

## Human Resource Management and Organization Innovation

Prof. Shital Deshmukh (Asst. Professor, JSPM's, JSIMR, Pune)  
[ssdeshmukh84@gmail.com](mailto:ssdeshmukh84@gmail.com)

---

### Abstract:-

Organizational innovation has been viewed as an essential weapon for organizations to compete in this competitive business environment. This study was to explore how different HRM practices nurture and constrain creativity in the organization, upon which companies build their innovation processes. This was explored by the perspective of employees working to contribute to innovations, line managers and HR professionals. Human resource management practices and functions have gained more strategic role in today's competitive organizations. Traditional personnel management and human resources management activities are not enough to compete in the challenging environments. HR departments should become strategic partners of organizations' top management level teams and be a part of the strategic planning process. All HRM functions should be designed consistent with the strategies and goals of organizations. There should be vertical and horizontal consistency among all HR functions and firm's strategies. In order to develop the skills of employees and support their innovativeness, HRM functions and practices should be implemented according to the needs of employees. Organizations can gain competitive advantage by designing their HRM functions systematically and support their employees for being innovative. A major part of the motivational practices were introduced and affected employees indirectly, through managers who could affect practices and activities as freedom, encouragement, feedback, work climate, organizational support and knowledge sharing which nurtured creativity and hence innovations.

**Keyword:-** HRM Practices, organizational innovation, Knowledge management effectiveness.

**Introduction:-**

Many companies today face a constantly intensified global competition demanding that they transform themselves and their production on a regular basis. In order to achieve a competitive position and thereby also survive, companies are dependent on their flexibility and ability to adapt and respond to the environment and to their ability to come up with and introduce innovative products to the market. In this context, the creativity hosted by the companies becomes a crucial resource, referring to their ability to generate both ideas that are new and useful, and ideas that can be implemented in order to solve a significant and novel problem. Creativity is something valuable, unusual or pattern breaking, which in the context of innovation also includes the implementation of the ideas into products, processes or procedures which will benefit the organization. HRM practices become crucial to how organizations influence and shape attitude, behavior and skills of individuals, of importance to whether organizations deliver innovations that corresponds with their goals. But the role of HRM in organizations is dual. On the one hand, HRM concerns policies and practices for organizing and managing work, which includes the fundamental structure of the work organization. On the other hand, HRM also encompasses policies and practices to employ and manage people which includes both individual management activities as for example recruiting, motivating, developing and retaining employees, and also processes to inform, consult and negotiate with individuals and groups.

**HRM Practices:-**

In all organization, human resource management can play a significant role through its processes which refer to the deeply-embedded, firm-specific and dynamic functions. These become somewhat routines by which a firm attracts, socializes, trains, motivates, evaluates, and compensates its human resources in such a way that firm will achieve its organizational goals through their competencies.

A new perspective on the contribution of HRM to a firm's financial performance. The 'process' perspective of HRM which is anchored in both the resource-based view of the firm and in institutional theory, links the human-capital and best-practices paradigms. It focuses on the unique ways in which organizations draw on past experiences, current culture and social norms to marshal its human resources to execute market strategies. Moreover, it builds on the organizational capital perspective, which views systems as ways to capture and deploy human-

capital. It is observed that the strategic firm is epitomized by a bundle of linked and idiosyncratic resources and resource-transformation activities and also demonstrated that organizations that bundle HRM practices achieve superior returns.

In order for a company to remain competitive, innovation must become a way of life. Sustained innovation requires both stability and change. The stability permits scale economies and incremental learning, whereas change and experimentation produce changes in products, processes, and technologies. The development of a specific new product or service is often a result of the practice to form teams at the initial stages and staff them with personnel selected from a range of departments. The effective human resource management can make an organization become innovative and creative.

Many researchers have asserted that the key to organizational success lies in developing intellectual capital and acquiring a new set of thinking: creativity to yield an idea and innovation to translate the idea into a novel result. Developing human resource to develop intelligence, knowledge and creative potential at level of organization. Developing managers to understand how technology can change both the structure of organizations and the nature and lifecycles of their products. Organizations without proper employee competencies cannot pursue competitive advantage by using organic behavior management.

