this reason, improving employee well-being and engagement is essential. A more HRM sustainability system is promoted by higher engagement since it guarantees long-term employee development and retention.

In the literature on Strategic HRM, the resource-based view (RBV) of the company serves as an essential framework for elucidating how human resources and HRM practices foster a sustainable competitive edge (Wright & McMahan, 1992; Wright et al., 1994). Organizations gain this edge by adopting value-oriented strategies that distinguish them from rivals and are challenging to imitate (Barney, 1991). As per RBV, an organization's achievement depends on obtaining and efficiently using essential resources. When resources are scarce, difficult to replicate, and not replaceable, they gain strategic importance, facilitating an enduring competitive advantage. (Barney, 1991). It is contended that human resources can be a source of enduring competitive edge, as long as employees have strong skills and motivation, creating a high-caliber workforce (Wright & McMahan, 1992). Additional studies reinforce the importance of HRM in maintaining a competitive edge through effective HRM practices that nurture and cultivate a talented workforce (Delery & Doty, 1996; Huselid, 1995; Huselid et al., 1997; Lado & Wilson, 1994; Wright et al., 1994). Although (Wright et al., 1994) propose that various HRM practices can be replicated or replaced, thereby reducing their potential for long-lasting competitive edge. Lado and Wilson (1994) dispute this assertion. They contend that HRM practices tend to be distinct for each organization, influenced by its particular context, making them difficult to transfer. This viewpoint is commonly endorsed in contemporary Strategic HRM literature (Wright et al., 2001). Consequently, human resources and their proficient management serve as vital sources of competitive advantage, highlighting the necessity for organizations to attract, nurture, and retain a top-tier workforce (App et al., 2012).

H<sub>i</sub>: Employee competencies have a significant and positive effect on HRM sustainability.

### **HRM Sustainability and Organizational Performance**

Multiple definitions of HRM sustainability have emerged as a result of the concept's increased significance in organizations (Aust et al., 2024; Bratton & Paulet,

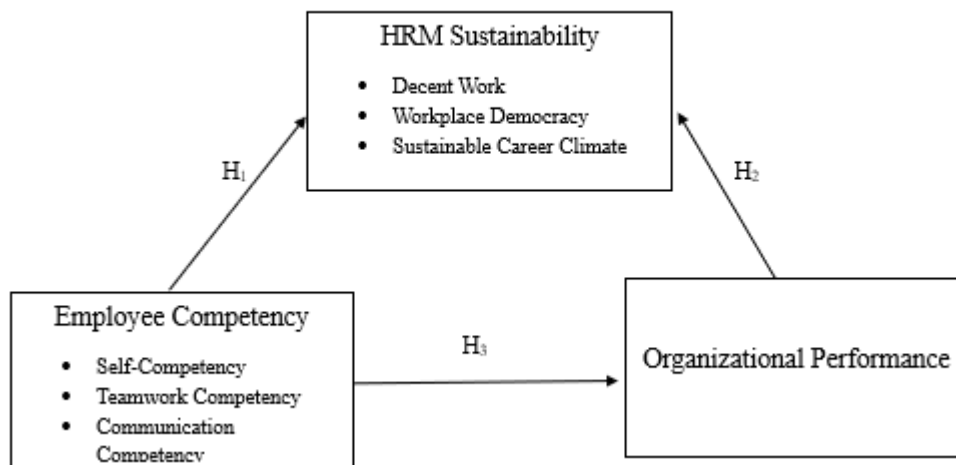
2022). According to the most widely recognized organizations, they should incorporate economic, environmental, and social goals in their human resource practices (De Prins et al., 2014; Jackson et al., 2011). In addition, HRM sustainability is also defined as the application of HR strategies and practices that support the financial, social, and environmental goals (Ehnert, 2009; Ehnert et al., 2013). Thus, HRM sustainability is substituted with strategic HRM, thus incorporating the social and ecological goals in addition to financial goals (Aust et al., 2018; Susomrith, 2020). Furthermore, it is acknowledged as a win-win strategy that is consistent with the common values of profit, people, and the environment (Lawter & Garnjost, 2025; Nakra & Kashyap, 2025).

