

The role of human resource management in developing a culture of innovation in an organization

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Abstract

This paper presents research results regarding the role of good human resource management in developing an innovation culture that can support an organization to implement and benefit from the innovation process. In today's highly dynamic and competitive business environment, organizations are exposed to higher challenges with meeting the ever-increasing needs and expectations from the market and customers. To ensure the competitiveness and success of the organization managers need to accept innovation as a key element for the organization, knowing that innovation is one of the key factors in this sense. The aim of this paper is to highlight the link between human resource management and the innovation performance of organizations. In this context we analyzed the human resource management activities supporting innovation and connect them with the main determinants for developing an innovative culture in an organization. A good idea comes from a person, but it is transformed in innovation by a team so human resource management must be an engine of innovation.

Keywords: innovation, innovation process, importance of innovation, economic globalization.

Introduction

The success, performance and competitiveness of any organization depend, to a large extent, on the content and quality of human resource management, as, as many specialists in the field emphasize, the competitive advantage of an organization resides in its people. People are a common resource and, equally, a vital resource of all organizations, regardless of the field in which they operate, a resource that ensures their survival, development and competitive success. Without the actual presence of people who know what, when and how to do it, it is simply impossible for organizations to achieve their goals. Organizations exist because people have limited physical and intellectual capabilities, but also the capacity to develop the organization (Maier, 2013).

The link between human resource management and the innovation performance of organizations is a theme developed in many publications, especially in the last decades. In the 1990s, many studies focused on "new practices in human resource management" - a global label on a series of changes relating to: organizing working relationships (including teamwork, decentralization of leadership and empowering employees), learning continuous access to information, dissemination of internal knowledge, rewarding performance, etc. (Laursen & amp; Foss, 2000, 2013; Chen & Huang, 2009)

These practices have spread rapidly, becoming the distinctive elements of modern management, essential for the efficient use of human resources and adaptation to the requirements of a flexible and learner organization (Nielsen, 2006). According to Nielson, "Employee issues are part of the innovation system and, from this perspective, skills development and learning are important."

2. Human resource management activities supporting innovation

Managers' attention is focused largely on urgent daily issues. Innovation is often not an emergency although this is considered an important issue. Managers need to realize that the postponement of innovation today undermines the ability to innovate tomorrow, and innovation should be an urgent matter. When a leadership team becomes aware of the changes needed for innovation, it identifies a series of challenges they face such as:

- the need to protect innovation from potential mistreatment;
- to be credible, innovation must produce consistent results;
- new ideas require a certain attitude (visionary thinking, observing possibilities at the expense of problems, etc.) which, in many cases, is exactly the opposite of how people have been taught to perceive these situations;
- innovation will flourish only if there is a change in management style.

Faced with such a scenario, most managers tend to withdraw. There are also cases where directors are willing to face the challenges of developing new opportunities. There are two key issues for any organizational solution that aims to achieve innovation in a company. First of all, innovation is a challenge that is resolved more with human resources than technical ones. Developing innovation capacity requires a paradigm shift in leadership strategy and the way people act. Secondly, and more importantly, innovation is aimed at the management pyramid. The move towards a completely innovative culture calls for new managerial skills and practices that have so far not been considered vital.

Successfully introducing innovation on the market is done by combining efforts across several different areas. The advantage of creating an environment where everyone can contribute to creating an innovative culture becomes one of the priorities on the managers' agenda. The best tactic to create an innovative culture is to introduce management practices (progressive, spreading employees at each level through different channels) to promote innovation. Changing the management style (in every aspect: setting goals, planning, allocating resources, evaluating employees, rewarding and recognizing merits, assigning degrees of responsibility and autonomy, managing information, etc.) leads to an innovative, conscious or unconscious culture (Maier, 2013).

Human capital is unique in terms of growth and development potential, people's ability to know and overcome their own limits, to meet new challenges or current and prospective exigencies. Human resources are valuable, rare, difficult to imitate, and relatively irreplaceable. People have the potential to create material and spiritual assets capable of meeting new requirements or better meeting some of the old requirements. People design and produce goods and services, control quality, allocate resources, make decisions, and set or develop goals and strategies. Human resource management decisions interconnect individual organizational and situational factors, vary from one country to another, from one organization to another, from one organizational subdivision to another, because the relative importance of functions or activities in the field of human resource management is not the same in all situations.

