

## A Multidisciplinary Examination of the Relationship Between Human Resource Practices, Customer Relationship Management, and Financial Sustainability in Service Sector Organizations

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### ABSTRACT

The service sector demands a more sophisticated human resource management (HRM) approach and relationship management (CRM) techniques for significant organizational performance and financial stability in the long run. This study proposes multi-disciplinary study that examines the relationship between HR practices, the effectiveness of CRM and financial sustainability in organizations operating in service sector. The main purpose of the research is to examine the relationship between strategic HRM practices and customer relationship management; and the relationship between strategic HRM practices and integration of HRM and CRM processes in achieving sustainable financial performance. The study is conducted by a qualitative research methodology and concepts based study using secondary data which is obtained from open access academic sources, peer reviewed journals and HRM, CRM, sustainability management related organizational studies.

The results of the study have shown that HR practices like employee training, employee performance management, employee engagement, and leadership development have a significant effect on quality of service, employee productivity and customer oriented behaviour. The study also shows that the effectiveness of the CRM is largely dependent on the competence of employees, the corporate culture and the level of service delivery. It was perceived as an important factor in service organizations for customer satisfaction and customer loyalty to contribute to long-term financial sustainability. Another major finding of the study is the positive relationship between HRM and CRM strategies and other three outcomes: organizational resilience, customer retention, and competitive advantage.

It is concluded that financial sustainability in service sector organisations is not possible with the adoption of short-term profit oriented strategies. Rather, a sustainable organizational growth needs integrated management methods in which Workforce Development, Customer Relationship Management (CRM), and Strategic Adaptability are integrated. The study has made a significant contribution to the current literature by establishing a multi-disciplinary link between the management of employees, customer satisfaction and financial sustainability of modern service organizations. The study also proposes and conceptually validates five research hypotheses linking HRM practices, CRM effectiveness, customer satisfaction, and financial sustainability..

**Keywords** *Human Resource Management, Customer Relationship Management, Financial Sustainability, Service Sector Organizations, Employee Engagement, Customer Satisfaction, Organizational Performance*

### INTRODUCTION:

The service sector has emerged as one of the most important sectors in the world in terms of economic development, employment creation and organizational development. In today's competitive service landscape, the satisfaction of customers and employee productivity, the pace of technological development and financial sustainability all play a part in long-term success. In this context there is a growing understanding of the strategic value of embedding human resource management (HRM)

practices in customer relationship management (CRM) systems to realise sustainable organizational performance. Like the internal power of service organizations, HR is a source of power, and external is customer, a source of survival and profit. The achievement of effective coordination of these two has thus become a focus of academic and managerial attention.

Human resource practices have a crucial part to play in influencing employee behaviour, motivation, job satisfaction and service quality. HRM practices, like employee training, performance management systems,

compensation systems, employee engagement, and talent development directly affect the productivity and competitiveness of an organization. Boxall and Purcell (2011) argue that strategic human resource management is a major factor in improving organizational effectiveness, as it links employees' capabilities with the organization's goals. Likewise, Vlachos (2008) stated that good HRM practices lead to better organizational performance because of better levels of employee commitment and operational efficiency. In service based organizations where customer interaction is primarily dependent upon the behaviour of employees, HR practices become even more important because the behaviour of employees directly affects customer experience and their impression on the organization.

Meanwhile, business CRM has become one of the crucial business strategies for achieving customer satisfaction, loyalty, retention and profitability. CRM is a systematic approach to handling customer interactions, information and the service delivery processes in order to maximise the value of the customer over time. Customer Relationship Management (CRM) systems are becoming more essential for service companies, which use them to customize customer experiences, enhance communication, and boost customer engagement. But this success of CRM programs is largely reliant on the ability of the employees and the culture of the organization. In service companies, HRM and CRM are closely related because of the vital role of employees in the organization's relationship with customers.

The concept of the service-profit chain theory offers a way of comprehending the link between HR practices and CRM. The service-profit chain theory helps to explain the connection between HR practices and CRM, suggesting that satisfied and motivated employees can deliver better service to customers, which can lead to increased customer satisfaction and financial success. Chand and Katou (2007) noted that HRM practices play a significant role in the performance of the organization in the service industries by enhancing the quality of the service and customer satisfaction. Similarly, Rasool et al. (2019) noted that involvement of strategic HRM practices in sustainable organizational performance can be explained by the influence of these practices on the productivity, innovation, and customer-oriented behavior of employees in the organization. The results show that HRM and CRM cannot be isolated from each other, but should be regarded as strategic components that have a different but complementary contribution to the sustainability of the business.

In today's competitive and volatile business landscape, financial sustainability has emerged as a critical issue for service organizations as they strive to meet evolving customer demands and navigate technological changes. In a business environment with growing competition, economic instability, shifting customer needs, and technological disruption, financial sustainability is an important concern for modern service organizations. Financial sustainability is a business's capacity to stay profitable and stable over the long run, manage its resources, and build relationships with its stakeholders effectively. Profit maximization alone is not enough to

drive sustainable financial performance; organizations need to develop competent internal resources and customer-oriented approaches that will be conducive to long-term value creation. Organizations need dynamic capabilities to maintain their competitive advantage in a turbulent business environment (Teece 2007). HR practices, when combined with CRM strategies, help in achieving these capabilities by enhancing employee skills, customer satisfaction, and flexibility.

