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Article
Management of human resources in the aspect of innovativeness

Contemporary Economics

Provided in Cooperation with:
University of Finance and Management, Warsaw

Suggested Citation: Staniewski, Marcin Waldemar (2011) : Management of human resources in the aspect of innovativeness, Contemporary Economics, ISSN 1897-9254, Vizja Press & IT, Warsaw, Vol. 5, Iss. 1, pp. 84-91, http://dx.doi.org/10.5709/ce.1897-9254.7

This Version is available at:
http://hdl.handle.net/10419/48836

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The importance of human capital is widely emphasised in the literature as regards the achievement of durable competitive edge. It turns out that a company may achieve an equally durable competitive edge owing to its innovativeness. Which source should be chosen by a company’s managers, which source should they focus their attention and resources on so as not to be driven out of the market – and even more so – to achieve great success on it? This article provides an unambiguous answer to this question. Both these sources are inseparable and must be used simultaneously. The article presents dependencies occurring between Human Resource Management and innovativeness identifying the critical personnel areas from the viewpoint of innovativeness and simultaneously verifying the usefulness of various models of Human Resource Management.

Key words: innovativeness, human resources, competitive advantage

JEL Classification: M50

Introduction

The area of human resource management is one of the basic elements of an effectively managed company. In the era of the knowledge-based economy, its importance becomes strategic as the effectiveness of activity within this scope largely determines the achievement of the company’s competitive advantage. Knowledge-based resources can be particularly important to ensure this advantage (McEvily & Chakravarthy, 2002: 285-305), but they may also play a significant role in the process of creating innovativeness (Galunic & Rodan, 1998: 1193-1201), as well as to contribute to the improvement of the organisational performance (Wiklund & Shepherd, 2003: 1307-1314).

It happens so because the area referred to above pertains to the management of an organisation’s most valuable capital, i.e. the human capital and the knowledge it possesses. However, innovativeness is also needed, and perhaps primarily, as regards the management of these valuable resources. Owing to such an approach, improved effects can be expected.

1. Human Resource Management system in an innovative organisation

The most appropriate HRM practices for organisations attempting to gain a competitive advantage based on innovation will include different practices compared to those appropriate for companies searching for other sources of their competitive advantage (Jimenez-Jimenez & Sanz-Valle, 2005: 366).

However, it is difficult to find an agreement between researchers as regards innovation-supporting HRM practices in the literature on the subject (theoretical and empirical studies).

Some theoretical studies focus on several isolated HRM practices while other studies focus on the HRM system used by individual organisations.

The majority of the aforementioned theoretical studies were based on the models devised by R.E.

The former model proposed the development of a market-oriented HRM system, i.e. companies were defined as "searchers" and characterised by a constant search for new products and markets, owing to which they become innovative. The authors of the model claim that it is difficult to ensure appropriate skills from within the organisation for serving new markets or devising a new product, all the more so because skills are needed quickly. Therefore, the authors suggest searching for these skills outside the organisation, every time the organisation needs them, e.g. the development of a market-oriented HRM system. HRM practices included in the aforementioned HRM system are similar to those proposed by L.R. Gómez-Mejia et al. (2004) – (cf. Table 1).

The other model is a combination of HRM practices and three types of strategy: costs, quality and innovation defined by M.E. Porter (1980) (competitiveness strategies). This model consists of analysing employee behaviour in respect of requirements imposed by the individual competitiveness strategies, and next, of the development of appropriate behaviour using HRM practices. Considering the introduction of an innovation strategy, an organisation must develop flexibility and uncertainty and ambiguity tolerance in its employees (i.e. to educate people who are capable of taking risks and assume responsibility, talented, able to work in cooperation and interdependence in the achievement of long-term objectives). The HRM practices they propose remind the approach of R.W. Beatty & C.E. Schneier (1997), C. Mabey & G. Salaman (1995) and M.A. Shepperd & J. Militello (2000) – (cf. Table 1).

