



Paper

The role of HR in workforce innovation

IES Perspectives on HR 2017

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Introduction

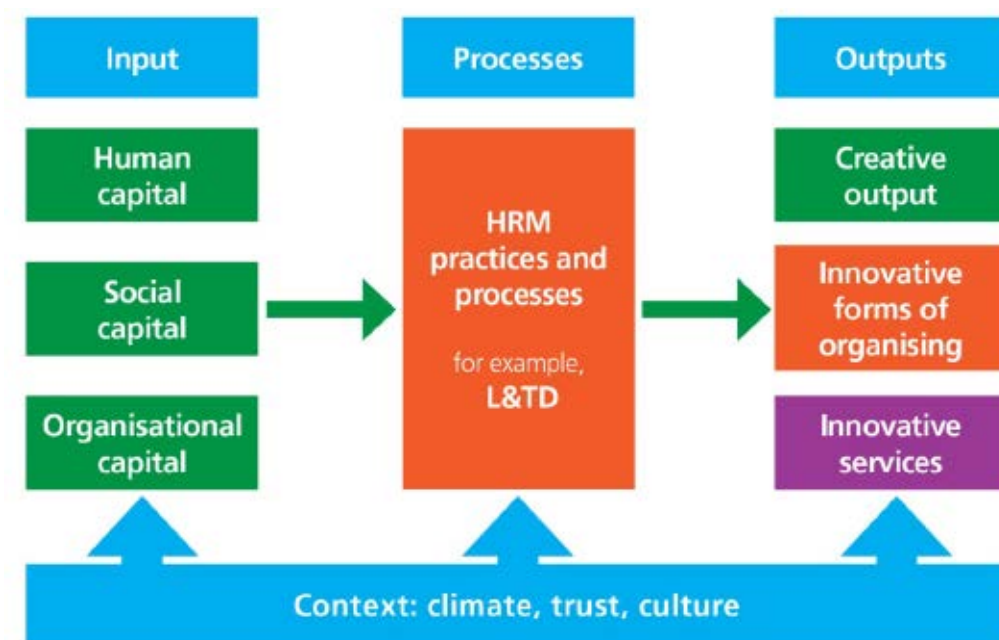
While it is widely acknowledged by academics and practitioners alike, that Human Resource management has the potential to build a committed and engaged workforce, which in turn contributes to firm performance (Jiang et al, 2012), much less has been said, until recently, on HRM's role in enhancing innovation (Shipton, Budhwar and Crawshaw, 2012).

This is despite the fact that, according to a recent CIPD Outlook Survey (CIPD, 2016), innovation is seen as one of the top five organisational challenges. Even more damningly, the survey suggests there is a clear discrepancy between what business leaders need and what HR is offering. Only a quarter of business leaders believed the 'current people strategy will help the organisation achieve its future priorities' (Ibid.).

So why is the people strategy not contributing to innovation as much as business leaders would like?

We can reject one possible cause, namely that there is no link between HR/people management and innovation. Bos-Nehles and Janssen (2015) summarise the evidence and find 'an extensive literature' that indicates a 'positive link between HRM and innovation'. Similarly, academics at Bath University have developed a model (Figure 1) that demonstrates how 'HRM practices and processes' can deliver organisational innovation.

Figure 1: HRM and innovation



Source: Kinnie, Swart, Hope-Hailey and Van Rossenberg, 2012. Reproduced with permission of the Chartered Institute of Personnel and Development, London (www.cipd.co.uk)

Perhaps another possible reason is that HR does not see itself as having a role in generating innovation. The same CIPD survey found that three quarters of HR respondents believe their people strategy will 'help the organisation achieve its future priorities', including innovation (CIPD, 2016).

So, if HR/people management policies and practices *can* facilitate innovation and HR *believes* they will, what is the problem with HR's effectiveness – at least in the eyes of their bosses?

Research being undertaken by Edinburgh Napier University is exploring the impact of HR policies and practices on organisational innovation and early findings are discussed later in this article.

Which HR policies and practices might lead to innovation?

Bos-Nehles and Janssen (2015) found organisational climate and eight HR policies and practices were conducive to innovation. They are:

- work autonomy;
- task composition (variety etc);
- job demands (ie effort required and time pressure);
- feedback (on performance etc);
- job security;
- job rotation;
- training and development; and
- reward.