In addition, sustainable human resource management (HRM) has recently evolved from administrative tasks to a wider focus on organizational sustainability. Sustainable HRM is a balance among economic performance, employee well-being, social responsibility, and organization's long-term sustainability. In the opinion of Stankevičiūtė and Savanevičienė (2018) the concept of sustainable HRM combines human-oriented HRM approaches with long-term HRM goals of a company for long-term development. In a similar fashion, Bombiak and Marciniuk-Kluska (2018) asserted the benefits of sustainable HRM for organization sustainability through increased employee engagement, innovation, and responsible business activities. The advancements underscore the increasing significance of HRM + CRM + financial sustainability approaches.

Although there is ample literature on HRM, CRM and sustainability separately, there is limited literature that has analyzed the intersection between the three elements in service sector organizations. Current research is largely limited to individual organizational processes and not strategic approaches. Hence, the objective of this study is to get a multi-disciplinary analysis of the impact of HR practices on customer relationship management and their contribution to the financial sustainability of service organizations.

The main aims of this study include the investigation of HR practices in improving the effectiveness of CRM, the study of the role of CRM in achieving financial sustainability and the study of the integrated HRM and CRM practices in improving organizational performance in the service sector. The study uses a conceptual and analytical methodology using previous academic articles and theories to gain a fuller understanding of these interrelationships.

This research builds on previous research and focuses on the importance of integrating employee management and customer management as a basis for sustainable organizational success. The results of the study can guide HRM and CRM managers, policy makers and researchers to the significance of synchronizing HRM and CRM to ensure financial sustainability in the long run in the increasingly competitive service sector.

## **2. Literature Review**

### **2.1 Concept of Human Resource Management in Service Organizations**

HRM has gone past being a management activity to playing an important role in the strategic role of the organization, and contributing to the competitive advantage and long-term organizational sustainability. The job of the employee is one of the most important

organizational resources in a service organization as the quality of service is largely dependent on the competence of the employee, communication skills and customer oriented behavior of the employee. While manufacturing industries are heavily machine driven, service industries, on the other hand, are more heavily dependent on human interaction for creating value for customers. This means that HR activities have a direct impact on customer experiences, reputation, and financial performance.

Human Resource Management emphasizes linking the HR with the organizational goals, and includes activities like recruiting, training, performance appraisals, compensation management, and employee engagement. Enabling organizations to perform sustainably is a direct result of the incorporation of HR strategies into the broader business strategy as described by Boxall and Purcell (2011). By strengthening employee motivation, decreasing turnover and boosting the quality of service, efficient HR practices help boost organizational competitiveness.

Multiple studies have shown that HR practices and organizational performance are correlated positively.

Youndt et al. (1996) concluded that human resource systems play an important role in the operational efficiency, and the performance of a firm, from the perspective of skill building and employee empowerment. Likewise, Vlachos (2008) found that successful HRM efforts have a positive effect on organizational effectiveness, commitment of the employees and productivity. These benefits are especially relevant in the service sector since the attitudes and actions of the employees directly impact on the customer's view of service quality.

Recent HRM research has also shown the significance of employee satisfaction and engagement in attaining organizational success. With proper training, recognition, and career growth opportunities, employees will be more likely to have positive attitudes in the workplace and better customer service. Chand & Katou, (2007) suggested that HR functions like training of employees, performance assessment have significant impacts on the improvement of the organizational performance in the hotel industry by enhancing employee efficiency and the quality of service provided.

**Table 1: Major Human Resource Practices and Their Organizational Impact**

| HR Practice                       | Description   | Impact on Employees                               | Impact on Organizational Performance                |
|-----------------------------------|---|---|---|
| Employee Training and Development | Programs designed to improve employee skills and knowledge                | Enhances competence, confidence, and productivity | Improves service quality and operational efficiency |
| Performance Management            | Evaluation of employee performance against organizational goals           | Increases accountability and motivation           | Enhances organizational productivity                |
| Compensation and Reward Systems   | Financial and non-financial incentives for employees                      | Improves job satisfaction and commitment          | Reduces turnover and increases performance          |
| Employee Engagement               | Involvement of employees in organizational activities and decision-making | Strengthens morale and organizational loyalty     | Promotes customer-oriented behavior                 |
| Leadership Development            | Training future leaders and managers                                      | Improves communication and team coordination      | Supports long-term organizational growth            |
| Work-Life Balance Practices       | Policies supporting employee well-being and flexibility                   | Reduces stress and burnout                        | Increases workforce stability and sustainability    |

## 2.2 Customer Relationship Management and Organizational Performance

Customer Relationship Management is the strategic approach of customer management to enhance customer satisfaction, customer loyalty, customer retention and long term profitability. CRM integrates the technological components, data analysis of customers, communication strategies and processes of how the service is managed to build effective and lasting relationships with customers. For service sector firms, positive relationships with customers are especially vital because customer

experiences can directly affect repeat business, brand reputation and financial results.

Digital technologies and data analytics have revolutionized CRM, making it a very strategic tool for an organization. The modern CRM systems allow organizations to gather customer data, know what customers like, customize the services and respond better to the market fluctuations. Good CRM can help build customer trust and boost customer lifetime value, leading to organizational growth and sustainability.

But, the success of CRM hinges on employee attitudes and habits and organizational culture. Employees have the

responsibility of providing services, responding to customers' complaints and communicating with customers. Thus, CRM cannot be implemented simply with technological systems – employees need to be committed, trained and attitude towards customers. This relationship is a strong interdependence between HRM and CRM in a Service Organisation.

