

# Chapter 12

## The Role of HRM for Innovation: A Conceptual and Analytical Study

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### ABSTRACT

*Innovation is fundamental to organization performance and survival in a continuously changing and highly competitive world. In organizations, innovation occurs primarily and foremost through purposeful and discretionary actions of knowledgeable and motivated individuals. However, despite some insightful studies, studies addressing the role of HRM in promoting innovation are in short supply. An enabling work environment—resources, motivation, and management practices—may be crucial for creativity and thus innovation. HRM policies and interventions have the potential to promote trust, cooperation, and collective codes and language. Therefore, the aim of this chapter is twofold: 1) to review the role of creativity and knowledge sharing for innovation and 2) to review the role of HRM for stimulating innovation through creativity and knowledge sharing. In so doing, the authors seek to shed light on the conceptual and analytical connections between motivation, creativity, knowledge, innovation, and HRM.*

### INTRODUCTION

In recent years, the relationship between Human Resources Management (HRM) and innovation has drawn serious attention from researchers, fueling an increasing yet still limited number of empirical studies on the subject (e.g. Beugelsdijk, 2008; Chen & Huang, 2008; Perdomo-Ortiz, et al., 2009). Unsurprisingly, most of these studies suggest a positive effect of HRM policies and practices on innovation. These works rest on the assumption that employees are the source of the organization's innovative capabilities (Subramaniam & Youndt, 2005) and, as such, HRM practices are believed to influence the organization's innovative performance by shaping the level of motivation and capabilities of the employees (Jiménez-Jiménez & Sanz-Valle, 2008). Gupta and Sindgal (1993), for example, argue that innovation is

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not an accident and that prosperous organizations successfully manage their human resources in order to develop and distribute new products and services.

However, the connections between HRM policies and interventions and innovation are still a black box (Seeck & Diehl, 2017), as few systematic attempts have been made to understand how these practices influence innovation. Seeck and Diehl (2017) argue that conceptual and theoretical studies are needed if this relationship is to be better understood. Given the acknowledged importance of innovation for organizational effectiveness, flexibility, adaptation and survival, it should come as no surprise that more work is needed to investigate how HRM can contribute to influence innovation in positive terms.

The aim of this chapter is twofold: 1) to review the role of creativity and knowledge sharing for innovation, and 2) to review the role of HRM for stimulating creativity and knowledge sharing. In so doing, we seek to shed light into the conceptual and analytical connections between motivation, creativity, knowledge, innovation and Human Resources Management.

## **THE ROLE OF CREATIVITY AND KNOWLEDGE SHARING FOR INNOVATION**

### **Creativity**

Two approaches to creativity have gained specific popularity in academia: origin-oriented and process-oriented (c.f., Marakas & Elam, 1997). Creativity research in Psychology has mostly looked at individual characteristics, such as the cognitive and motivational processes, that may lead to creative ideas (e.g., Sternberg, 1999). In management studies, creativity has mostly addressed the organizational and contextual factors that may influence favorably the creative problem-solving process (e.g., Oldham & Cummings, 1996). Arguably, the latter perspective, which we adopt in this paper, is more fruitful for investigating how HRM relates to innovation.

Creativity can be defined as the ability to produce ideas that are both novel (i.e., original, unexpected) and appropriate (i.e., useful, adaptive to task constraints) (Amabile, 1983, 1988, emphasis added). Creativity and innovation are strongly connected. However, despite their apparent empirical connections, these are two different concepts. Creativity can be seen as the production of useful new ideas, whereas innovation is the effective implementation of those ideas (Amabile, 1997). A useful idea may fall short of its implementation, for a variety of reasons, including technical, economic, legal, or environmental. The potential for commodifying ideas, i.e., of converting an idea into a product or a service, can be seen as the ultimate criterion for assessing its organizational relevance. If an idea is eventually unable to deliver organizational value, then it is probably unwarranted. Creativity is, thus, a necessary pre-condition for innovation (Marks & Huzzard, 2008; Bassett-Jones, 2005), as it constitutes the stepping-stone for innovative processes (Amabile, 1997). Consequently, unlike innovation, creativity does not necessarily imply the creation of economic value (Anderson et al., 2004). In addition, it has a highly subjective and context-specific nature (Miron et al., 2004), as the creativity process entails a number of interrelated practices, procedures and cognitive models (Styhre & Sundgren, 2005). Creativity in organizations requires an enabling and inspiring work environment (e.g. Ekvall, 1996, Amabile, 1997). Ekvall (1996) identifies the key features of a work environment that positively influences creativity: motivation, challenges, dynamism, freedom to perform tasks, openness to express opinions, free time to think about new ideas, sense of humor, support for new ideas, meetings and risk. However, a word of caution is in order here, as both individual and environmental factors interact and have an impact on creativity and innovation

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