

Theoretical Perspectives on Innovative Sustainable Human Resource Management

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Abstract

Despite great recognition for human resources (HR) as a source of value addition within firms, HR innovation remains poorly understood.

Innovation has long been recognized as a source of competitive advantage. Although human resource (HR) is considered the most valuable asset in today's firms, how HR innovation enables firms to deliver superior performance remains an area of ambiguity. There is general consensus that competitive advantage built on human resource innovation is not easily imitable, and therefore vital to the sustainability of firm growth and competitiveness. Yet, the primary focus of both practitioner and academic studies has been on technical (product and process) innovation with little attention paid to non-technical innovation such as HR innovation.

Our work in HR innovation suggests that some questions of practical interest worth answering are: What form does HR innovation take? What is the role of HR professionals in undertaking HR innovation? How do HR professionals create and utilize knowledge resources required for HR innovation? What is the role of line and top management in successful HR innovation? And, how does HR innovation enable firms to compete better? This article addresses these questions while exploring how firms can gain competitive advantage through HR innovation.

Hence, an effective management of human resources has an important role to play in the performance and success of organizations.

Keywords: Organizational commitment, HR effectiveness, Innovative Practices, Competitive Advantage.

LITERATURE REVIEW:

Business has entered a challenging new world full of opportunities for strategic innovation, and sustainability will be a major driver of these opportunities into the future.

Companies that want to deal with the complexity of the dynamic shifts in global environment will have to move away from traditional approaches. The new framework, which already dominates in a handful of the world's leading companies, is solution-oriented strategic innovation for sustainability.

Innovation for sustainability is more dynamic than innovation per se, since people working in this area

have to be incredibly flexible to take account of the numerous drivers in play

Sustainable innovation within the firm

Managers have started to speak differently about strategic innovation for sustainability in the last few years. It is no longer a niche area of business, but a concept that is moving into the mainstream. Leading innovators such as IBM, 3M, and DuPont de Nemours all say that they see sustainability pushing the core business strategy, and that it is increasingly not an option to have things happen the other way around.

Managers can take a number of approaches to encourage innovation for sustainability within their organizations. The starting point is to make sure that it is considered an opportunity, not a threat, and to help people realize that high-impact ideas are necessary to change customers' mindsets. It is equally critical for organizations to ensure that they have the right incentives in place (fiscal, regulatory, and legal) to promote a longer-term view that supports sustainability.

Companies that are already making strategic innovation for sustainability work tell us that there are a number of elements that can help to drive improvement in this area.

1. Value the role that leadership will play, in conjunction with clear priorities and a linked corporate strategy, in making this happen.
2. Ensure that the business case for innovation is supported by thorough analysis and scenario planning.
3. Focus on client needs, leverage applied technology, and share knowledge through a transparent approach to research and development within the firm.
4. Ensure that strategy and sustainability performance are embedded in core processes, where they can drive change, rather than being add-ons.
5. Engage staff through a clear strategy, strong program office, company-wide training, and effective communication of best practices.
6. Support strategy development and implementation by promoting an innovative, interactive corporate culture.

For the HR professional, being an "employer of choice" is synonymous with sustainability. After all, one of the main tenets of sustainability is maximizing the positive benefits of a business' operations for all stakeholders.

For sustainability professionals, the HR team primarily represents employees as a stakeholder group, playing a critical part in forming “green teams” and encouraging employee engagement on environmental and other issues.

What is HR innovation?

Innovation can be viewed as either a process or an outcome. In this paper we view innovation as an outcome. Therefore, we consider HR innovation as an HR management activity/ practice/ programme/ system adopted by a firm that is *new* and *value creating* to the adopting firm. The degree of HR innovation differs based on the degree of newness, extent of change, number of employees affected, and nature of its outcomes. HR innovation can happen in any firm at varying degrees. It can be as simple as a firm changing from paper-based recruitment advertising to on-line advertisements, or it can be radical, as when then Continental (now United) airlines introduced their on-time performance-based bonus scheme in the mid 1990s.

The role of HR professionals

The essential first step for HR innovation is to identify a requirement or an opportunity for innovation by HR professionals. Thereafter HR professionals must assess associated risks and resource requirements. Every HR change comes with risks such as the risk of investment, implementation failure, and failure to deliver desired outcomes. Therefore, the decision to undertake innovation has to be made with a good understanding of associated risks and resources.

How to create, share, and utilise required knowledge

HR professionals pursuing HR innovation acquire new knowledge from both external and internal sources. ‘We need to understand how other departments work, how they relate and interact with each other, what their problems and issues are, for us to deliver our services effectively’ or ‘We do a lot of research externally to say, okay well that’s what is happening’.

All firms should have a wide array of formal (e.g. weekly/monthly meetings, memos, suggestion schemes) and informal (e.g. chats over coffee/lunch or brownbag lunches) channels to share acquired knowledge among others within the HR function. However, knowledge acquisition and sharing alone is not enough, it has to be utilised or integrated into HR innovation. This cannot be done by HR professionals alone. It requires support.