H<sub>2</sub>: HRM sustainability has a significant and positive effect on organizational performance.

### **Employee Competency and Organizational Performance**

Employee competency is a key factor that helps to determine both operational success and service excellence in the tourism industry. Industry demands can be met, customer satisfaction can be improved, and long-term organizational growth can be supported if employees possess various skills, abilities, and knowledge (Kharub et al., 2025; Wibowo & Sutianingsih, 2025). Organizational performance or organizational effectiveness represents the measurable evaluation of an organization's achievements. This means the extent to which a firm is performing its planned goals and objectives or organizational targets. Organizational performance is defined as the measurement of an organization's achievement of its set goals and objectives (Koohang et al., 2017). Past research has attempted to capture the essence of organizational performance via detailed financial and marketing dimensions analyses. Such a perspective has many indicators, including return on investment/asset, sales profit margin, market share, growth, and overall profit (Mozaheb et al., 2015; Ullah et al., 2020). The hospitality industry is customer-focused and competitive. Therefore, employee competency is considered essential for quality service and effective operations. One of the main components of employee competency is self-competency. In a market that is becoming more and more competitive, hospitality companies can attain long-term sustainability, operational efficiency, and superior service quality by developing a workforce skilled in these areas (Mohamed et al., 2025; Mollah et al., 2025). Employee effectiveness is built on these competencies, which have a direct impact on organizational performance and HRM sustainability. In a highly competitive industry, hospitality companies can improve service quality, operational effectiveness, and long-term sustainability by developing a workforce with these competencies.

H<sub>3</sub>: Employee competencies have a significant and positive effect on organizational performance.



### Conceptual Framework

## METHODOLOGY

This study empirically examines the relationship between employee competencies, HRM sustainability, and organizational performance. Quantitative research by using a cross-sectional survey design is adopted in this study. Quantitative techniques are used to test the hypothesis relationship among variables. It also employs the deductive approach in which hypotheses are derived from theory and empirically tested.

### Sample and data collection

The population consists of the employees who are working in the tourism industry. 420 respondents are selected for this study to ensure reliable estimates and high statistical power that is required for SEM structural equation modeling. The stratified sampling technique was used to ensure the representation across different job roles and sub-sectors.

Data was collected through a structured questionnaire, which was distributed among the employees who work in the tourism industry. Questionnaire is distributed by using a mixed-method approach in which online surveys, like Google Forms, and paper-based surveys in which physically questionnaire are distributed in Pakistan's tourism industry. All constructs of the questionnaire are measured by using a 5-point Likert scale from strongly disagree to strongly agree.

### Results and Discussion

For preliminary analysis, SPSS was used, and after that, smart PLS was used for further analysis and for structural equation modeling.

**Table 1. Demographic Profile of Respondents**

Category	Group	Frequency	Percentage (%)
Gender	Male	350	83.3%
	Female	70	16.7%
Age	18–25 years	120	28.6%

Category	Group	Frequency	Percentage (%)
<b>Education</b>	26–35 years	180	42.9%
	36–45 years	80	19.0%
	46+ years	40	9.5%
	Diploma	90	21.4%
	Bachelor's Degree	200	47.6%
	Master's Degree	110	26.2%
	PhD	20	4.8%
<b>Experience</b>	0–2 years	130	31.0%
	3–5 years	150	35.7%
	6–10 years	90	21.4%
	10+ years	50	11.9%

The demographic analysis shows that 83.3% are male and only 16.7% are female, which indicates that the contribution of males is higher compared to females in this field. Regarding age, the majority were between 26 and 35 years, almost 42.9%. 28.6% were 18 to 25 years, 19.0% were 36-45 years, and only 9.5% were 46 years and above. In terms of education, 47.6% hold bachelor's degree, 26.2% holds master's degree, 21.4% holds diploma regarding tourism industry and only 4.8% holds PhD degree. Regarding experience 35.7% had 3-5 years' experience, 21.4% had 6 to 10 years' experience and only 11.9% had 10 years and more than 10 years' experience. Overall, this table represents the demographic characteristics of respondents.

