THE IMPACT OF ORGANIZATIONAL INNOVATION ON HUMAN RESOURCES MANAGEMENT

Olivia Roxana Popescu
Lecturer Phd. , "Constantin Brâncuşi" University of Târgu-Jiu

Abstract:
In recent years, in the debate both of economic arena and the trade unions institutions, we witnessed an increased awareness about the role of organisational change within the firms in as crucial factor for firm competitiveness in national and international markets. Various authors pointed out that those changes are connected to the transition from a complex, rigid and hierarchic enterprise to a flatter organisation, where interactions between firm divisions and top management become stronger. Such a new typology of organisation, also named learning organisation, is more reactive to external changes and able to anticipate and influence changes in the market where it operates. It adopts policies directed to the enrichment and development of competencies owned by its personnel. The increased awareness of the importance of organisational changes has contributed to emphasise the role of human resource management (HRM hereafter) and of labour as a factor of production in general.

Keywords: *Organizational innovation; Organizational change; Human resource management, Organizations, employees.*

There is an ongoing international debate over the way globalisation and intensified international competition are leading to a restructuring of management practices in Europe in order to achieve greater flexibility and cooperation at the workplace. A key focus in this debate has been on the diffusion of the 'lean' or 'high-performance' model, which is often presented as a new 'one best way' destined to replace fordism which emerged as the dominant organizational paradigm in the decades after the World War II .[1]

In recent years, in the debate both of economic arena and the trade unions institutions, we witnessed an increased awareness about the role of organisational change within the firms in as crucial factor for firm competitiveness in national and international markets.[9] Various authors pointed out that those changes are connected to the transition from a complex, rigid and hierarchic enterprise to a flatter organisation, where interactions between firm divisions and top management become stronger. Such a new typology of organisation, also named learning organisation, is more reactive to external changes and able to anticipate and influence changes in the market where it operates. It adopts policies directed to the enrichment and development of competencies owned by its personnel.[10] The increased awareness of the importance of organisational changes has contributed to emphasise the role of human resource management (HRM hereafter) and of labour as a factor of production in general. At the firm level, management of internal labour markets, selection procedures for personnel, hiring and lay-off policies, career advancement policies, role of training and development of workers' competencies, incentives and workers' evaluation, all these items are outlined by theoretical and empirical economic research, together with management discipline. The adoption of these practices is also considered relevant for the fulfilment of better economic performances. Some authors even tend to identify a functional relationship between HRM practices and firm economic performances. The whole set of changes in the organisational models led to rethink on firm typologies and the role of personnel in the organisation. The multifaceted literature concerning HRM constitutes a yardstick in this research agenda. The policies of worker involvement in decisional processes of the firm represent a crucial tool to accomplish the sharing of the firm's objectives by the workers. Such policies imply a more direct relationship between management and workers, a greater autonomy of employees in their work activity and in production problem solving, a greater flexibility in the roles played and in the accomplishment of tasks. The importance of bottom-up - rather than top-down - channels of information diffusion is stressed as well. [3]Furthermore, the increased operative autonomy is accompanied by evaluation systems, incentives, and monetary and non-monetary rewards (bonuses and economic incentives, pay for performance, career advancement, training) directed to favour superior performances, and also to constitute a monitoring and control tool for the management on workers' results. Worker involvement is put in place mainly in the field of decisional processes for operative tasks. Workers' initiatives are excluded in organisational and strategic management. Furthermore, a direct relationship between management and workers, which usually is unidirectional, is often preferred to decentralisation of decisions and to the interaction with worker representatives. The last two fields of intervention are enclosed instead in an approach which emphasises the role of industrial relations within the enterprise, hence an open dialogue between social actors: employees, their representatives, management, and shareholders.[3] More specifically, employee representatives have a double role: on the one hand they defend and guarantee the rights of the weaker side in the bargaining - i.e. the workers - on the other hand they need to contribute to a non-antagonistic organisational climate, which is considered to favour organisational innovations and higher firm performances. The exclusive involvement of workers in objectives and procedures designed by the management is substituted by a participatory model where workers with the involvement of trade unions share organisational and even strategic objectives. Industrial relations enjoy a quality gain, whereby shared objectives and co-determined procedures ask for a culture of participation. Conflict is left behind and substituted by the development of new competencies for all the actors involved, though each of them retains different roles within the organisation. The two models defend different, though not contrasting visions of the role of personnel within the organisation and of the confrontation between the actors. The first is management oriented as it emphasises the direct relationship between the firm top management and employees. Worker involvement is realised essentially at the operative level. The second is more open toward discussion and bargaining with unions, hence it is industrial relations oriented. Employee participation needs to be addressed to a range of objectives shared by management, workers and unions and be accomplished on the basis of co-determined procedures. Discussion between social actors is extended to organisational and strategic problems of the firm.[3]

The main questions underlying our research can be summarised as follows.