Whose support is required?

Design and implementation of HR innovation in a firm should be an inclusive process that requires input from line management and recognition from top management. As mentioned earlier, new HR activities or practices should meet the requirements of the firm, or in other words, the requirements of the line management. Internal learning assists better understanding of line management requirements. However, evidence from our work suggests that those firms who undertake a higher degree of HR innovation go beyond knowledge acquisition and involve line managers in design and development stages of HR innovation. For instance, in an in-depth interview with us, the general manager HR of an Australian financial service institution stated:

‘We will engage with focus groups, subject matter experts, in different sessions testing it [designed HR practices/activities], getting their feedback, tweaking it before it actually goes live’.

This suggests that a higher degree of involvement of line management at the design and development stages of HR innovation not only helps to align new HR practices/activities/programmes with stakeholder requirements, but also eases the implementation process, thereby reducing implementation failures (the Hawthorne effect).

The role of top management

Effective design and implementation of HR innovation importantly requires top management support. There are two types of support: first, recognition for HR in general, which includes HR representation in top management, autonomy for HR professionals in strategically important HR related decision making, and confidence of the top management in the capabilities of HR professionals, and second, recognition of the proposed HR innovation which involves resource allocation for proposed HR changes and explicit endorsement by the top management. In situations where there is limited top management support, HR innovation suffers. To illustrate, a senior HR partner of an Australian subsidiary of a global construction service provider showed how its highly centralized decision making structure has limited the capacity of local HR to use local knowledge to implement HR changes. The changes imposed on them by their head office left no room for discretionary initiative at the local levels. As the senior HR partner stated:

‘The decisions around processes and systems are made in the US and they get rolled out in a similar fashion to the whole world. We have the opportunity to provide feedback, but it doesn’t change anything’.

Getting support of top and line management alike is often dependent on the credibility of the HR function. Such credibility is earned when HR professionals are knowledgeable of firm requirements and what is happening in the external environment, which further underpins the importance of internal and external learning. Most importantly, credibility comes from their ability to deliver on promises.

Innovation: failure and success

Across the corporate world, traditional approaches to innovation have either failed or have simply been rendered redundant by results that are sporadic at best. Specifically, some businesses have focused on hiring creative people and setting them free to introduce innovation. Others have relied only on luck, simply hoping for the best – or taken ad hoc and unstructured approaches to innovation. Others still have attempted to kick-start the process through a one-off set of creativity exercises or perhaps a ‘big bang’-style internal communications campaign – only to fail to build capacity to innovate on a sustainable basis. Many other businesses, meanwhile, attempt to ‘do an Apple’ and replicate another organization’s successful strategy. However, this approach is also highly likely to fail – if only because innovation looks very different from one company to the next.

For example, under Steve Jobs, Apple had a very controlled and centralized approach to product development. By contrast, 3M has developed a more dispersed approach. Yet both companies are successful innovators. Essentially, there is no value in setting out to copy another company’s methodology. Instead, we believe, you should develop an approach to innovation that is right for your unique set of circumstances. So, when it comes to innovation, what do Apple, 3M and other successful innovators have in common? First, it is not about how much is spent on R&D. An annual innovation study has shown repeatedly that there is no statistically significant relationship between financial performance and innovation spending. Nor does technology play the most important role. Instead, the research strongly indicates that the most successful corporate innovation strategies are the ones that predominantly focus on people and human capital issues.

These strategies include:

- engaging in strategic alliances with customers, suppliers, and other business partners
- Finding, engaging and incentivizing key talent for the purposes of innovation
- Promoting and rewarding entrepreneurship and risk taking
- developing innovation skills for all employees.

The one common theme to emerge from among these successful strategies is that the companies had developed or were developing cultures where innovation was seen as everyone’s responsibility – and as an objective that employees at all levels and in all roles strived to achieve on a day-to-day and business-as-usual basis. In addition, many of these companies had at the core of their cultures an acceptance of the need to experiment. They understood there was a risk of failure but viewed honest failure as a learning opportunity.

For most companies, creating a culture of creativity requires a sustained and well-planned change management program. And, at least initially, every successful instance of change management begins with backing and buy-in from the C-suite.

There are certain key points which organisation must consider while implementing innovation in their organisations.

Key questions:

- How integrated is innovation in the corporate strategy?
- Do top team members possess the capabilities to manage risk and convert creativity into value?

Structure: connectivity of networks

Collaboration, both internally and with external stakeholders, is also a key prerequisite for innovation. With this in mind, companies need to consider how well their employees are well-networked. Are they connected to colleagues and, for example, external advisors in a way that allows them to access other people’s expertise and insights?

Key questions:

- Are employees encouraged to proactively build and manage their internal and external networks?
- What opportunities are there for employees to gain exposure to and build relationships with external partners such as suppliers and advisors?

Structure: employee discretion

Creativity tends to occur when employees feel safe and positive.

Yet research suggests that only 47 percent of employees are allowed to take controlled risks, and that only 52 percent report that their manager is good at listening to new ideas.