**Table 2. Validity & reliability analysis**

Construct validity & reliability	Cronbach's alpha	Composite reliability (rhoa)	Average variance extracted (AVE)
Communication Competency	0.895	0.896	0.761
Decent Work	0.886	0.886	0.745
HRM Sustainability	0.952	0.953	0.678
Organizational Performance	0.854	0.854	0.635
Self -Competency	0.881	0.883	0.808
Sustainable Career Climate	0.853	0.853	0.773

<b>Teamwork Competency</b>	0.865	0.865	0.787
<b>Workplace Democracy</b>	0.892	0.892	0.755

The measurement model was evaluated to measure the reliability and validity of the constructs used in the study. In particular, the internal consistency reliability and convergent validity were tested with the help of Cronbach's alpha, composite reliability (rho-a), and average variance extracted (AVE). The first measure of internal consistency reliability was Cronbach's alpha. The findings show that the constructs all have values above the desired level of 0.70, which shows good reliability. The coefficient values were between 0.853 and 0.952, implying that there was a high degree of internal consistency between the measurement items. Moreover, composite reliability (rho-a) was employed as a more reliable measure of reliability. All constructs had composite reliability values greater than the suggested cutoff value of 0.70, with scores between 0.853 and 0.953. This once again supports the constructs being reliably measured and without a significant measurement error. The average variance extracted (AVE) was used as a measure of convergent validity. The value of AVE of all constructs exceeded the acceptable level of 0.50 (0.635-0.808). The results reveal that each construct accounts for more than fifty percent of the variance of its indicators, thus supporting the presence of sufficient convergent validity.

**Table 3. R-square**

	<b>R-square</b>	<b>R-square adjusted</b>
<b>HRM Sustainability</b>	0.794	0.793
<b>Organizational Performance</b>	0.779	0.777

The coefficient of determination ( $R^2$ ) was used to evaluate the strength of the model by looking at the explanatory power of the model. The findings point to the fact that the value of HRM sustainability  $R^2$  is 0.794 (adjusted  $R^2= 0.793$ ), indicating that the predictor variables explain about 79.4 percent of the variation in HRM Sustainability. In the same way, Organizational Performance exhibits an  $R^2= 0.779$  (adjusted  $R^2= 0.777$ ), which implies that the model explains 77.9 percent of its variance. As per the standard, one can regard these  $R^2$  as significant, and this means that there is a high degree of explanatory power. Moreover, the fact that the difference between  $R^2$  and adjusted  $R^2$  values is small proves that the used model is well-fitted and suffers no serious overfitting problems. In general, the results imply that the structural model is highly predictive.

**Table 4. F-square**

<b>F-square</b>	<b>HRM Sustainability</b>	<b>Organizational Performance</b>
<b>Communication Competency</b>	0.123	0.015
<b>Decent Work</b>		
<b>HRM Sustainability</b>		0.160
<b>Organizational Performance</b>		

<b>Self-Competency</b>	0.068	0.042
<b>Sustainable Career Climate</b>		
<b>Teamwork Competency</b>	0.088	0.021
<b>Workplace Democracy</b>		

The effect size ( $f^2$ ) was determined in order to determine the contribution of each exogenous construct to the endogenous variables. Following the guidelines, an  $f^2$  of 0.02, 0.15, and 0.35 represents small, medium, and large effects, respectively. In the case of HRM Sustainability, the effect of Communication Competency ( $f^2 = 0.123$ ) was small to medium, whereas Self Competency ( $f^2 = 0.068$ ) and Teamwork Competency ( $f^2 = 0.088$ ) had a small effect. These findings indicate that the three constructs have a small effect on HRM Sustainability, although each of them has a significant impact. As far as Organizational Performance is concerned, the effect of HRM Sustainability was medium ( $f^2 = 0.160$ ), which means that it is one of the significant predictors of Organizational Performance. Conversely, there was an insignificant effect of the Communication Competency ( $f^2 = 0.015$ ), whereas Self Competency ( $f^2 = 0.042$ ) and Teamwork Competency ( $f^2 = 0.021$ ) showed minor effects. On the whole, the results show that HRM Sustainability is the variable that has the most significant impact on Organizational Performance, though the influence of other predictors on it is rather low (which could still imply the existence of indirect relationships in the model).