Firstly, what is the degree of organisational innovation at the firm level and the spread of HRM practices? Is the adoption of new organisational models worked out exclusively through managerial initiatives or does it involve employees and the representatives as well? What are the relations between the intensity of organisational innovation and the quality of industrial relations?

Secondly, if we take into consideration individual and collective incentive systems, distinguishing between unilateral managerial initiative and bargaining, what are the prevailing ones? Is there a polarisation of the two models, the first aiming at realising organisation and production efficiency, the second following a pure bargaining approach? Are the two models mutually exclusive, or complementary?

Finally, what are the effects of the organisational models on firm performances? In other words, which are the relations between quality of industrial relations, organisational innovation and economic performances of the enterprises?[3]

In this context, innovation is widely regarded as a critical source of competitive advantage in an increasingly changing environment. An unrestricted search of academic publications using the keyword innovation produces tens of thousands of articles, yet reviews and meta-analyses are rare and narrowly focused, either around the level of analysis (individual, group, firm, industry, consumer group, region, and nation) or the type of innovation (product, process, and business model). While this narrow focus helps deepen our understanding of specific facets of innovation, the resulting fragmentation of the field prevents us from seeing the relations between these facets and ultimately impedes consolidation of the field. In the business world, innovation has similarly received widespread attention. However, while there have been an increasing number of practitioner-based measures, rankings, and indexes, they often remain disconnected from the academic research available.[2]

In this article we are relating to a comprehensive definition of innovation, which corresponds to the broad scope of our research objective. Innovation is: production or adoption, assimilation, and exploitation of a value-added novelty in economic and social spheres; renewal and enlargement of products, services, and markets; development of new methods of production; and establishment of new management systems. It is both a process and an outcome. Innovation diffusion, which is the subject of many papers, has been excluded from our consideration as it refers to a process taking place after innovation, as we defined it, has already occurred. This definition captures several important aspects of innovation: it includes both internally conceived and externally adopted innovation ('production or adoption'); it highlights innovation as more than a creative process, by including application ('exploitation'); it emphasizes intended benefits ('value-added') at one or more levels of analysis; it leaves open the possibility that innovation may refer to relative, as opposed to the absolute, novelty of an innovation (an innovation may be common practice in other organizations but it would still be considered as such if it is new to the unit under research); and it draws attention to the two roles of innovation (a process and an outcome). Being aware of a wide range of meanings of our keyword, we have intentionally cast the net wide in order to fully understand all definitional nuances, associated constructs, and related models.[2]Thus, the initial step of the project was a review and categorization of the findings. We then synthesized the revealed categories into a comprehensive multi-dimensional framework of organizational innovation, consisting of the three sequential components: innovation leadership, innovation as a process, and innovation as an outcome. The role of leadership at all levels of an organization, although sometimes tacit, is paramount for spearheading innovation as a process and maintaining its momentum until innovation as an outcome ensues. Adoption of this sequential view helps bring to light the often missed causal interconnectedness between these three components of innovation.[2]

Therefore, Resource-based view (RBV) and Ability, Motivation and Opportunity (AMO) theory appear to be the most popular theories applied in the studies that link HRM and. RBV argues that 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 longterm 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 . According to Wang (2005), 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 .[4] 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 [5]. These employees are highly recognized in manufacturing industries as they contribute to firm on the basis of market responsiveness, product and process innovation.[7] Therefore, it is important for a firm to implement supportive HRM practices that can motivate and stimulate employees to be innovative. On the basis of arguments put forth by previous scholars, we would expect 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. [7]This, in turn, will lead them to perform greater in innovative activities. In a similar vein, career management assist 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 [6]. 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 [7]. 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. [7]

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