With this in mind, it is important to ask how much ‘discretionary space’ there is for employees to display initiative and how much flexibility there is when it comes to working practices and job design. Is the corporate culture more ‘tell and do’ or ‘coach and solve’?

Key questions:

- Is work organized around narrowly defined job descriptions, or looser role profiles?
- Do employees have the time, space, tools and resources to make an innovative contribution?

Process: 24/7 radar screen

It is also necessary to consider how much time people at all levels think about what is coming next and what is on the horizon.

For example, how much time does the top team spend discussing the company’s long-term future? Are employees encouraged to scan the horizons? Are they expected to look around corners for the next big thing? Overall, what processes are in place to identify emerging trends in technology and the market place?

Key questions:

- How alert are employees to the strategies and tactics of current and emerging competitors?
- What links does the organization have with trend-spotting gurus, futurologists, think tanks and others at the ‘edge of innovation’?

Processes: nuts-and-bolts obsession

Does the organization actually have a process for innovating? Has anyone defined and communicated an innovation methodology?

A basic methodology remains vital, if only so employees with a good idea know what needs to happen to take it forward.

For example, fashion retailer Nordstrom uses an ‘innovation lab’ to accelerate idea generation, testing and development. And chemical company Dow has developed a ‘talent allocation framework’ to assess individual innovation skills and to ensure the right composition of skills exist in a project team at different stages of the innovation.

Specifically, what processes does the organization have in place for idea generation, and for idea evaluation against set criteria?

Key questions:

- Do innovation processes exist?
- What training and development is provided to employees in relation to these processes?
- How often are these processes reviewed and updated?

Processes: spanning boundaries within the organization, is work organized within discrete functional units – or is it delivered through cross-functional collaboration? How ‘porous’ are the boundaries between your company’s different roles, functions, and geographies? And how well do different business areas cooperate as part of an overall organizational effort?

Key questions:

- Does the organizational culture support cross-functional and cross-regional working?
- What use is made of social media and crowd sourcing to draw on wider experience and wisdom?
- Does the physical infrastructure (buildings, layout, and facilities) facilitate collaboration?

Processes: courageous conversations still with processes, anyone seeking to build a culture of innovation within a company needs to ask themselves if employees interact in a way that is open and honest? Or closed and defensive?

Key questions:

- Does the top team speak directly about the business challenges faced by the organization?
- How is performance reviews conducted? With authenticity? Or do managers simply go through the motions and tick the box?
- Who enjoys promotion? Employees who speak the honest truth or those who opt for an easy life?

Key HR drivers for organizational innovation

Recognition	Reinforce the importance of innovation activity and outcomes through the use of recognition schemes that encourage and inspire employees to share and develop ideas – even if the ideas might fail
Talent management for individuals	Ensure all employees understand the unique skills and behaviors required to successfully innovate in their organization
Talent management for teams	Break down internal silos and promote idea sharing by building career development frameworks which encourage resource sharing
Talent management for leadership	Develop leaders to continually “horizon scan” and adopt a mindset of dissatisfaction with the status quo
Identifying critical roles	Identify which roles disproportionately drive innovation value, develop the people filling these roles and ensure full competence in innovation processes
Organizational design	Architect the organization (structures, processes, roles, capabilities, etc.) to support the innovation strategy, accelerating the idea lifecycle by minimizing boundaries and promoting collaboration
Internal communication	Leverage technology to encourage cross organization networking and collaboration
Change management	Facilitate the implementation of new working practices that drive innovation

Suggestions:

Firms can utilise HR innovation to gain competitive advantage. We suggest that all firms can undertake HR innovation, albeit in varying degrees. HR professionals drive this type of innovation, which requires them to acquire and integrate internal and external knowledge and obtain support from both the line and top management. We therefore argue that

HR professionals who undertake HR innovations as sources of value addition and/or competitive advantage should not only engage in continuous learning from their internal and external environment, but also gain the respect and confidence of internal stakeholders. At a time when firms increasingly look for non-traditional sources of competitive advantage, we encourage viewing HR innovation as a feasible path for the HR function to add value and contribute to competitive advantage.

Conclusion: HR’s unique opportunity

There is considerable evidence that HR continues to experience a credibility issue and that it is perceived to lack demonstrable strategic impact. This does not, however, have to be the case. On the contrary, the C-suite’s current and probably permanent eagerness to develop a culture of continuous innovation leaves HR facing a unique opportunity – and a clear and simple choice. HR directors can either continue to pursue arguably generic models and ‘best’ practices in the hope that this way of working will deliver their leadership’s desires. Or HR can use its unchallenged ownership of a diverse range of key levers, to uniquely configure processes and practices and deliver a best fit (rather than best practice) approach to innovation – and to subsequently hardwire into their organization’s DNA the ability to generate breakthrough innovation on a continuous basis. In the medium to long term, only one of these options is likely to position HR as a strategic partner that adds significant and tangible value. One of these options will see HR survive and thrive as an indispensable value creator. The other is likely to see it wither away.

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