Research on organizations has revealed that customer satisfaction and loyalty are significant factors in financial success. Customers are more likely to stay loyal, better profitable, and more competitive when organizations have good customer relations. Wang and Ahmed (2007) say that organizations need to be adaptive in order to be competitive in the changing business landscape in the long term. CRM systems can help with these features by helping organizations meet customer needs and adjust to market changes quickly.

### 2.3 Relationship Between HR Practices and CRM

HR practices and CRM is a trend that has become a topic of interest in organizational management literature. HRM and CRM are inter-dependent organizational functions as HRM is closely involved with the employees which is directly associated with the development of customer relationship. Service employees must have direct contact with customers and therefore have an impact on customer perception, service experiences and satisfaction. Therefore, organizations need to have appropriate HR support systems or programs to be able to successfully implement CRM strategies.

Employee Training is one of the most critical HR practices which can affect the success of CRM. The staff need to have communication skills, knowledge of processes, emotional intelligence and problem solving capability to work with customers effectively. Employees get training programs to know the expectations of the customers and to make the quality of service delivery better. Chand and Katou (2007) highlighted that in service organizations employee training and development can be a very important factor to improve the customer satisfaction.

Performance management systems also help with the effectiveness of CRM by helping to foster customer-focused attitudes on the part of employees. Organisations are likely to integrate customer satisfaction measures into their employee assessment programmes as an incentive to work harder at providing service. Compensation and reward systems will also help achieve the objectives of CRM as it will motivate the staff to focus on the needs of customers and ensure positive interactions with them.

Another relationship between HRM and CRM is organizational culture. Customer focused organizational culture promotes staff members' efforts to deliver the best possible service and satisfaction. HR departments are integral to building such cultures, with their leadership development programs, employee engagement efforts, and organizational communication strategies making a significant impact. According to Rasool et al. (2019), strategic HRM practices help build up the sustainable organizational performance through innovation, team work and customer orientation.

### 2.4 Financial Sustainability in Service Sector Organizations

Financial sustainability means ensuring the ability to remain financially stable, profitable and growing in the long-term and to enable an organization to effectively deal with economic, social and organizational challenges. For service-based businesses, the key factors for financial sustainability are employee performance, customer retention, service quality, and adaptability. Sustainable financial management is different from short-term profit-driven business strategies, which focus on long-term value creation and resource optimization.

Today's organizations are under greater stress to deliver sustainable performance in the face of economic uncertainty, technological disruption and globalisation and evolving customer expectations. Thus, organisations are moving towards holistic management strategies, which involve employee empowerment, customer satisfaction, and business innovation. In the context of a fast-changing business landscape, Teece (2007) claimed that the organization needs to develop dynamic capabilities to gain sustainable competitive advantage. Together HRM and CRM play a role in these capabilities by enhancing the competence of the workforce and engagement of customers.

Sustainable HRM is becoming an important framework for achieving an organisation's long term resilience. Sustainable HR practices are aimed at balancing the well-being of employees, the productivity of the organization, and social responsibility. Stankevičiūtė and Savanevičienė (2018) noted that sustainable HRM is a way of helping organizations to grow and develop through increasing employee involvement, ethical management practices and providing long-term stability. Likewise, Bombiak and Marciniuk-Kluska (2018) pointed out that sustainable HR practices foster innovation, employee commitment and responsible organizational conduct that all help to achieve overall sustainability.

Customer loyalty and retention are also key factors in financial sustainability. Stable revenue flows, lower marketing expenditures, and enhanced reputation of the organization are the benefits of loyal customers. By fostering customer trust and enhancing the value of each customer, CRM systems contribute to the long-term financial success of an organization.

### 2.5 Research Gap

There is a wealth of literature already available discussing HRM practices, CRM systems and organizational sustainability separately. A number of studies have analysed the HR practices-organization performance relationship; similarly, there are many studies on customer satisfaction and effectiveness of CRM. But, there is a lack of significant studies that have captured the interdependency and integration between HR practices, CRM and financial sustainability of organizations in the service sector.

Most earlier research focuses either on employee management or customer management, without considering the interaction between employee and customer management and its impact on long-term

financial sustainability. Moreover, there has been limited multi-disciplinary research that investigated the role of strategic HRM practices in the implementation of CRM and the role of the same in achieving sustainable growth of the organization. The integrated frameworks are not in place creating a big gap in research to understand the effects of HRM and CRM on the financial sustainability.

This study thus investigates this link between HR practices, CRM strategies and financial sustainability from a multidisciplinary perspective, filling this gap. The goal of the study is to seek to create a more holistic conceptual understanding of the integrated management approach applied to the service sector organizations to enhance their organizational performance and sustainability.

### 3. Research Methodology

#### 3.1 Research Design

The design of this study is qualitative and conceptual, using secondary data analysis to explore the relationship between HR practices, CRM and Financial Sustainability in service sector organizations. The conceptual research approach is suitable for the study because the study involves analysing the existing theories, models, and academic studies related to HRM, CRM and sustainability without collecting primary data in the form of numbers from the respondents. The study will create an integrated understanding of the impact of both employee management and customer relationship strategies on long-term organizational performance.

The study employs an interpretive and analytical research method, and scholarly articles, academic journals, business and organisational studies and sustainability literature are used to extract key themes, connections and patterns. This approach allows researcher to integrate data across various fields and develop a multidisciplinary view of sustainability in service organizations.

Secondary research methods are also generally employed in management and organizational studies because they enable researchers to analyze massive quantities of existing knowledge, determine gaps in study and conceptual relationships. Wang and Ahmed (2007) contend that conceptual analysis is an important part of organizational theories and strategic business capabilities. Thus, the present study draws on the existing literature to put in place theoretical linkages between HR practices, effectiveness of CRM, and financial sustainability.