**Table 5. Collinearity Analysis**

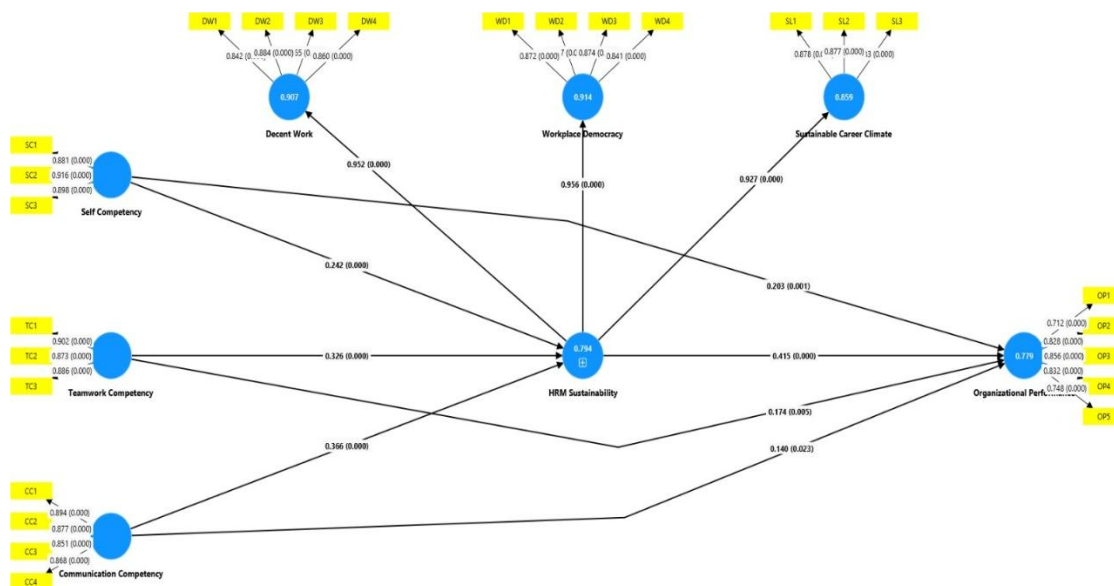
<b>Collinearity Statistics (VIF)</b>	<b>HRM Sustainability</b>	<b>Organizational Performance</b>
<b>Communication Competency</b>	2.315	3.967
<b>HRM Sustainability</b>		4.866
<b>Self-Competency</b>	4.187	4.471
<b>Teamwork Competency</b>	2.903	3.420

Variance Inflation Factor (VIF) was used to measure collinearity between predictor constructs. The outcomes show that all VIFs are below the suggested 5.0 level and within the recommended range, which implies the absence of severe multicollinearity. In the case of HRM sustainability, the VIF values include 2.315-4.187, indicating an acceptable degree of collinearity among the predictors. Likewise, in the case of organizational performance, VIF values were between 3.420 and 4.866. The VIF of HRM sustainability (4.866) is quite high, but nonetheless, it is still within acceptable boundaries. In general, these results indicate that multicollinearity is not a major issue in the model, and predictor constructs do not show too high a correlation and may bias the estimation of path coefficients.