Some of the above are very broad categories (training and development or organisational climate), compared with others which are quite specific (job security and job rotation). Some of these factors were more powerful than others in stimulating innovation, and the way they achieved their effects also varied. Autonomy; training and development; feedback; organisational climate; task variety; and job rotation had positive direct impacts on innovation. Reward and job security, however, had a more complex relationship. Reward only works when it positively affects employee behaviours and when the right conditions are present. Job (in)security can either promote or inhibit innovation; workers may either not participate in innovatory practices, fearing the job loss, or they may

become more engaged in the hope of improving organisational performance thereby protecting their jobs.

Cook and Saini (2010) in a study of innovation in Indian firms¹ looked at some more specific HR policies and practices. They are listed in the order of frequency in which they were adopted:

- training and development;
- suggestion schemes;
- employee recognition awards;
- quality initiatives;
- performance appraisal;
- performance-related pay;
- performance/merit-based promotion;
- learning organisation;
- employee engagement initiatives;
- knowledge management;
- employee welfare schemes;
- empowerment;
- management/leadership development;
- profit-sharing;
- career development planning;
- recruiting creative employees; and
- autonomy.

¹ Anticipating a challenge to the relevance of Indian practice to western companies, the authors note that those regarded as supporting innovation 'appear to be in line with those prescribed in Western HRM literature and what has been found being practiced by firms to various degrees in different parts of the world' (Cook and Saini, 2010).

Comparing the list with the literature review described above, you will note that the more obvious HR initiatives (eg the performance-based elements, recognition etc) are reported frequently, but the wider or manager-led actions are not picked out as much (eg autonomy at the bottom of the list) or at all (eg task composition). This may be precisely because the latter are not seen as HR practices or as falling within the power of HR to execute.

On the whole, the researchers found that all the adopted practices were to varying degrees effective in stimulating innovation. The areas identified as needing most attention included better communication; greater flexibility; empowerment; and autonomy. In other words, those areas where line managers have a crucial role to play.

What is HR in this context?

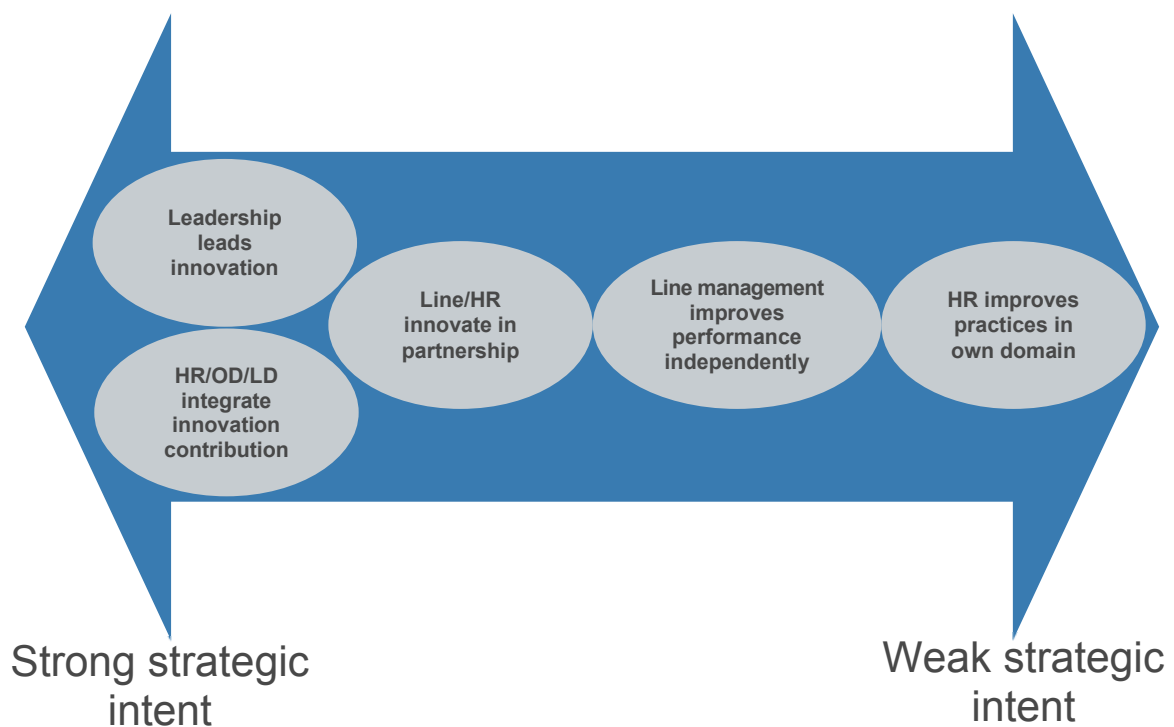
This might appear to be an odd question to ask, but what is perceived to be within HR's domain is a critical issue in understanding the sort of contribution that can be made. What we have tended to see over time is a convergence among the people management functions (HR, OD and L&D) around the imperative of increasing organisational effectiveness (Francis, Holbeche and Reddington, 2012).