#### 3.2 Sources of Data Collection

This study is entirely based on secondary data sources, which are obtained from open access academic literature. The chosen literature comprises of peer reviewed journal articles, management studies, sustainability reports, conceptual research papers and organizational performance research studies in human resource management, customer relationship management and sustainable business practices.

The references included in this research have been picked up as they are relevant to the topic of the research, the credibility of the publication sources and the contribution it makes to the understanding of the Management

Practices in the Service Sector. Strategic HRM, employee engagement, customer satisfaction, organizational performance, sustainability management, as well as financial resilience are the main themes covered in the literature.

The study is based on the previously published academic literature of researchers like Boxall and Purcell (2011), Chand and Katou (2007), Rasool et al. (2019), Teece (2007), Bombiak and Marciniuk-Kluska (2018), Stankevičiūtė and Savanevičienė (2018), and others. The theoretical frameworks and empirical evidences included in these sources support the causal relationship of HR practices, the CRM strategies and sustainable organizational outcomes.

#### 3.3 Inclusion and Exclusion Criteria

In order to ensure the quality and relevance of the study, selection of particular literature was made based on certain inclusion and exclusion criterion.

##### Inclusion Criteria

The study included:

- (OA) Journal articles, published by an academic peer-reviewed journal, which are freely accessible.
- Investigate aspects of HRM, CRM, sustainability and organizational performance.
- Studies which are centered on service sector organizations
- Book chapters that are published in books with ISBNs.
- Literature related to strategic management and sustainable business practices.
- Recent research papers published in the last 5 years (2007-2025) with focus on the current trends of organizations

##### Exclusion Criteria

The study excluded:

- Other sites and blogs that are not academic.
- Articles that have little or nothing to do with HRM, CRM, or financial sustainability.
- Make copies of research and non-peer reviewed sources. Copy research and non-peer-reviewed sources.
- A study of only manufacturing industries, but not related to services.
- Commercial reports that have not been validated by academia.

The criteria were used to ensure the literature selected was academically sound, relevant and that it met the aims of the research.

#### 3.4 Method of Data Analysis

Thematic and comparative analysis techniques are used in the study to explore the relationship between HR practices, CRM strategies and financial sustainability.

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Thematic analysis is used to find common themes, patterns and concepts in the selected literature. The following are the main themes found in the literature: Employee engagement, Customer satisfaction, Service quality, Organizational performance, Sustainability practices, Strategic integration.

Comparative analysis was also employed to compare and contrast the findings of the past studies and analyse similarities and differences between the studies. This method helps determine the role that various organizational strategies play in achieving customer retention, increased productivity of employees and the long-term growth of income.

The analysis also aims to conceptualize the relationships between the three main variables:

1. Human resource practices
2. Customer relationship management
3. Financial sustainability

The outcomes of the various studies were integrated to create an integrated framework to show how successful HRM practices improve employee performance, which in turn leads to improved customer satisfaction and which results in sustainable financial outcome.

### 3.5 Secondary Data Testing and Analytical Validation

To ensure reliability and validity of the secondary data, cross-comparative analysis and thematic consistency testing were conducted across selected academic studies. Findings from different authors and organizational studies were compared to identify recurring patterns regarding HRM practices, CRM effectiveness, customer satisfaction, and financial sustainability. Studies with similar conclusions were considered to provide stronger conceptual support for the proposed framework. Analytical validation was further performed by examining consistency between theoretical models and empirical findings reported in previous research.

### 3.6 Conceptual Framework of the Study

The assumption of the conceptual framework of this study is that the HR practices directly affects the employee behaviour and service quality which, in turn, influences customer satisfaction and the effectiveness of CRM. Better customer relationships help to build customer loyalty, organization's reputation and sustainability.

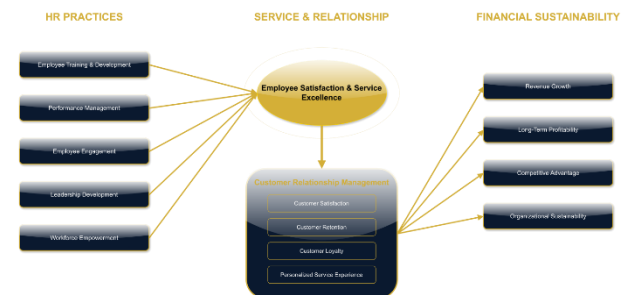
The framework has the following relationship:

**Human Resource Practices → Employee Satisfaction and Service Quality → Customer Relationship Management Effectiveness → Customer Loyalty and Retention → Financial Sustainability**

This framework illustrates the inseparability of HRM and CRM from one another as systems of an organisation, instead of one or the other as a managerial task. Hence, the incorporation of employee-based and customer-based management practices with the strategic intent can lead to sustainable performance of an organization.

Other theories that support the conceptual framework are the service-profit chain theory and dynamic capability theory. In his book, the Economic Logic of Malicious

Software (Teece, 2007), it is Twimbee, once again, that tells that it is essential for organizations to have the ability to adapt in order to sustain their competitive advantage. Likewise, it's apparent from the strategic HRM literature that the satisfaction of employees and customers are closely related factors of organizational success.