<table>
<thead>
<tr>
<th>HRM practices</th>
<th>R.E. Miles &amp; C.C. Snow Model</th>
<th>R.S. Schuler &amp; S.E. Jackson Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment and selection</td>
<td>“Buying” knowledge and skills; Employment almost exclusively from the outside of the organization; Selection may use psychological tests; Ensuring very low employment security; Rare (if any) integration activity targeted at employees.</td>
<td>Use of external recruitment sources; Looking for technical and research competences; High employment security.</td>
</tr>
<tr>
<td>Training</td>
<td>Identification and outsourcing of skills; Limited training programmes.</td>
<td>Broad application; Impose responsibility on the personnel for self-education; Ensuring work making it possible for employees to develop skills, which they will be able to use in other positions in the organisation;</td>
</tr>
<tr>
<td>Development and internal possibilities of career development</td>
<td>Little use of internal career ladder.</td>
<td>Broad use of career paths; Obligatory development of competences.</td>
</tr>
<tr>
<td>Employee assessment</td>
<td>Effect-oriented assessment; Identification of personnel needs; Department/corporate employee assessment; Comprehensive comparison.</td>
<td>Use of the following criteria: assessment of the work performance process and its effects; Use of employee assessment oriented for long-term team achievements.</td>
</tr>
<tr>
<td>Remuneration</td>
<td>Result-oriented; Externally competitive; Total remuneration of strongly competitive nature.</td>
<td>Application of a broad range of rewards; Internally justified system (fair); Low basic rate, increased by transferring to employees shares in the company equity and a rich cafeteria package; Rewards for innovative teams; Competence-based remuneration.</td>
</tr>
<tr>
<td>Other HRM practices</td>
<td>Low employee participation; Frequent work analysis; Work enrichment.</td>
<td>High employee participation; Frequent work analysis; Work enrichment; Inter-department teams; Communication: feedback on the sales of new products.</td>
</tr>
</tbody>
</table>

Other authors also studied relations occurring between innovation and HMR practices.

As regards the process of recruitment and selection, there is agreement on the importance of using external sources of recruitment in order to comply with the innovation strategy (Gómez-Mejia et al., 2004; Miles & Snow, 1984; Olian & Rynes, 1984; Schuler & Jackson, 1987, Sonnenfeld & Peiperl, 1988). It needs to be added that L.K. Stroh & A.H. Reilly (1994) did not find a relationship between the strategy and recruitment in their empirical research; however, other research results (Raghuram & Arvey, 1994) confirm the usefulness of external recruitment sources as regards an organisation's innovativeness.

There is no agreement between researchers as regards the degree of employment security, which should be ensured to an organisation's employees. Other authors (Miles & Snow, 1984; Olian & Rynes, 1984; Sheppeck & Militello, 2000; Sonnenfeld & Peiperl, 1988) argue that innovative organisations should have a clearly defined employment strategy (flexible employment structure) to ensure free access to specific skills and knowledge which will be required by the market at a given time. However, other researchers defend employment security as a means of gaining employee involvement in the organisation's matters, which favours its innovativeness (Schuler & Jackson, 1987). These dependencies are also corroborated by other researchers. S.E. Jackson et al. (1989) have found dependence between innovativeness and employment security, and J. Storey et al. (2002) observed that organisations do not use temporary employment contracts for employees employed in the “innovation department”.

Considering the aspect of employee training, some theoretical studies imply broad application of training to develop the personnel’s skills and knowledge needed for innovativeness (Beatty & Schneier, 1997; Cascio, 1990; Mabey & Salaman, 1995; Schuler & Jackson, 1987). Others, on the contrary, recommend that organisations should outsource their skills and knowledge – which is why they propose a narrow use of training.

The results of empirical studies are not clear and unambiguous either. Some of them have found evidence of a positive relationship between the number of training sessions provided to an organisation’s employees and its innovativeness (Ding & Akhtar, 2001; Johnson et al., 1989; Johnson et al., 1996; Mark & Akhtar, 2003). For contrast, the research by S. Raghuram & R.D. Arvey (1994) should be quoted as it indicates the reverse relationship.

Career paths are an equally conflict-generating issue. Some authors propose a narrow use of career paths (Kydd & Oppenheim, 1990; Laursen & Foss, 2003; Mark & Akhtar, 2003; Miles & Snow, 1984; Sonnenfeld & Peiperl, 1988), while others recommend their broad application as, in their opinion, career paths support an organisation’s innovativeness (Petroni, 1999).

