25. Innovation and Human Resource Strategy

Mr. Abhishek Upadhyay

Assistant Professor,
Department of Management-MBA, School of Commerce and Management,
Arka Jain University, Jamshedpur, Jharkhand, India.

Abstract:

In the age of globalization, a company needs to be innovative in order to compete and last over the long term. This can be achieved by utilizing human resources to cultivate a creative culture. Additionally, innovation is crucial in helping firms gain a competitive edge in this volatile, risky, and uncertain market. Many scholars have proposed that creativity has a significant role in organizational success for an organization's long-term survival since it gives an organization a competitive advantage and allows it to stay competitive in a continuously changing environment. Therefore, every successful organization makes the strategic decision to support and nurture innovation. Furthermore, the HR system is essential to an organizational structure since it facilitates and conveys to human resources the objectives of innovation as well as the ways in which the organization hopes to accomplish its goals. Therefore, we have attempted to discuss the novel topics pertaining to the different HR system methods and variables that foster employee cultures and a creative climate in this review study. Lastly, we talked about the usefulness of the review for managers and suggested future study directions.

Keywords:

Creativity, Innovation, Organizational Culture

25.1 Introduction:

The long-term growth and sustainability of organizations are significantly influenced by "creativity" and "innovation" in a dynamic environment marked by fast globalization, scientific, and technological advancements. Because these complex environments demand different product architectures, alter industry economics, undermine established firm competencies, create new value networks where firms can compete, and necessitate highly uncertain technology investments, managing firms in these environments is extremely challenging. According to several scholars (Henderson and Clark, 1990; Lieberman and Montgomery, 1998; Schumpeter, 1934, Schumpeter, 1942; Tushman and Nadler, 1986; Utterback, 1994), a company's ability to innovate determines its success in this environment. Numerous studies and works of literature have also highlighted the critical role that HR and HRM practices can play in enhancing a firm's competitive advantage in such environments of intense competition (Lado and Wilson 1994; Wright, McMahan and McWilliams 1994; Becker and Gerhart 1996).

Additionally, emphasizing individuals' knowledge, abilities, and behaviors can give businesses a competitive edge and improve performance.

The idea of best practices for human resource management (HRM) has gained a lot of attention lately. Using a set of human resources (HR) best practices can increase a company's productivity and effectiveness (Pfeffer, 1998). Recent research indicates that it is ineffective to concentrate on a specific type of HR practice and how it impacts a company's success. Instead, it is essential to examine collections of HR procedures and the outcomes that follow (Bowen & Ostroff, 2004; Delery & Doty, 1996; Wright & Boswell, 2002).

It is evident in high-commitment organizations that adhere to HRM best practices, which encourage and support the development and upkeep of an internal labor market and a high caliber skill set. High-level talents are now necessary for innovation since it is a vital source of long-term competitive advantage. Effective innovation necessitates resolving tensions between control and flexibility, as Dougherty (1996) illustrates. Being adaptable fosters the creativity, empowerment, and change necessary for the investigation that leads to invention.

Organizational culture is now thought to be one of the factors that significantly influence creativity (Carmeli, 2005). Because it affects how employees behave, it could persuade them to embrace innovation as a core value of the company and become more invested in its operations (Hartmann, 2006). Accordingly, the body of research indicates that organizational culture is among the elements that most effectively encourages creative behavior among its constituents (Ahmed, 1998; Ekvall, 1996; Martins and Terblanche, 2003; McLean, 2005; Mumford, 2000). Hence, the HR system's challenge is to foster a friendly and constructive corporate culture. According to Hofstede et al. (1990), an organization's culture can be roughly characterized as a set of shared values, beliefs, and conventions that are reflected in its activities and objectives. Innovation-supportive cultures are further defined by Jassawalla and Sashittal (2002) as encouraging norms and expectations for members' experimentation, creativity, and willingness to take risks.

Considering the aforementioned, we think that excellent HR policies enable workers to develop the abilities, knowledge, job values, competencies, activities, and assignments necessary for them to be creative in their work. This paper aims to explore the best HR practices that encourage a creative culture and climate among employees in response to the growing need for research in this area. It is based on a review of the literature that is already accessible.

25.2 Innovation Today:

The significance of creativity and innovation in enhancing an organization's competency has been shown in several research, and both ideas have been described in a variety of ways to aid in scholarly comprehension. "The deliberate introduction and application of ideas, processes, products, or procedures which are new and beneficial to the job, the work team, or the organization," according to West (2002), is described. According to Scott (1994), innovation involves a number of processes, including problem identification, idea generation, idea completion, and prototype manufacturing. It involves tasks including coming up with fresh concepts, assessing existing ones, developing them, and putting them into practice (Mumford et al., 2002). However, creativity is frequently limited to the development of ideas.