**Figure 1: Executive Conceptual Framework Linking HR Practices, CRM, and Financial Sustainability**

### 3.7 Research Hypotheses

- **H1:** Human resource management practices positively influence service quality in service sector organizations.
- **H2:** Effective HR practices positively influence customer relationship management effectiveness.
- **H3:** CRM effectiveness positively affects customer satisfaction and customer loyalty.
- **H4:** Customer satisfaction and loyalty positively contribute to financial sustainability.
- **H5:** Integration of HRM and CRM positively enhances organizational sustainability and competitive advantage.

### 3.8 Ethical Considerations

There is no direct involvement of human beings or data collection in this study as it is based on secondary data and secondary sources of academic literature. As such, there is no ethical risks in surveys, interviews or confidential organizational information in this research.

Academic integrity and ethical research practices were, however, upheld throughout the study with regard to giving credit to all referenced authors and properly citing and referencing in Harvard style. Original work (not copying of published material) and paraphrasing and critical interpretation of published literature were used to avoid plagiarism.

## 4. Analysis and Discussion

### 4.1 Impact of Human Resource Practices on Service Quality

HR practices have a major impact on the operational efficiency and quality of services of service sector organisation. There is a high level of employee interaction and communication in service industry so the success or failure of any organization depends largely on the competency, motivation and commitment of the employees. HR activities like training and development,

performance management, compensation plans, employee participation and leadership development contribute to the development of a productive workforce that can provide high quality to Customer Services.

One of the most important HR practices influencing the quality of services is employee training. Properly-trained workers have more advanced communication skills, technical expertise, and problem-solving skills, which allow them to better meet customer demands. Chand and Katou (2007) found that HRM practices have positive impact on the performance of an organization in service sectors with regard to productivity of the employees and quality of services rendered. In customer focused organisations, the behaviour of employees is very important and directly reflects the attainment of customer satisfaction and customer reputation of the organisation.

However, service quality is also supported by the performance management systems, since they provide clear expectations and accountability systems for employees. Companies that incentivize customer-focused employee actions tend to have increased customer satisfaction and employee engagement. Vlachos (2008) found that good HR practices lead to greater employee commitment and organizational efficiency which in turn results in enhanced organizational performance. The results reveal that HRM is not only an internal management tool but it is also a strategic tool to improve external customers' satisfaction.

Employee satisfaction is another aspect that is crucial in assessing service quality. Staff who feel a good sense of support from their work, a chance to move on and a fair wage are likely to have positive attitudes towards customers. Rasool et al. (2019) have identified that the practices of HRM can enhance employee satisfaction, innovation and teamwork which leads to the sustainable performance of the organisation.

#### **4.2 Human Resource Practices and CRM Effectiveness**

The quality of employee/customer relationships is a key factor in customer relationship management. Although CRM technology and data systems enable organisations to manage customer data, it is the employees who are the first line of contact with customers and are the main people who can build and maintain customer relationships. Therefore, when making decisions about implementing a CRM solution, HR systems and support must be in place to promote customer orientation and high service quality.

Training programs that are focused on customers are one of the key elements of how HR practices contribute to the effectiveness of CRM. To do this properly, they must grasp the prospect's views, how to communicate with them and the way to form relationships. Training programs enhance the skills of employees to deal with customer grievances, tailor services, and foster sustained customer relationships. Having insufficiently-trained staff can lead to the failure in the implementation of CRM solutions as technological systems are not enough to ensure customer satisfaction.

One more role in the success of CRM is organizational culture. HR departments can contribute to developing a

customer-focused organizational culture by fostering teamwork, communication, employee involvement, and leadership involvement. If the company places the customer satisfaction as one of the values of the company, then employees are more likely to act in accordance with the target of the CRM. Boxall & Purcell (2011) noted that the success of strategic HRM is achieved when employees' skills match the business strategies. It is especially relevant in organisations with a CRM focus where employees' behaviour has a direct impact on the customer's experience.

Performance measures and reward systems also help to reinforce the effectiveness of CRM, as they encourage employees to pay attention to customer satisfaction. Incentive programs may include feedback from customers and measures of service quality as part of employee evaluation programs to promote better customer service.

#### **4.3 CRM and Customer Satisfaction**

Customer satisfaction is one of the key results of a CRM's success. CRM systems enable businesses to gain insights into customer preferences, buying habits, and service expectations, which allows them to provide more tailored and efficient services. Customer satisfaction has a direct impact on customer loyalty, organization reputation and profitability in competitive service industries.

Customer satisfaction and CRM can be explained by using the approaches that are customer centric. Companies that succeed in managing customers' interactions provide positive customer experience, thus building customers' trust and emotional connection to the brand. Happy customers are more likely to stay loyal to the organization's services, will spread positive word of mouth and will play a role in the long term revenue generation.

CRM systems also enhance the communication between organizations and customers. Promptness in answering customer queries, individual customer service and handling complaints effectively enhance customer trust and satisfaction. A good customer communication system helps an organisation to retain customers and adapt to market demands.

But it's not just about technology when it comes to customer satisfaction. Even though the customer is the one who is in direct contact with the customers, customers' behaviour is still an important factor in their service with the employees. This illustrates that HRM and CRM are interrelated. Companies with dedicated and trained workforce have a higher chance of providing excellent customer experiences, which will ultimately enhance CRM results.

Customer loyalty is another key one of the benefits of a successful CRM. Repeat customers ensure steady incomes for companies and offer a cost effective way to cut down on customer acquisition expenses. Retaining customers can often be more profitable than attracting new ones, and can be a significant factor in achieving financial sustainability.