**Table 6. Fornell-Larcker**

	CC	DW	OP	SC	SCC	TC	WD
<b>Communication Competency</b>	0.873						
<b>Decent Work</b>	0.807	0.863					
<b>Organizational Performance</b>	0.821	0.810	0.797				
<b>Self-Competency</b>	0.838	0.775	0.713	0.899			
<b>Sustainable Career Climate</b>	0.797	0.827	0.782	0.788	0.879		
<b>Teamwork Competency</b>	0.858	0.796	0.729	0.856	0.799	0.887	
<b>Workplace Democracy</b>	0.831	0.862	0.744	0.789	0.835	0.838	0.869

The Fornell-Larcker criterion was used to determine discriminant validity, where the square root of the average variance extracted (AVE) of each construct should be bigger than the correlation of the construct with other constructs. The results show that, for most constructs, the square root of AVE is greater than the inter-construct correlations, indicating acceptable discriminant validity. Nevertheless, there were certain concerns that were observed. And in specific terms, the organizational performance did not meet the Fornell-Larcker criterion, with its square root of AVE (0.797) being less than the correlation with Communication Competency (0.821). Moreover, there were very high correlations of decent work and workplace democracy (0.862), almost equal to their square roots of AVE, indicating possible overlap of constructs. The same borderline concerns were noted with teamwork competency and sustainable career climate. The results suggest that even though there is overall support of discriminant validity, some constructs might portray conceptual similarity.



The structural model was tested based on the path coefficients ( $\beta$ ), their significance values, and the power of explanation ( $R^2$ ) made by the endogenous constructs. The findings show that there are many predictors that have a significant impact on HRM sustainability. Specifically, workplace democracy ( $\beta = 0.956$ ,  $p <$

0.001), decent work ( $\beta = 0.952, p < 0.001$ ), and sustainable career climate ( $\beta = 0.927, p < 0.001$ ) exhibit very strong positive effects on HRM sustainability. Furthermore, there are other significant positive relationships, with communication competency ( $\beta = 0.366, p < 0.001$ ), teamwork competency ( $\beta = 0.326, p < 0.001$ ), and self-competency ( $\beta = 0.242, p < 0.001$ ), having a relatively smaller effect size. HRM sustainability demonstrates a significant and positive impact in terms of the organizational performance ( $\beta = 0.415, p < 0.001$ ), which explains the core of the model. Besides, self-competency (0.203,  $p = .001$ ), teamwork competency (0.174,  $p = .005$ ), and communication competency (0.140,  $p = .023$ ) also exert strong, but smaller, direct influence on organizational performance. The findings indicate that HRM sustainability is an important mediating variable between the organizational practices and individual competencies, and organizational performance. The high impact of workplace democracy, decent work, and sustainable career climate on HRM sustainability shows the significance of institutional and organizational factors on the improvement of sustainable, responsible HRM practices.

**Table 6. Path Coefficients**

Path Coefficients	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
Communication Competency -> HRM Sustainability	0.366	0.365	0.061	5.963	0.000
Communication Competency -> Organizational Performance	0.140	0.140	0.062	2.276	0.023
HRM Sustainability -> Organizational Performance	0.415	0.415	0.067	6.225	0.000
Self-Competency -> HRM Sustainability	0.242	0.242	0.053	4.559	0.000
Self-Competency -> Organizational Performance	0.203	0.202	0.063	3.242	0.001
Teamwork Competency -> HRM Sustainability	0.326	0.327	0.057	5.757	0.000
Teamwork Competency -> Organizational Performance	0.174	0.175	0.063	2.784	0.005

The structural model was evaluated because the results of the path coefficients, t-statistics, and p-values of bootstrapping were measured. According to the results, all the proposed relationships are positive and statistically significant. Communication competency has a significant positive effect on HRM sustainability ( $\beta = 0.366, t =$