In sum, management for creativity and innovation include the ability to constitute effective work groups that represent a diversity of skills, and are made up of individuals who trust and communicate well with each other, challenge each other's ideas in constructive ways, are mutually supportive, and are committed to the work they are doing.

### **Organizational Innovation:**

Organizational innovation has been widely defined as the creation of new idea and new behaviour to the organization . The dimensions of organizational innovation are extremely complex and multiple; it can be reviewed from two aspects: (1) breadth of innovation, which includes policies, system, administrative, processes, products, services, and others; (2) depth of innovation, which includes the importance, the degree of influence, effect on long term profitability, and others . Fundamentally, there are two distinctive types of organizational innovation have been classified in most literature, namely technological innovation, and

administrative innovation. organizational innovation was distinctively classified into three dimensions, namely: product innovation, process innovation and administrative innovation. Product innovation, process innovation and administrative innovation are the important predecessors for manufacturing firms and have the equal capability to improve performance or effectiveness, solve problems, add value, and create competitive advantage. Given the importance of product innovation, process innovation and administrative innovation in enhancing manufacturing firm performance, therefore, the organizational innovation is operationalized to be multidimensional comprising of these three types of organizational innovation.

Product innovation is defined as the development and commercialization of new product to create value and meet the needs of the external user or the needs of the market. Product innovation is a systematic work process which drawing upon existing knowledge gained from research and practical experiences directed towards the production of new materials, products and devices, including prototypes. On the other hand, process innovation is viewed as a creation of new process or improvement to existing process. Process innovation involves the implementation of a new significantly improved production or delivery method, which includes changes in techniques, equipment and/or software. Administrative innovation is viewed as performance derived from the changes to organizational structure and administrative process, reward and information system, and it encompasses basic work activities within the organization which is directly related to management. Administrative innovation requires organizations to have verifiable routines and procedures in place for product design, manufacture, delivery, service and support. Since manufacturing firms operate in the highly complex environment on the basis of internal operations efficiency and effectiveness, product innovation, process innovation and administrative innovation can be considered as the pivotal sources of competitive advantage.

### **Human Resource Management (HRM) practices and Organizational Innovation (OI):**

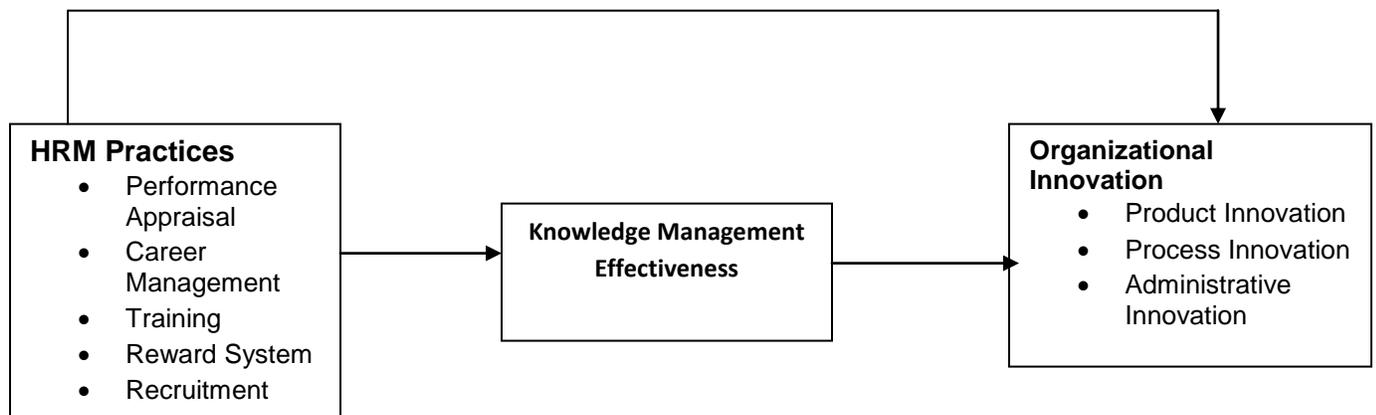
The human resource is one of the organization's resources, a subset of which enable them to achieve a competitive advantage, and a subset of those that lead to superior long-term performance. The AMO theory illustrates that when employees are motivated, they are likely to perform better, leading to higher firm performance. HRM practices play an influential role in motivating employees to exhibit favorable attitudes and behaviors, which are required to support

