

The Review of Improving Innovation Performance through Human Resource Practices in Organization Performance

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Abstract

Organizations face severe challenge when they live in a dynamic and competitive business environment. Enhancing customer satisfaction levels are of serious concern for any organization as a matter of survival. This has to be achieved through implementation of innovative strategies. Major driving factor for innovation is human a capital and hence human capital needs constant monitoring by managers. Culture of innovation is the key for business success and thus an effective manager should be successful in managing his human capital. As such this paper proposes an innovation framework promotion model in organizations and discusses on how individual behavior may impact the organization's innovation strategies from both technical and administrative aspects. It is further noted that the association between human capital and innovation strategies is complex and needs further research in future.

Keywords: human resource management practices, culture, organizational innovation, organizational performance

1. Introduction

The last 2 decades have witness drastic changes in the world. In the current era of rapid and unexpected changes, role played by governments, civilians and private groups and organizations are also changing. Firms and management systems get transformed either by choice or by pressure. Necessity is also a reason for the same for adapting themselves for survival (Anastasiu, 2012; Maier, 2014). For meeting the challenges of future and to accelerate the rapid changes, both generalist managers and human resource specialists got to be effective in managing their human resource capital. They should be intelligent and knowledgeable. They should be skilled in the practice of HRM. These managers should be able to put into use specific HRM practices in order to catalyze organizational innovation (OI) (Maier, 2014). HR is one of the fundamental resources for any organization. It is termed as the key ingredient for the success of any firms (Foss & Laursen, 2012). This also includes its role in the failure and success of a firm's performance in innovation. It is critical to understand how and why HR capital boosts innovation in organizations and deploying what sort of HRM practices in the organization can result in the needed levels of performance of organizational innovation.

HRM practices matter to the human capital's contribution to performance of innovation in organizations. This study focuses on this said effect. As such management involves trainings, decision making on compensation of employees, good recruitment system and such. These arrangements imply better contribution to the human capital of the firm towards innovation. Practices of firms related to sourcing, human capital upgrading and deployment are identified in many literatures as impacting the performance of firm's innovation at firm levels (Cockburn & Henderson, 1994; Rjordan & Galunic, 1998). These are the major practices that are crucial constituent elements of innovation (Teece, 2007). A crucial part of such practices are those of the firm related to attracting, recruiting, training, appraising performance and reward system of employees.

This study surveys paid a role to explanation of innovation result in organization performance. Discussions are made on how practices of individuals impact the performance of innovation in organizations. Also discussed are how the clustering of particular practices is of concern in the results of organizational innovation (OI) (Ennen and Richter, 2010). Further research is called for as the mechanisms that underlie HRM practices and performance of organizational innovation are still less understood.

2. Human Resource Management Practices

Since the world turns to the competitive and dynamism, industries in the manufacturing sector are trying to get competitive advantage in cost and achieving more innovative sources via practices of HRM (Mohd Nasrudin & Tan, 2011). As such previous literature focused mainly on standalone HRM practices and their impact on the performance of organization.

HRM practices were given various perspectives. Jackson and Schuler (1987) explained it as a system for attracting, developing, motivating and retaining employees for ensuring the efficient performance and for keeping the organizational member and the organization itself. Apart from this, HRM practices are also seen as a set of practices and policies that are consistent internally, designed and put into practice for ensuring that an organization's human capital adds on to the achievement of business aims (Doty & Delery, 1996). Also Minbaeva in 2009, considered some HRM practices that used by firms for managing HR via facilitating competency development, which are specific to the organization, produce complicated social links and generate organizational knowledge for sustaining competitive advantage of the firm. We conclude that practices of HRM links to such practices, formal policies that are meant for attracting, developing, motivating and retaining employees who ensure the organization's effective functioning and very survival. In 2011 Mohd Nasrudin and Tan viewed that HRM practices related to particular practices that are designed for attracting, developing, motivating and retaining employees who makes sure of the organizations proper functioning and very survival. Against this, the study here concludes that practices of HRM are designed for employees who make sure that the organization survives on innovative ideas and function thus effectively.

Of the major approaches for developing HRM- strategic HRM practices, contingency and configuration approaches, HRM practices approach that is linked to innovation of the organization mostly focused on best practice. Literature review shows 4 common practices, which have been consistently linked to innovation, appraisal of performance, recruitment, system of compensation and training (Jimenez & Valle, 2005; Mohd Nasrudin & Tan, 2011; Laursen, 2012).

3. Organizational Innovation (OI) Performance

Organizational innovation means creation of new ideas and behavior for organizations. Dimensions of it are complicated and are multiple. This can be reviewed from 2 angles- one is the innovation's breadth. This includes policies, systems, procedures, administration, services, products and others. Second is the innovation's depth. This comprises the significance, the extent the impact on long-term profitability and other (Chuang, 2005). Basically there are 2 different categories of organizational innovation. They are technological and administrative innovations (Chuang, 2005; Mohd Nasrudin & Tan, 2011). Chuang further divided the technological category into secondary dimension- product and process innovations. Administrative innovation is still different from these two categories. The current study discusses on the OI, divide into major dimensions of product, process and administrative innovations. These are the major background for manufacturing that have equal ability in improving performance as well as effectiveness, for solving problems, adding some values and creating competitive advantage (Damanpour, 1996). As the innovations are crucial in increasing the performance of organization, innovation of organization is operational for being multi dimensional composed of 3 types of such innovations.

Innovation in products are defined to develop and commercialize a new product for meeting the needs of other users and taking the market space (Gopalakrishnan & Damanpour, 2001). This upon gaining enough literature and experience related, directed towards producing new materials, devices and prototypes. Process innovation but is seen as creating the new process or editing the current process (Waldman and Leonard, 2007). Process innovation involved improving in production or method of delivery that comes from technique changes, software or devices changing (Li & Zheng, 2006). Chew (2000) defined administrative innovation needs firms to have routines that can be verified and to have procedures for designing product, for manufacturing, delivering, servicing and supporting. As such all the three innovations can be the contributors for organizational competitive advantage.