**Table 2: Relationship Between CRM Practices and Financial Sustainability**

| CRM Practice                  | Customer-Related Outcome                       | Financial Sustainability Impact                   |
|-------------------------------|--|---|
| Customer Management Feedback  | Improved understanding of customer needs       | Better service improvement and customer retention |
| Personalized Service Delivery | Increased customer satisfaction                | Higher customer loyalty and repeat business       |
| Complaint Resolution Systems  | Faster response to customer issues             | Strengthened customer trust and brand reputation  |
| Customer Data Analytics       | Better customer behavior prediction            | Improved strategic decision-making                |
| Customer Retention Strategies | Long-term customer relationships               | Stable revenue generation                         |
| Digital CRM Technologies      | Efficient communication and service management | Reduced operational and marketing costs           |

#### 4.4 HRM, CRM, and Financial Sustainability

Financial sustainability is defined as an organization's ability to uphold a stable financial performance and long-term growth while responding to the economic, social and competitive challenges. Therefore, the financial sustainability of service sector companies is significantly related to employee productivity, customer satisfaction, operational efficiency, and adaptability to the environment. These are all linked to the operation of HRM and CRM, and are vital to the success of any organization in the long-term.

HR practices aid in financial sustainability by enhancing workforce effectiveness, minimizing employee attrition and enhancing service quality. The loss of employees is a significant expense in service based companies as it costs time and money to recruit, train and get the person productive. Good HR practises increase satisfaction and commitment of employees leading to a decrease of expenses associated with employee turnover. Youndt et al. (1996) pointed out strategic HR systems play a major role in the development of organizational capabilities which are important for organizational efficiency and performance.

When HRM and CRM are combined, a synergic effect is gained which increases the sustainability of an organization. HRM creates the skills of the employees and helps in fostering customer-centric behaviour, while CRM systems enable organizations to handle their customers' relationship better. These functions work together to enhance the quality of services, customer satisfaction, and financial results.

Dynamic capability theory also helps to understand how dynamic organizational capabilities enable organizations to secure sustainable competitive advantage. According to the argument of Teece (2007), internal flexibility and strategic adaptability of the organization is a key ingredient to survival in the changing business environment. HRM and CRM work together to maximize these benefits, optimising the responsiveness, innovation and relationship management of an organisation.

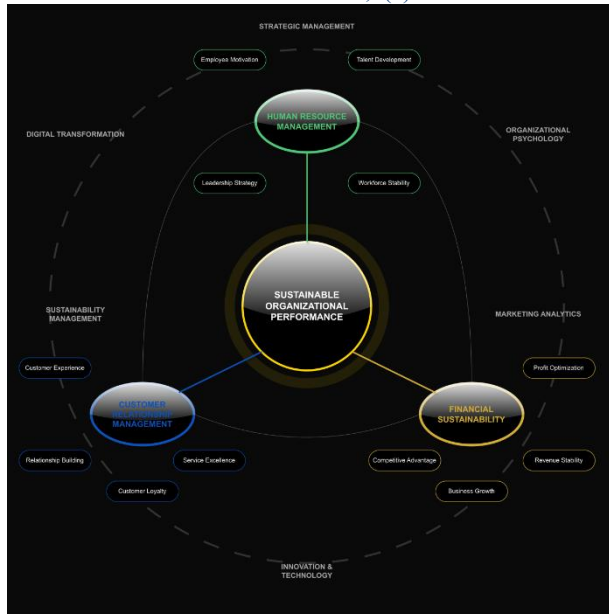
#### 4.5 Multidisciplinary Perspective on Organizational Sustainability

HRM and CRM along with financial sustainability clearly demonstrates that multiple disciplines are involved in the organization, with management, psychology, economics, marketing and sustainability studies all playing their part. Service employers work in multifaceted business context where employees' actions, customers' requirements, technology changes and economical issues are all coming together.

HRM and CRM are strategic activities of an organisation which can be used to create operational efficiency and a competitive edge from the management standpoint. In a psychological way, employee motivation and customer satisfaction have a psychological impact on organizational results through behavioural and emotional means. Customer retention, resource optimisation and profitability are central to economic perspectives, whereas long-term organisational resilience and the creation of stakeholder value is central to sustainability perspectives.

Combining these perspectives helps companies create all-encompassing business strategies geared toward long-term success. Today, what is becoming more apparent is that employee wellness and customer satisfaction are both interconnected and impact financial sustainability. As a result, organizations are changing their management tactics to more of a holistic and interdisciplinary strategy.

The study shows that the sustainable performance of organizations is based on the need to balance internal organizational capabilities and external strategies of customer relationship. The two systems HRM and CRM need to be therefore understood as complementary systems which contribute to the sustainability of the organization in competitive service environments.



**Figure 2: Multidisciplinary Ecosystem Model for Sustainable Organizational Performance**

### 5. Findings

From the analysis of the literature and conceptual discussions, it was found that the dimension of service sector organizations which has the most high connection in terms of human resource practices, customer relationship management and financial sustainability are highly interconnected. The results revealed that HRM and CRM strategy would be more beneficial for the organization when it is integrated than treated as a two different organizational functions for sustainable competitive advantage. Below are some of the key insights from the study.

The analysis of secondary literature revealed consistent positive relationships between HR practices, CRM effectiveness, customer satisfaction, and financial sustainability. Most reviewed studies reported that employee training, engagement, and customer-focused organizational cultures significantly improve service quality and customer retention, which ultimately supports sustainable financial performance in service sector organizations.