and implement the competitive strategy of an organization . The innovative firms treat HRM practices as the organization's strategy to encourage team responsibilities, enhance organizational culture, and build up customer relationships through participation and empowerment. In turn, it will help to create and market new products and services. When firms develop and introduce new product, new process and/or new administrative practices, they require innovative and creative employees, who are flexible, risk taking, and tolerant of uncertainty and ambiguity. These employees are highly recognized in manufacturing industries as they contribute to firm on the basis of market responsiveness, product and process innovation. Therefore, it is important for a firm to implement supportive HRM practices that can motivate and stimulate employees to be innovative.

The HRM practices to be positively related to organizational innovation. For instance, performance appraisal increase employee commitment and satisfaction since employees are given chance to discuss about their work performance. This, in turn, will lead them to perform greater in innovative activities. In a similar vein, career management assists employees to attain their career goals and objectives. If employees are likely to feel satisfied with their career management, which in turn, lead to motivate them to perform in innovative activities. Training helps employee master knowledge, skill, and ability which would be contribute to innovation in terms of products, production processes, and management practices in daily operation. Hence, training develops the knowledge, skill, and ability of employees to perform effectively in their job that will lead to higher organizational innovation. Reward system provides financial reward, promotion and other recognition, in order to motivate employees to take risk, develop successful new products and generate newer ideas. Reward system encourages employee to become motivated, thereby increase their participation in contributing innovation ideas, which leading to high organizational innovation. Recruitment involves employing and obtaining appropriate and competent candidates through external sourcing. Recruitment gives greater importance to be attached to fit between person and company culture. Hence, the high level of implementation of recruitment that attaches individual – organizational fit is likely to result in high organizational innovation.

### Knowledge management effectiveness as a mediator:

The missing link between HRM practices and organization outcomes illustrate the existence of a —black box. The —black box model indicated that there is an unknown apparatus which is apparently invisible in increasing organizational innovation. Knowledge management is recognized as the fundamental activity for obtaining, growing and sustaining intellectual capital in organizations. Knowledge management is not only served as predecessor to organizational innovation, but also an intervening mechanism between organizational factors and organizational outcomes. knowledge management mediates the relationship between an organization’s culture and structure, and organizational effectiveness. knowledge management mediates the relationship between human capital and innovation performance. Since HRM practices are assumed to be a managerial process that allows firms to manage effectively so as to improve the organizational innovation, it is important to view knowledge management effectiveness as the —black box underlying the relationship between HRM practices and organizational innovation.



**Conclusion:**

The objective of the current study was to examine the direct relationship between HRM practices and organizational innovation, as well as indirect relationship between HRM practices and organizational innovation via knowledge management effectiveness. The HRM practices have a significant positive impact on organizational innovation. And also, the knowledge management effectiveness has a mediation effect on relationship between HRM practices and organizational innovation. when organizations have higher implementation level of training, it will advances the growth of employees' requisite skills and their potential to learn. Employees are able to generate new understandings and new ideas that will be useful for organizational innovation. The efforts taken to enhance knowledge management effectiveness in the manufacturing firms will be useful in enhancing the organizational innovation performance. level of implementation of training, the more transfer and flow of information and knowledge which will increase organizational learning and new ideas, leading to product innovation, process innovation and administrative innovation.

**References:**

- Afuah, A. (1998). *Innovation Management: Strategies, Implementation*, and Oxford University Press.
- Amabile, T. M. (1997). "Motivating Creativity in Organizations: On Doing What You Love and Loving What You Do", *California Management Review*, 40(1), 39-58.
- [https://gupea.ub.gu.se/bitstream/2077/33647/1/gupea\\_2077\\_33647\\_1.pdf](https://gupea.ub.gu.se/bitstream/2077/33647/1/gupea_2077_33647_1.pdf)
- <http://rphrm.curtin.edu.au/2001/issue1/strategic.html>
- Tang, H. K. (1999). "An Inventory of Organizational Innovativeness," *Technovation*, 19, 41-51.