4. HRM Practices and OI

Resource Based View (RBV) and Ability Motivation and Opportunity (AMO) theories are the most common ones applied in researches that associate performance and HRM (Pauwe & Boslie, 2005). View that is knowledge based considers knowledge as a previous resource of organization (Grant, 1996). Knowledge that is embedded in human capital allows organizations for enhancing specific competencies and for discovering opportunities in innovation (Grant, 1996; Wright, 2001). RBV also states that HR is a firm's resource, which is a subset of which allow firms for achieving superior performance in the long run (Barney, 1991). AMO theory

states that employees that get motivated have better performance. (Boselie & Paauwe, 2005). Practices of HRM plays vital role in influencing the employee motivation for exhibiting favorable attitudes and behaviors that are needed for supporting and implementing competitive advantage of the firm. When organizations develop and introduces new products or services, new processes and practices of administration, they need better innovative methods and creative HR, ideas and excellent opportunities who has flexibility and are risk taking and tolerant towards ambiguity and uncertainty (Huang & Chen, 2009). As such it's crucial for an organization for implementing supportive practices of HRM which can motivate and stimulate the employees for becoming innovative (Mohd Nasrudin & Tan, 2005).

Organizations can use some of the HRM practices like recruiting, training, performance appraisal and compensating for motivating employees and propel them for creative and innovative thinking (Foss & Laursen, 2003). As such this study's argument is that practices of HRM plays a vital role in impacting the OI, performance. For instance performance based appraisal stands as a challenge for the employees who motivate them to work better (Jaw & Liu, 2003). Such appraisal methods can result in employees working with better innovation and creativity adding on to the organizational innovation (Jimenez Jimenez and Sans Valle, 2005). Training imparts in employees the necessary skills and abilities which sharpen their innovation in production, processes, activities and management as a whole in every day operations (Liu and Jaw, 2003). Thus training imparts necessary ability and skills in employees which results in enhanced organizational innovation via their performance at job. Training leads to enhanced organizational expertise particularly in demand and content for innovation terms (Weisberg, 2006). Compensation systems are drivers for employees to take risks and think creatively for new and successful product and process creation adding on to the organizational innovation performance. Compensation system motivated employees which in turn increases organizational innovation. External sourcing is made use of in recruitment for grabbing the right employees for the firm, who are competent (Mumford, 2000). It is a major source that fits in between an individual and organizational culture. As such, enhanced recruitment systems result in enhanced organizational innovation by recruiting the apt candidates for organizational innovation (Brockbank, 1999). This study expects practices of HRM to be linked positively with innovation of organizations.

5. The Proposed Framework For Human Resource Practices and Innovation

Environmental change is rapid and such aspects characterize this as globalization, changes in the demands of investors and customers and ever increasing competition in products and markets. Today's organizations consider the people, its HR as one of the important resources of the organization. HR is becoming a source of enhanced opportunities in becoming competitive advantage for the firms (Caliskan, 2010). HR knowledge allows firms for increasing distinctive competencies and to identify opportunities for innovation, when organizations come up with new products or enhance their management processes, they need HR motivation and ability for the production and development of creative ideas and innovation. Practices of HRM can aid in developing an environment that motivates and equips employees with the ability to think and innovate adding on to the organizational innovation performance (Chen, 2009).

For reaching the actual organizational performance this study proposes a HRM practices and innovation framework as shown in Figure 1. This framework offers every general managers and human resource managers a clear idea of the existing human resource management practices capacity for innovation and potentials for developing this capacity for improving the firm's capacity for innovation, thereby enhancing the chances for success in the present world's highly competitive and dynamic business settings.

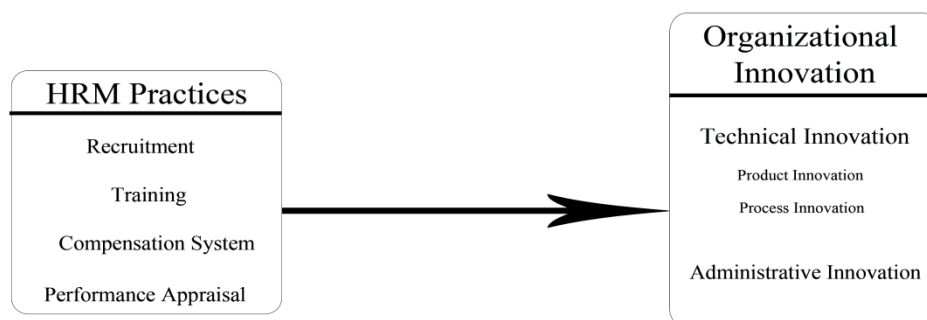


Figure 1. Research framework

6. Conclusion

Last 20 over years have witnessed expansion of the literature that specifies the link between innovation of organization and HRM practices. This also means that both the aspects have been getting considerable credits in research. Innovation is the key to modern day businesses. HRM practices associated with product, process and administration plays a significant role in OI performance. It provides a supportable competitive edge for firms in the rapid and fast growing, competitive business world.

Firms engage in open innovation processes and engage external sources of knowledge for innovation. Importance of employee participation is getting serious attention towards this these days. This indicates the need for dedicated and customized recruitment, training, appraisal and compensation system within HRM. Internal sourcing of innovation from its employees is the future for organizational innovation to provide competitive edge for firms (Dodgson, 2006). Anyhow this is the trend recently in business worlds, which fills several gaps in the research associated with organizational innovation and HRM.

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