Human resource decisions must take into account fundamental moral and ethical principles; reflect the socially accepted system of values and the moral development stage in which that organization is located. Respect for the individual, mutual respect, procedural fairness, transparency, honest communication, fair treatment, honest competition, special consideration, responsibility towards the organization, respect for the law, respect for the personality of the people must be the pillars on which to base the decision-making process managerial skills in human resources. Human resources are strongly marked by the time factor needed to change mentalities, habits, and behaviors. Here is where managerial practice has to intervene to overcome relative inertia to change people and turn it into openness and adaptability to diverse situations.

Thomas Murphy, a former chairman of General Motors, said: "We must try to treat people the way we want and we like to be ourselves, because it will be good for both the individual and the organization." As worthy human beings, people have the right to be treated fairly, and their personal needs cannot be met without the promotion of adequate human resource management. J.K. Galbraith announced "the human resource's restitution over the other resources." It is what is happening nowadays, when human resources management has differentiated, specialized, autotomized, having a well-defined place within the management, borrowing from it concepts and methods but also innovating, proposing its own language expressions, own concepts, new methods of investigation, thus tracing their own borders, so that the realities of the organization are treated according to the objectives pursued (Covrig, 2007).

Employee qualification is, on the one hand, a means of reaching innovation because it is indispensable for further implementation of innovation. On the other hand, qualification is the result of innovation when technological and organizational changes take place in the qualification of employees. Human resource development primarily focuses on a coherent, well-targeted training process with a content tailored to the new skills and qualifications required. An assessment of training needs (analysis of the current work situation) is usually the starting point of any type of training oriented management. By assessing training needs, employees are directed to addressing the issues they have. Thus, the problems and the working situation are analyzed and the implementation of the training becomes possible. Based on training needs assessment, training objectives can be defined. Based on the training objectives, programs, content and tools are set. A fundamental element in the training process is the transfer and implementation of the acquired knowledge in a working situation, the applicability of the training results being the main factor of a successful training (Perdomo-Ortiz, 2009).

Human resources management must develop and sustain the organizational and social transformations needed to achieve the innovation goals. To this end, human resource leaders need to understand the critical importance of innovation and how they can contribute to improving the organization's innovation performance. The main activities specific to human resource management with direct effects on innovation performance (Figure 1) is as follows:

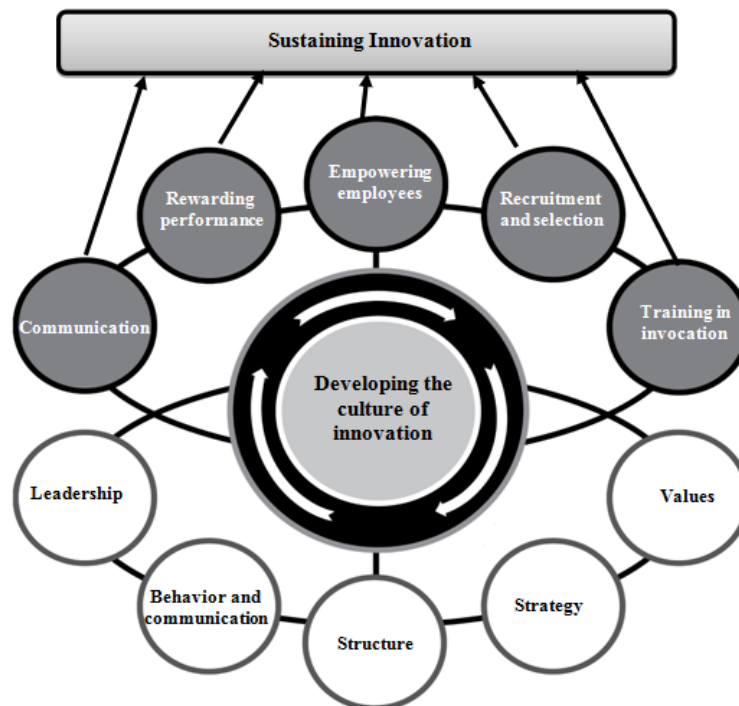


Fig 1. Human resource management activities that support innovation and development of innovation culture (authors processing)

Empowerment of Employees: refers to increasing employee autonomy, the ability to influence the context of work and self-employment. Creating innovation opportunities for each employee by including innovation in the job requirements and in the performance management tools is essential in this respect. Access to information, making resources available, workplace support and development opportunities are also empowerment tools.