It is commonly phrased as follows: after defining the issue, the staff member compiles, synthesizes, rearranges, and creates new ideas. To be creative, according to Woodman (1993), one must either create new knowledge or accomplish something for the first time ever. Generally speaking, creativity is just one step in a multistage process that leads to innovation. By means of While some researchers distinguish between creativity and innovation—the former referring to the generation of an idea, the latter to its application, or the former seeing itself as merely a component of the latter—the majority of pertinent research frequently uses the terms interchangeably.

According to a review of the literature, it can be broadly described as "the adoption of an idea or behavior that is new to the adopting organization, whether it be a system, policy, programmer, device, process, product, or service" (Daman pour & Gopalakrishnan 2001). This new idea could be developed internally or acquired (Pennings and Harianto 1992). It could be a combination of old ideas, a plan that questions the status quo, a formula, or a novel approach that is viewed as novel by the individuals involved (Van de Ven, Polley, Garud, and Venkataram 1999).

Though the notions of creativity and innovation overlap and are closely related, they are not the same. Researchers have frequently examined creativity and invention separately, employing various approaches and models (Sternberg & Lubart, 1999). Psychology has researched creativity at the human level, whereas economics and management have examined innovation at the organizational level. Innovation is the effective application of creative ideas inside an organization, whereas creativity is the generation of original and practical ideas in any field (Amabile, 1996). In addition to being valuable in and of itself, creativity can be seen of as an essential prerequisite for innovation. Therefore, the seed of innovation is creativity.

25.3 Creating A Culture of Innovation:

Organizational culture has a lot to offer businesses, and it's crucial for the connection between HR and business performance (Chan et al., 2004). The strength of the organizational atmosphere is a critical mediator between the HRM system and creative performance, according to Bowen and Ostroff (2004). According to their argument, a strong organizational climate fosters a shared understanding of acceptable and rewarding behaviors, which in turn creates an environment that promotes greater organizational success. In essence, this positive atmosphere is comparable to an established corporate culture. According to Brockbank (1999), strategically proactive HR fosters a creative and innovative company culture, not only one that is required for carrying out business plans.

Innovation culture plays a key role in connecting intelligences and innovation results in Glynn's (1996) organizational innovation model. Claver et al. (1998) went on to say that in order to get a competitive edge in technology-intensive businesses, it is necessary to cultivate a culture centered on technology. It was shown that without a common culture centered on innovation, a company cannot compete in the development of new products. An innovative workplace culture such as this promotes risk-taking, employee involvement, creativity, and shared accountability. To sum up, a particular culture needs to be created in order to encourage innovative and entrepreneurial behaviors within organizations.

Organizational system changes are necessary to promote an innovative culture (Higgins & McAllaster, 2002). Creating core values and tying them to business strategy is one of HR professionals' primary duties (Gennard & Kelley, 1994). These innovation cultural norms do not undermine the pursuit of efficiency and quality, claim Miron et al. (2004). Lau, Kilbourne, and Woodman (2003) define cultural change as modifications to the way in which individuals within an organization view and comprehend specific organizational areas as a group. It is thought that one-way common schemas are formed is through socialization at work. This type of organizational process, homogenizing plans, affects individual dispositions (Schneider, Smith, Taylor, & Fleenor, 1998). Furthermore, people are more likely to choose to stay in that specific place when the schemas are shared.

HR procedures become a tool for establishing a certain corporate culture since they inform workers and influence their behavior (Cabrera & Bonache, 1999). An effective HR system can foster collective responses that align with company strategies by creating shared meanings, which in turn helps to create an organizational climate (Bowen & Ostroff, 2004).

Establishing an atmosphere that encourages innovation and entrepreneurship might be one of the HR system's main goals. Therefore, an HR system that actively works to shift employees' plans towards innovation would produce an innovative culture. It implies that organizational culture would function as a go-between for the HR system and the innovative performance of the business. For example, compared to other types of culture, group and developmental cultures have a stronger association with employees' affective organizational commitment.

Consequently, when an HR system is designed to support a creative and innovative culture, the likelihood of success in innovation is increased. An innovation-focused HR system is essential to creating the culture needed to promote innovation. Thus, it is expected that organizational culture will have a major and direct influence on business performance. In particular, a progressive culture ought to encourage more innovation and the development of new products. It might be argued that the vital link connecting innovation with the HR system is a developmental culture. It was discovered that the company's innovative outputs and the HR system were mediated by organizational culture. Theoretically, it was determined that an HR system that gives team building, performance-based awards, and training top priority is necessary to cultivate a developmental culture.