As regards employee assessment, both theoretical studies (Gupta & Singhal, 1993; Mabey & Salaman, 1995; Mumford, 2000) and empirical ones (Jackson et al., 1989; Mark & Akhtar, 2003) recommend that it should be used. The only question, that is not obvious, is whether the assessment should be results-oriented (Beatty & Schneier, 1997; Miles & Snow, 1984) or oriented on the work performance process (Kydd & Oppenheim, 1990; Mumford, 2000) or on both (Mabey & Salaman, 1995; Schuler & Jackson, 1987).

As regards the best remuneration system from the viewpoint of an organisation’s innovativeness, the literature suggests the application of rewards (Gómez-Mejia et al., 2004; Miles & Snow, 1984; Schuler & Jackson, 1987) and the application of an integrated remuneration system (Gómez-Mejia & Welbourne, 1988). The results of empirical research confirm these recommendations (Laursen, 2002; Laursen & Foss, 2003).

The literature proposes a range of other HRM practices supporting an organisation’s innovativeness, e.g. job enrichment (Schuler & Jackson, 1987), teamwork (Eisenhardt & Tabrizi, 1995; Laursen, 2002), external and internal communication (Damanpour, 1991) and employee participation (involvement) (Jimenez-Jimenez & Sanz-Valle, 2005). However, there is no agreement about the last issue. Some researchers point out that innovativeness requires a high degree of employee involvement and participation (Damanpour, 1991; Hurley & Hult, 1998; Mark & Akhart, 2003; Schuler & Jackson, 1987), while others attach less importance to it, in accordance with their model of “acquiring human capital” as opposed to “building human capital” (Miles & Snow, 1984; Snell & Lepak, 1999).

Some studies do not focus on isolated HRM practices, but on the HRM system. R.E. Miles & C.C. Snow (1984) have proposed a market-oriented system, while...
R.S. Schuler & S.E. Jackson (1987) propose a more internal HRM system. The results of empirical studies confirm the righteousness of both approaches (Laursen, 2002; Laursen & Foss, 2003; Michie & Sheehan, 1999; Peck, 1994).

2. Innovative Human Resource Management

Opinions that show some innovative HRM practices can make work more interesting and make employees work harder while minimising the resignation rate appear more and more frequently in the literature. However, data show that such claims can be partly exaggerated, especially in the industrial sector. Researchers examining this area recommend that this sector should keep away from innovative HRM practices. “We have found no evidence showing that innovative work practices are connected with a lower resignation rate,” says R. Morrisette (2003). According to his research, the resignation rate at industrial companies not applying any alternative form of work was 10.7%, while it amounted to 15.8% in companies using teamwork and formal training for employees. The author points out that at factories, where the work is standardised and routine, keeping the traditional work organisation appears to be a better solution, as predictable tasks are preferred by people employed at such places. Failure to apply a system of rewards supporting the adoption of new practices may be the reason for this status quo. More complex and technical organisations achieve more positive results after the implementation of innovative HRM practices. Namely, highly qualified service companies (e.g. telecommunications, financial and technical services) not applying any alternative form of work was 15.8%, while it amounted to 6.1% in companies using teamwork and formal training for employees.

In addition, the research showed moderate improvements at low-qualified companies (customer service, retail sales). The standard resignation rate at industrial companies not applying any innovative HRM programmes was 19.3%, while it amounted to 14.6% in companies using teamwork and formal training for employees.

Moreover, the studies give examples of several traditional practices, which made it possible to lower the employee resignation rate. The policy of sharing information with employees is an instance of such a practice. Its effectiveness can be accounted for by the fact that being well-informed makes employees feel more comfortable as regards the future, which makes them inclined to stay at the company. Besides, it can be assumed that organisations sharing information with their employees are also more willing to implement other HRM practices, thus showing their care about their personnel (Morrisette, 2003).

As regards the innovativeness of HRM, the following areas become very sensitive: motivation, remuneration, creating task-oriented teams and delegating authorisation rights.

Motivating becomes more and more difficult as a result of greater employee diversification. Therefore, managers must be highly flexible as regards motivation so that each employee, regardless of this diversification, is sufficiently motivated. It is most important to remember that each single employee is an individual. The management must use various motivators to correspond to the various needs and objectives of the employees. Managers must be aware that (Jinzhao, 2007: 61):

- growing globalisation makes human resources even more diverse;
- more and more advanced employee skills will make it possible to satisfy customer needs at the highest level;
- economic challenges make organisations narrow down the scope of their activity;
- the emergence of telecommunications will change the ways of motivating employees;
- understanding the "emotional aspects" of motivation will change the management method.