**Table 3: Summary of Key Research Results**

| Variable              | Observed Result                                    |
|-----------------------|--|
| Employee Training     | Improved service quality and productivity          |
| Employee Engagement   | Increased customer-oriented behavior               |
| CRM Effectiveness     | Improved customer satisfaction and loyalty         |
| Customer Retention    | Enhanced long-term revenue stability               |
| HRM + CRM Integration | Strong positive effect on financial sustainability |

#### 5.1 Human Resource Practices Significantly Influence Organizational Performance

The major result of the study is that the good human resource practices have a positive effect on organisational performance in order to enhance the productivity of employees, the quality of services and commitment to work. Strategic HR practices like employee training, performance management, employee engagement, leadership development and reward systems provide a motivated and competent workforce to deliver excellent services.

Since in service industries employees are the key touch points between the organizations and the customers, the literature shows that they play a decisive role in the customer experience. Companies that invest in their staffs' development and happiness have more efficient operations and customer-oriented behaviour. Chand and Katou (2007) highlighted that the HRM practices have a positive impact on the organizational performance by employee efficiency and service quality, especially in service organization.

#### 5.2 CRM Effectiveness Depends on Employee Competence and Organizational Culture

The other important finding out of the study is that the competency of employees, communication skills and organizational culture play a significant role in the success of the customer relationship management initiatives. Customer Relationship Management (CRM) technologies are vital for helping handle customer information and interactions, but human resources are still the ones that make a difference in customer satisfaction and relationship building.

The study revealed that organizations with robust HR support systems exhibit higher CRM results, due to employees being more prepared to comprehend the expectations of the customers and offer high-quality customer service experiences. Customer oriented organizational cultures foster staff's attitude to place customers first, handle complaints effectively, and to build customer relationships into the long term.

The research also shows that empowered employees are better for the success of CRM as they can make decisions that are flexible and will enhance the customer

experience. It is important to note that companies which foster teamwork, communication and employee engagement tend to be better in managing their customers. This demonstrates that HRM and CRM are not business strategies but are part of the organizations. It has established that HRM and CRM are not business strategies but part of the organizations.

### **5.3 Customer Satisfaction and Loyalty Contribute to Financial Sustainability**

Further, the study revealed that customer satisfaction and customer loyalty are critical factors towards achieving long-term financial sustainability in service sector organizations. A strong relationship with customers can result in improved customer retention, revenue stability, and competitiveness for the organization.

The satisfied customers will more likely continue using the organizational services and will more likely endorse the organization to others, via positive word of mouth communication. CRM systems can be used to gain insights into customer preferences, tailor service delivery and enhance customer communication, promote customer trust and loyalty.

The results showed that the customer retention resulted in lower marketing and customer acquisition expenses and it has a positive effect on the organization's profitability. It's easier to keep customers than to acquire new ones, so customer loyalty is a crucial element in maintaining long term financial performance. As a result, organizations are increasingly following CRM strategies as their part of the overall sustainability goals.

### **5.4 Integration of HRM and CRM Enhances Financial Sustainability**

One significant conclusion from this study is the compound effect of HRM and CRM is more effective in enhancing and sustaining the organization and its financial sustainability. HRM enhances employee skills and service delivery quality and CRM helps focus on customer relationship and retaining customers. All these functions are related to sustainable development of the organisation and competitive advantage.

The study shows that there is no way to have a long-term financial sustainability if it is only based on short-term profit-oriented approaches. To ensure sustainable performance, constant investments in employee development, customer satisfaction and adaptation of the organization are necessary. The criticality of dynamic capabilities to business organizations' survival in the changing business environment was stated by Teece (2007) and integration of HRM and CRM plays an important role in dynamic capabilities.

The findings also indicate that companies that have implemented an integrated HRM and CRM system have a better ability to meet the demands of customers, new technology and market competition. These organizations are more adaptable, innovative and resistant to operations.

### **5.5 Sustainable HRM Supports Long-Term Organizational Development**

The study also reveals that sustainable human resource management is an important determinant of the

sustainability of organizations. Sustainable HRM not only emphasizes productivity but also issues related to the well-being of employees, ethical management of employees and stability of the workforce in the long run.

Companies that are practicing sustainable HR work healthier workplaces and enhance employee engagement and organizational commitment. Sustainable HRM as suggested by Stankevičiūtė and Savanevičienė (2018) is able to contribute to organization development by fostering responsible HRM practices and sustainable workforces. In a similar vein, Bombiak and Marciniuk-Kluska (2018) pointed out that sustainable HR practices foster innovation and responsible behaviour of the organizations.

The results thus suggest that sustainable HRM has an indirect effect on customer satisfaction and financial sustainability through the motivation of employees and providing their better performance in providing services.

### **5.6 Multidisciplinary Approaches Improve Organizational Competitiveness**

One other important thing that they discovered is that multi-disciplinary management methods can improve the competitiveness and sustainability of the organization. Multiple disciplines such as management, marketing, psychology, economics and the study of sustainability are involved in the relationship between HRM, CRM and financial sustainability.

Companies that incorporate both of these viewpoints create more comprehensive and adaptive lines of business strategies. Employee satisfaction, customer loyalty, and financial performance are interrelated organizational outcomes that can't be well managed by the individual organizational functions. Thus, the importance of integrated strategic frameworks in a more dynamic and competitive business environment is growing in the rising service organizations.

The study finds that the integration of different disciplines is good for balancing internal and external organizational relationships with customers and helps organizations to grow in a sustainable manner that contributes to their long-term success.