25.4 Finalizing Innovation Strategy:

The literature, which includes studies by Delery and Doty (1996), Wright and Boswell (2002), Wright, McCormick, Sherman, & McMahan (1999), and Youndt, Snell, Dean, & Lepak (1996), emphasizes groups of related HR practices as factors that influence business performance as opposed to individual HR practices that are pertinent and encourage creativity in the workplace. Not only are unique HR configurations required to achieve high levels of business performance (Sheppeck & Militello, 2000), but unique HR practice types also produce unique business outcomes. Currently, HR competence is a must for success in research and development (Pearson, Brockhoff, and Von Boehmer 1993). Besides, it's well knowledge how important HRM is as a component affecting creativity. Innovative companies' greatest asset, according to Gupta and Singhal (1993), are their people, not their products.

Underlying those assertions is the presumption that HRs participate at every stage of the innovation process (Galbraith 1984). First, because it's widely believed that a company's ability to innovate lies in the intellect, originality, and inventiveness of its workforce (Kanter 1989; Gupta and Singhal 1993; Mumford 2000). Secondly, because of the innovation development and execution require their involvement and support (Van de Ven 1986; Vrakking 1990). Different organizational components must be in sync with one another in order to have an effect on company performance, according to MacDuffie (1995) and Wright and Snell (1998). These constituents encompass an array of human resource practices (as an HR system), the requisite knowledge and competencies for employees, an engaged workforce, and the notion that an efficient HR system fosters organizational capacities that serve as sources of competitive edge. According to Wright and McMahan (1992), the concept of "internal fit" has particular significance when examining the organizational processes that yield robust business performance. Examining carefully the gap that exists between HR procedures and employee performance is necessary in this regard. Lumpkin and Dess (1996) make the point that it's critical to eliminate structural contextual barriers that either promote a creative mindset or discourage taking risks, exploring, and thinking outside the box. The literature has identified three types of HR practices that are conducive to an innovation-focused HR system. According to Lau C. & Ngo M. (2004), they are: (1) training-focused, emphasizing the development of skills and investment in human capital; (2) performance-based reward, emphasizing the recognition of employees' contributions and results; and (3) team development, involving the extensive development and implementation of leadership and team-based activities. Specifically, cross-functional teams are frequently recommended as a vital organizational structure for promoting innovation and creativity. In innovation-focused organizations, the aforementioned three sets of HR practices are essential for creating cross-functional teams. They frequently reinforce one another and are interrelated (McDonough, 2000; Norrgren & Schaller, 1999).

25.5 Drivers for Innovation:

Many aspects connected to motivation have been found to be drivers of creative productivity at the individual level. The most important ones are listed below: Motivation from within as opposed to outside. One of the main forces behind creativity is intrinsic motivation (Amabile, 1996; Baron and Harrington, 1981). Actually, it seems that extrinsic interventions—like awards and evaluations—have a negative impact on innovation motivation because they seem to divert focus away from "experimenting" and towards following instructions or the finer points of completing a task. Additionally, it seems that fear of evaluation detracts from creativity because people are afraid to take chances because they might receive a poor grade. On the other hand, people require freedom to be creative in order to take chances, experiment with concepts, and broaden the range of factors from which solutions might arise.

A. *Testing People:*

More creativity is produced by unstructured, open-ended assignments than by specialized ones. The reason this happens is because individuals react favorably to challenges and enough room to come up with original ideas and solutions. It seems that organizational

expectations—rather than individual limitations on creativity—are the main factors impeding an individual's ability to innovate (Shalley and Oldham, 1985). HR systems can play a significant role in creating the necessary environment for innovation.

B. *Several Opportunities for Career Advancement:*

The HR system should implement the plan and provide promotions and career advancements to the more innovative individual. Additionally, creative staff members should be offered additional opportunity for advancement.

C. *Proficiencies And Knowledge:*

Relevant abilities like talent, technical proficiency, and competence all influence creativity. These domain-related abilities, however, might have advantages as well as disadvantages. On the plus side, knowledge makes it more likely that new understanding will be developed. On the other hand, strong domain-relevant abilities could limit the search heuristics to ingrained patterns, which would prevent the exploration of radically different viewpoints. In general, organic structures—as opposed to mechanistic ones—are seen to foster innovation. Using highly participatory cultures and structures (such as high performance/high commitment work systems) increases innovation.

D. *Taking Charge and Empowering Others:*

One of the best ways for leaders to inspire people to be creative is to give them the tools they need to innovate. When paired with dedication and support from the leadership, empowerment allows individuals to assume ownership of innovation. Empowerment in the context of robust cultures that set behavioral and action guidelines generates zeal and vigor for persistently working towards a novel objective. Workers themselves are capable of coming up with solutions that let them be creative and get the job done. The only real issue with empowerment is when it's implemented in a company without a solid set of values that can guide actions in a way that is consistent with and supportive of the organization's overarching objectives. Under these circumstances, empowerment is essentially the same as abdicating responsibility, and anarchy usually results from pushing power and responsibility lower.