Recruitment and selection of staff: Organizations must incorporate creativity and other important skills in innovation between recruitment and selection criteria. When organizations engage in innovation, they need creative, flexible people who take risks and have the ability to work in a team.

Training in innovation: aims at broadening and enriching knowledge, including training in innovation management, developing creativity and entrepreneurial skills. Innovation performance depends on employee knowledge, so developing extensive and long-term training programs is an essential component of innovative organizations.

Communication: developing an open communication system that facilitates broad access to information, collaboration and teamwork. Communication has an important place in innovation management in the context of expanding participation in innovation and interdependencies between the involved structures, being done in specific forms within project teams, but also at the organization level, in leadership, on the flow of creation and development of new products / processes, dissemination of results, etc.

Rewarding innovation performance: The organization needs to develop an incentive reward system that encourages innovation. Introducing stimulus packages to reward performance can help increase employee motivation and engagement in innovation.

Innovation culture: Developing an organizational culture that supports innovation, where innovation is seen as the responsibility of each employee. Summarizing the studies on the culture of innovation, it is defined by the following determinants shown in Figure 1:

- *Values:* freedom, risk-taking, trust, openness, creativity, flexibility, lifelong learning
- *Strategy:* innovation as a strategic goal, strong customer identification, future orientation;
- *Structure:* autonomy, flexibility, collaborative teams and group interaction, transparency;
- *Behavior and communication:* support, tolerance of mistakes; opening up new ideas; the ability to adopt new ideas; rapid adaptation to market changes; trust relationships; emphasis on key competences;
- *Leadership:* focusing on innovation management and shaping behaviors that encourage innovation, such as risk taking, innovation support, and rewarding initiatives.

Leadership plays a decisive role in achieving the behavioral transformations on which organizations' innovation performance depends. In the opinion of the specialists, the leading role of the leader in innovation is to create a culture in which innovation and creativity are found in everyone's work.

The defining values of the firm are essential tools of leadership in modern management. Values determine priorities and decisions, which are reflected in the way a company spends its time and money. The values of a company are not what the leaders say or what they write in promotional materials and reports, but what people, leaders and employees do. Really innovative organizations provide the resources needed to support entrepreneurial action, stimulate creativity and learn.

Behaviors describe how people act in terms of innovation. For leaders, these acts include the description of the future through strategies and plans, and the energizing of employees to achieve defined goals. For employees, innovation actions include participation in innovation by finding solutions or engaging in projects, perseverance in overcoming technical barriers, negotiating resources, listening to customers, etc.

An important feature of the organizational culture of high performance companies in innovation is the cultivation of a smart climate of risk taking and learning from failures instead of sanctioning mistakes. Innovative businesses distinguish between low or non-performance performance and innovation failures, establishing acceptable risk tolerance and an innovation strategy appropriate to the level of risk accepted. Each of the human resource issues listed above has effects on innovation performance but, to maximize results, they should be seen not as isolated actions but as a system.

3. The culture of innovation

The culture of innovation is a catalyst for innovation that makes it possible for innovation to become a daily way of life for both managers and other employees. Numerous studies on the innovation include the culture of innovation as key success factors (Angel, 2006; Lombardo & Roddy, 2010; Rao & Weintraub, 2013; Losane, 2013). Starting from this perception, it becomes important for managers interested in innovation to formulate answers to the questions: What is the culture of innovation? How can it be built?