5.963,  $p < 0.001$ ) and organizational performance ( $\beta = 0.140$ ,  $t = 2.276$ ,  $p = 0.023$ ). Similarly, self-competency significantly influences HRM sustainability ( $\beta = 0.242$ ,  $t = 4.559$ ,  $p < 0.001$ ) and organizational performance ( $\beta = 0.203$ ,  $t = 3.242$ ,  $p = 0.001$ ). The teamwork competency also shows great positive influences on HRM sustainability ( $\beta = 0.326$ ,  $t = 5.757$ ,  $p = 0.001$ ) and organizational performance ( $\beta = 0.174$ ,  $t = 2.784$ ,  $p = 0.005$ ). Moreover, HRM sustainability very strongly influences the organizational performance ( $\beta = 0.415$ ,  $t = 6.225$ ,  $p = 0.001$ ), which underlines that it can be considered the core of the model. On the whole, all relationships suggested by way of hypotheses are corroborated, which means that individual competencies and HRM sustainability are instrumental in improving the organizational performance.

**Table 7. Indirect Effects**

Specific Indirect Effects	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
Communication Competency -> HRM Sustainability -> Organizational Performance	0.152	0.1	0.037	4.146	0.000
Self-Competency -> HRM Sustainability -> Organizational Performance	0.100	0.1	0.028	3.607	0.001
Teamwork Competency -> HRM Sustainability -> Organizational Performance	0.135	0.1	0.031	4.344	0.000

Mediating effects of HRM sustainability were evaluated through the evaluation of the specific indirect effects with the help of bootstrapping procedures. The findings suggest the existence of all indirect relationships, which are positive and statistically significant. The direct impact of the communication competency on the performance of the organization (given by HRM sustainability) is substantial ( $\beta = 0.152$ ,  $t = 4.146$ ,  $p = 0.001$ ). Likewise, Self-Competency exhibits a substantial indirect influence ( $\beta = 0.100$ ,  $t = 3.607$ ,  $p < 0.001$ ), as well as teamwork competency does (this is indirect) (a significant influence via HRM sustainability: 135 (4.344)  $p < 0.001$ ). Given that both the direct and indirect impacts are abundant, the findings prove that HRM sustainability also plays a partial mediation role in the connection between competencies and organizational performance. This implies that competencies not only directly affect performance but also indirectly improve performance through creating HRM Sustainability. Altogether, these results indicate the significant role of HRM sustainability as an important process by which individual competencies can lead to enhanced organizational performance.

## DISCUSSION

The finding reveals that there is a strong relationship among variables within the tourism industry. The significant influence of employee competency regarding skills,

communication, and teamwork influences HRM sustainability and organizational performance. Moreover, the practices of HRM sustainability, such as decent work, sustainable career development, and workplace democracy, contribute to employee satisfaction, service quality, and improved efficiency. Importantly, the mediation analysis confirms that HRM sustainability works as a key mechanism that enhances organizational performance through employee competency. The findings of this study enhance the existing literature and reinforce the idea that organizations should invest in both employee competencies and the practices of HRM sustainability that will help in achieving competitive advantage and long-term performance.

## **CONCLUSION**

This study highlights the significant contributions of employee competencies and HRM sustainability to improving organizational performance in Pakistan's tourism industry. The results indicate that employee competencies not only relate to improving performance, but it also helps in implementing sustainable HRM practices in an organization. HRM sustainability as mediator underscores that creating a supportive work environment in an organization characterized by employee involvement, fair practices, and long-term career development. The findings of this study suggest that a holistic approach is needed, with investment in both sustainable human resource strategies and skill development in the tourism industry. In the tourism industry, for maintaining a competitive edge and improving organizational effectiveness, there is a need to work on the alignment of human capital with sustainable HRM practices.

### **Limitations**

This study adopts a cross-sectional research design, which may limit its ability to establish causal relationships among employee competencies, HRM sustainability, and organizational performance. Future researchers should employ longitudinal research to capture the change over time in this sector. On the other hand, data is only collected from the tourism industry of Pakistan, which may limit its generalizability in the context of other geographical areas. This study also relied on self-reported data, which may be subject to social desirability and common method bias. There is a need to take measures to ensure anonymity. Future researchers can also focus on the other potential factors, like leadership style, organizational culture, and environmental conditions, which may affect the performance of an organization. Researchers can also use a qualitative or mixed method approach to gain richer information.

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