The aforementioned elements constitute, according to W. Jinzhao (2007), a summary of suggestions concerning the essence of motivating employees.

It is extremely important to realise that each employee is different and that each employee is motivated by different elements/factors. Various attitudes, needs and personality traits account for the individuality of each employee.

Each employee has their own diverse characteristics and traits and all of them need different motivators to perform their work better. For example, money can motivate employees with low salaries to achieve higher objectives; however, they are of little use in the case of
well-paid employees deriving satisfaction from challenges brought by their tasks and responsibilities. An individualised reward is characterised by more autonomy, promotion, higher remuneration, appreciation and work full of challenges.

Employee remuneration is another element, which is significant from the point of view of HRM innovativeness. Employees must be aware that their individual contribution is rewarded, taking into account their individual performance. The contribution must always be equal to results – i.e. if an employee is highly qualified and experienced, they will eventually receive higher remuneration and their tasks will be characterised by a higher level of responsibility than in the case of an employee, whose qualifications are not high and whose experience is not so rich.

Work organisation based on task-oriented teams is another area of HRM innovativeness. Task- or project-oriented teams are formed to achieve greater objectives compared to the objectives, which could be achieved by each employee working on their own. Therefore, building effective teams is important for the success of the organisation and especially for service organisations. The best managers are those, who can form a real team out of a group of individuals. Managers of HRM units must master the skill of understanding and recognising unique talents, knowledge and creativity of team members. Besides, they need to be able to build trust between team members, a work climate under trust conditions favouring open expression of ideas, opinions, objections, emotions and asking questions (Jinzhao, 2007: 61).

As regards HRM innovativeness, the delegation of authority rights becomes important. Delegation of authorisation rights is a process of assigning responsibility and power to an employee in order to fulfil tasks. This kind of practice may develop employees’ skills and, as it is a sign of trust, it may lead to better interpersonal relationships and work performance. To be true managers of success, managers of HRM units must employ able people and then help them become even better. On the other hand, employees, who appreciate such an approach and activity of the management, will be more loyal, efficient and effective.

The belief and conviction of numerous managers that only they are able to do the job well, i.e. faster and better than their subordinates, is probably the greatest barrier for the delegation of authorisation rights. The main objective of work delegation should include the development of personnel skills and talent. Managers, who delegate authorisation rights in an effective manner, at the same time share their knowledge with the employees, ensure training and coaching necessary to achieve success by employees (Jinzhao, 2007: 62).

Conclusions
Summing up the literature review, it can be concluded that there is an agreement among researchers on the relationship between HRM and an organisation’s innovativeness and on the application of individual practices favouring innovativeness, i.e. the use of external recruitment sources, employee assessment and rewarding. However, there is no agreement in the literature as far as other HRM practices are concerned, i.e. employment security, training, career paths and employee participation. It should be noted that empirical studies present diverse results in this area.

According to D. Jimenez-Jimenez & R. Sanz-Valle (2005: 373), an organisation implementing an innovation strategy will be characterised by the application of a system encompassing employee assessment, motivating remuneration, creating possibilities of an internal career and will be striving to achieve high employee participation. These authors emphasize that HRM is a key element in the achievement of success as regards an organisation’s innovativeness (Jimenez-Jimenez & Sanz-Valle, 2005: 375).

Moreover, on the basis of research conducted by D. Jimenez-Jimenez & R. Sanz-Valle (2005), it can be concluded that R.S. Schuler & S.E. Jackson’s model accounts more for the dependencies occurring between HRM and an organisation’s innovativeness than the model devised by R.E. Miles and C.C. Snow. These results considerably contribute to explaining doubts arising from the literature on the subject. They show that organisations using innovation strategies are more willing to use the internal job market rather than the external one (as implied by R.S. Schuler & S.E. Jackson). Therefore, it seems that the application of HRM practices is oriented in this case on the formation of stable employee groups in a company, which is capable of taking risks and not afraid of experimenting and which can assume responsibility for decisions concerning their work. Such a work environment is more
favourable for the creation of conditions for the emergence of new ideas, which constitute the beginning of all kinds of innovation.

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