Focusing on organizational culture emerged as theory and practice in the 1980s of the last century. Organizational culture is a social variable, defines the distinctive way in which people perform their tasks, treat clients, solve problems and conflicts, etc. Simply defined, organizational culture is the "lifestyle of an organization" and is found to be mainly expressed in behavioral patterns of employees (Dauber et al., 2012). Organizational culture is what gives personality and identity to an organization.

Each organization has its own culture, synthesized in the values, beliefs, beliefs and aspirations shared by members of the organization. The organization's approach from this perspective helps to understand the different impact and difficulties in organizational change. Studies show that the failure to implement modern management systems or other change projects has occurred, in most cases, because the organization's culture has not been aligned with the new values and principles. When the assumed values and employee behaviors remain constant, resolutions are often formal, even if the structures and working procedures have been modified. These do not result in the expected results, on the contrary, they often produce frustration, loss of confidence and employee morale, and the organization may get worse than before the change projects (O'Donnell & Boyle, 2008; Popescu, 2011).

Organizational culture counts enormously in innovation. The analysis of the characteristics of the successful firms shows that they have developed organizational cultures where innovation is seen as the responsibility of each and as an objective that employees at all levels try to achieve in their daily work (Kasper & Clohesi, 2008).

No matter how large or small an organization is, it cannot effectively implement its strategy without the commitment of leadership and employees. Leaders who are dedicated to innovation and who also prioritize employees who want to innovate will also understand how to do it (Reuter, 2018). The phrase "innovation culture" is associated with organizational practices and behaviors related to innovation, being an increasingly widespread theme in recent years, in the context of the concentration of organizations on innovation.

But many companies face barriers that stop them from starting this process of innovation. Innovation has clear benefits for both organizations and employees. So why is innovation so difficult to be a priority? Some of the barriers to innovation are (Reuter, 2018):

- *Resources* - It takes time, money and resources to innovate. Leaders tend to focus their efforts on more controllable parts and less devotes resources to innovation.
- *Culture* - Employees should be empowered to innovate, yet cultural issues inhibit this. If you do not reward or recognize employees' efforts and do not equip them with skills, confidence

and autonomy to innovate, people are not stimulated to invest time in thinking outside of the organization.

- *Fear of failure* - Fear of failure, a byproduct of culture, also inhibits innovation.
- *Collaboration* - collaborative collaboration may seem an easy concept, but for some organizations it is harder than it seems. Sometimes, processes, procedures, and structural frameworks make it difficult for teams to effectively share ideas and work together - inhibiting their ability to innovate.

But many of these barriers can easily be overcome if leadership pledges to innovate. And those leaders and organizations that do it best, not only communicate well and embrace it, they also create an environment focused on supporting and inspiring ideas and innovative collaboration.

While innovation starts with a leadership commitment, it is very important to engage and involve employees at all levels of the company. Communicating, creating innovation forums, and providing employees with opportunities to experience it are the key to stimulating innovation and discovering the next important initiative (Reuter, 2018).

An important feature of the organizational culture of high performance companies in innovation is the cultivation of a smart climate of risk taking and learning from failures instead of sanctioning mistakes. Innovative businesses distinguish between low or non-performing performance and innovation failures, establishing acceptable risk tolerance and an adequate innovation strategy (Global Innovation 1000).

4. Conclusions

Innovation depends on people, on their ability to generate knowledge and ideas and to apply them to their workplace and society. Organizational innovation performance is related to new practices in human resource management related to: organizing working relationships, lifelong learning, access to information, dissemination of internal knowledge, rewarding performance, etc.

Employees of any company are the greatest "wealth" because they bring skills, knowledge and experience to the company that impact on business performance and business goals. Employee performance is being tested by a changing market environment; they need to be kept up to date with the latest technological breakthroughs, customer demand, new product or process standards, management techniques or government and EU regulations, financial and business, health and safety rules, etc. On the other hand, the requirements of the client and the market are manifested by a constant change.

A good idea comes from a person, but it is transformed in innovation by a team so human resource management must be an engine of innovation. The development of a culture conducive to innovation is a complex process and is carried out in parallel with the implementation of appropriate open-minded structures and new innovation management tools. The key to success is communication, training and staff training.

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