## **6. Conclusion and Recommendations**

### **6.1 Conclusion**

This study focused on the multi-disciplinary linkages between HR practices, CRM and financial sustainability of service sector organizations. The study adopted a conceptual and analytical approach to access the existing academic literature on the topics of Strategic HRM, CRM Systems, Organizational Performance and Sustainability Management. The results showed that HRM and CRM are closely related organizational activities which in turn have a significant impact on the sustainability of the organization in the long run as well as on its competitive advantage.

Based on the study, it is found that effective human resource practices have a significant positive effect on the productivity of the employees, the quality of services they provide, the commitment of the employees to the organization, and customer-oriented behaviors. HRM

plays a vital role in service organizations as it is a direct link between the organization and the customers. HRM is an important element in service organizations where it affects the customers' satisfaction and the organization's reputation. HR practices like employee training, performance management, employee engagement and leadership development have a positive impact on service quality and operational effectiveness.

The study also shows that CRM is an important tool in enhancing customer satisfaction, customer loyalty and customer retention. By analyzing customer data, CRM systems can help organizations anticipate what their customers want and need, and tailor their service to suit each individual's specific requirements. This can lead to more effective and efficient customer service, as well as improved customer retention. But the success of CRM programs is greatly dependent on the capabilities of employees, ability to communicate and organizational culture. This discovery has revealed that HRM is closely related to CRM in service sector companies.

The other major finding of this research is that the financial sustainability process cannot be done by adopting short-term strategies that focus on profits. As for sustainable organizational performance, integrated management practices are crucial, which requires the development of human resources, satisfaction of customers, efficiency in operations, and adaptability in strategy. Organizations that manage to put HRM and CRM strategies in place are more likely to generate a stable revenue stream, have better organizational resilience, and to grow their business in the long run.

The study also highlights the significance of the sustainable HRM practices in today's organizations. Sustainable HRM is based on helping employees' well-being, ethical management, workforce stability and organizational resilience, which all help the organizational sustainability in the long-term. Whereas sustainable HRM and CRM strategies for customers now combine to form a perfect package for sustainable competitive advantage in service sector.

The study finally suggests that the strategic implementation of HR practices and CRM in the service sector organizations can play an important role in boosting the performance of the organizations and for financial sustainability. Employee satisfaction, customer satisfaction and financial performance are related organizational outcomes that need to be managed in a coordinated and integrated way and not as a separate organizational function.

## 6.2 Recommendations

From the study results and conclusions a number of recommendations are given to the service sector organizations, managers and future researchers.

### 1. Strengthen Employee Training and Development Programs

To enhance communication skills, customer service, technical and problem-solving skills, ongoing training and development of employees is an essential part of a service company's investment. Well trained employees are better

able to provide superior customer service and will have the ability to handle your CRM initiatives better.

Students need to be trained both in their technical skills as well as emotional intelligence, team working and customer relationship skills. Another way to boost employee motivation and employee commitment is to offer career development opportunities.

### 2. Integrate HRM and CRM Strategies

There should not be a distinction between HRM and CRM in organizations. Rather, they should evolve in a way to create strategic frameworks that explicitly link HR policies with those of customer relationships. HR departments and CRM teams should work together in the creation of employee performance systems, customer service standards and cultures that are geared toward the customer.

Customer satisfaction the measures should be included in employee evaluation and reward systems to motivate customer oriented behaviour of the employees.

### 3. Promote Customer-Centered Organizational Culture

It is important to foster a customer-centric culture within the organisation, which is focused on customer satisfaction, service quality and building customer relationships. Leadership has an influence in the promotion of organisational values about customer service excellence.

Employee empowerment, employee engagement and teamwork, communication and participation should be encouraged by managers to enhance the employee involvement and customer experiences.

### 4. Adopt Sustainable Human Resource Management Practices

For service companies, HRM should be practiced in such a way that it will help them in maintaining the well-being of the employees, ethical management, diversity and long-term sustainability in the workforce. By implementing sustainable HR practices, organizations can enhance employee satisfaction and minimize turnover rates, thereby positively impacting their productivity and financial sustainability.

Employers should also prioritize policies that promote a healthy work-life balance, fair salary policies, and positive organizational cultures that value and include employees.

### 5. Utilize CRM Technologies Effectively

To enhance customer communication, customer service personalization and customer retention strategies, organizations should invest in modern CRM technology, Customer Data Management (CDM) systems and other customer data. It is important that the employees are able to leverage customer information and technologies in service delivery and CRM systems need to be integrated with employees' training to support this.

But, it's important for organizations to realize that technology isn't the only thing that can keep customers happy, behavior and culture can play a role as well.

## 6. Focus on Long-Term Financial Sustainability

Managers need to take long-term strategic approaches and not be only concerned with the immediate profitability. Customer satisfaction, employee satisfaction, adaptability to changes in the organization and service quality are key drivers of sustainable financial performance.

It is therefore important to have a holistic sustainability strategy to consider the financial objectives as well as employee development and customer relations management.

## 7. Recommendations for Future Research

Primary data can be collected from the service organizations to perform empirical studies and statistically analyze the relationship between HRM, CRM and financial sustainability in a future study. There might be greater insights in the practices of management from industry to industry like in the healthcare, banking, hospitality, education, and retail services.

The impact of digital transformation, artificial intelligence and data analytics on enhancing HRM-CRM integration in the contemporary organizations can also be explored. Further research could also explore the relationship between organisational culture, leadership and technology innovation and sustainable organisational performance.

This study finally shows that integration of HRM and CRM is the key to achieving sustainable success in an organization in service sectors. Companies that invest in their employees, customers and strategic future have a better chance of gaining competitive edge and financial stability in a changing business landscape.

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