E. *Less Bureaucratic, More Action-Oriented Response:*

HR procedures need to make sure that attempts at innovation are not stifled by bureaucratic bottlenecks in order to foster innovation. An excessive amount of bureaucracy in the processes used to validate approval or reporting requirements is one of the main causes of this.

When faced with such challenges, many employee efforts fall short. In actuality, a significant percentage of suggestion schemes seem to fail due to protocol issues, specifically the inability of the protocols to receive a positive or negative answer quickly enough.

F. *Work Complexity:*

A job is considered to have high degrees of complexity when it (a) offers the jobholder opportunity to develop and use a variety of abilities, (b) is identifiable, (c) has major ramifications for others, and (d) offers autonomy and feedback (Hackman & Oldham, 1980). One important component of the task contexts relevant for creativity is job complexity, which is operationalized as the mean of the five core job characteristics: skill variety, task significance, task identity, autonomy, and feedback (e.g., Farmer et al., 2003; Oldham & Cummings, 1996; Shalley et al., 2009; Tierney & Farmer, 2004). Therefore, practicing it contributes to the development of a creative pool of people.

G. Performance Appraisal and Feedback:

Few research has specifically looked at the processes via which feedback promotes creativity, despite the fact that it has been demonstrated to have considerable and complicated effects. Yuan and Zhou (2008) are one example, as they discovered that the process of creating a large number of ideas is impeded by external review. Nevertheless, those who were not prepared for external evaluation during the variation stage—during when they are instructed to create as many ideas as possible—were not affected. Furthermore, in order to control their behavior, employees don't have to be passive recipients of feedback; rather, they should actively seek out criticism. De Stobbeleir, Ashford, and Buyens (2011) integrated the literatures on creativity and feedback seeking to find a direct, positive relationship between feedback inquiry and creativity. As a result, effective methods for employee appraisal and feedback within an organizational system encourage positive attitudes and behaviors at work, which is a crucial component of workplace creativity.

Additional HR Practices That Can Boost Creativity at Work Include:

- Training and role modeling that is innovation-based.
- Challenging goals and tasks that is appropriate for the job.
- Job enrichment and rotation
- Exploratory learning
- Decision-making involvement
- Diversified teamwork
- Boss support.

25.6 Conclusion:

In order to build a lasting organization, it is imperative to acknowledge the importance of innovation in the Endeavour. Without a doubt, the most creative companies in the future will be those that focus not only on innovation in technology and products but also on sustainable environments of human communities that seek innovation through the establishment of appropriate cultures and climates. This will be the driving force behind the quest for prosperity in the future and regeneration. It is obvious that managers and employees should implement the best HR practices in the workplace because doing so benefits the business overall and motivates workers to contribute more by assisting them in seeing the bigger picture. We now understand that putting best practices in HR into practice at work can help people harness their resources, knowledge, and experience to create a more

positive perception of humanity as a whole, which can be utilized as a tool to unleash creative and inventive behavior.

25.7 References:

1. Bowen, D. E., & Ostroff, C. (2004). Understanding HRM-firm performance linkages: the role of the strength' of the HRM system. Academy of Management Review, 29(2), 203–221.
2. Brockbank, W. (1999). If HR were really strategically proactive: present and future directions in HR's contribution to competitive advantage. Human Resource Management, 38, 337–352.
3. Cabrera, E. F., & Bonache, J. (1999). An expert HR system for aligning organizational culture and strategy. Human Resource Planning, 22(1), 51–60.
4. Higgins, J. M., & McAllaster, C. (2002). Want innovation? Then use cultural artifacts that support it. Organizational Dynamics, 31, 74–84.
5. Laursen, K., and Foss, N.J. (2003). New Human Resource Management Practices, Complementarities and the Impact on Innovation Performance. Cambridge Journal of Economics, 27, 243–263.
6. Ledford, G., Lawler, E. E., & Mohrman, S. A. (1995). Reward innovations in Fortune 1000 companies. Compensation and Benefits Review, July/August, 76–80.
7. Mirvis, P. H. (1997). Human resource management: leaders, laggards, and followers. Academy of Management Executive, 11, 43–56.
8. Van de Ven, A.H., Polley, D.E., Garud, R., and Venkataraman, S. (1999). The Innovation Journey, New York: Oxford University Press.
9. West, M.A. (1997). Developing Creativity in Organizations. Leicester: British Psychological Society.
10. West M.A. (2000). State of the art: Creativity and innovation at work. Psychologist, 13(9), 460–464.
11. Youndt, M., Snell, S. A., Dean, J. W., & Lepak, D. P. (1996). Human resource management, manufacturing strategy, and firm performance. Academy of Management Journal, 39, 836–866.