Against this background, traditional HR, operating through the practices it 'owns' (like reward, appraisal, recognition, etc), might be expected to offer little by way of building innovatory practice in an organisation, but 'new' HR might well have a contribution to make working in concert with OD and L&D. Again, line managers' engagement with innovation might be quite independent of HR or there might be a specific partnership between them with common goals and an agreed division of labour. The organisational leadership may be orchestrating these efforts or they might be emergent, experimental or even deviant in this process.²

Seen in these terms there are two dimensions which overlap, as seen in Figure 2. *Who* is seen as owning or leading on the innovatory process – HR or management – and the *extent* to which innovatory process is strategically aligned to business goals.

² CIPD (2013) makes the distinction between managerial, distributed, cautious and specialist innovators.

Figure 2: Ownership and development of innovation



Source: IES

What have we found in our research so far?

HR policies and practices as a driver of innovation

We have found limited evidence of HR driving change through the alignment of practice with innovation as a business goal. On occasion this is because there are differences of opinion on the ability of HR practices to deliver. Take performance-related pay, for example: some HR people believe that employees respond positively to financial incentives whilst others feel that staff are motivated by other things, and that reward has limited value in encouraging innovation.

Another impediment is reconciling tensions between conflicting goals. For example, in performance management, HR may want to standardise processes for efficiency (or to reinforce a 'one company' philosophy), whilst at the same time realising that process segmentation is necessary to get best fit between policy and people. Thus, knowledge workers may require a light touch whereas some other jobs require more active management.

A third constraint is that HR is often already encouraging a practice for other reasons than stimulating innovation. Employee engagement is at the core of workforce

performance (Robinson, Perryman and Hayday, 2004), but many companies already have engagement initiatives for a host of reasons – to improve productivity, attendance, health and safety, etc – without making an explicit link to innovation.

Fourthly, where HR practices can be seen as being connected to innovation, the change has sometimes been led more by senior management than by HR. Target setting has been made more flexible and assessment has been broadened in a wider definition of performance and/or extended beyond individual appraisal to encompass team contribution. HR has often been very supportive of these changes but rarely in the vanguard.

HR and risk management

An area where HR might be able to facilitate innovation is in shaping attitude to risk. HR could, for example, encourage the hiring of very creative employees who might not fulfil all short-listing criteria. Alternatively, HR could encourage line managers to cut highly innovative individuals some slack in measuring performance against broad standards or, more fundamentally, alter the performance standards to include innovation criteria.

In our research, we did see some occasions where attitudes to risk had shifted but again it did not feel like there was a systematic exploration of what sort of staff, managed in what sort of way, were needed to drive innovation. One simple explanation may be that innovation is only one of many business drivers that HR practice has to balance. Moreover, HR can rarely start from scratch, as it has to operate with the existing workforce, including managers.

HR and cultural change

The last point leads on to the area where, at its best, HR seems to have been most effective, and that is in the broader organisational climate and culture area. The extent to which it succeeds largely depends on the power bestowed upon it by the business – how central its role is – though this is naturally influenced by the HR leadership's ability to influence senior colleagues.

The pattern of activities that emerged in our interviews was one of:

- establishing a clear business focus on innovation;
- connecting corporate and personal goals and focusing time and effort on this activity;
- building an environment where self-reflective responsibility is encouraged;
- trusting people to get on with things and to take risk/experiment (allowing for (safe) failure);

- getting better at capturing and disseminating good ideas;
- using internal and especially external benchmarking to inspire and challenge; and
- improving workforce capability, eg in upskilling managers in order to give priority to relationship building and to generate new ideas, fresh insights.

These activities can be reinforced through leadership behaviours, structural/locational readjustment and finding ways to make culture change ‘go viral’.

HR often acts through the actions of passionate individuals who run innovation workshops; stimulate employee participation in listening events; broadcast stories of success; and variously ensure innovation is constantly on the agenda. They agitate, cajole and encourage.

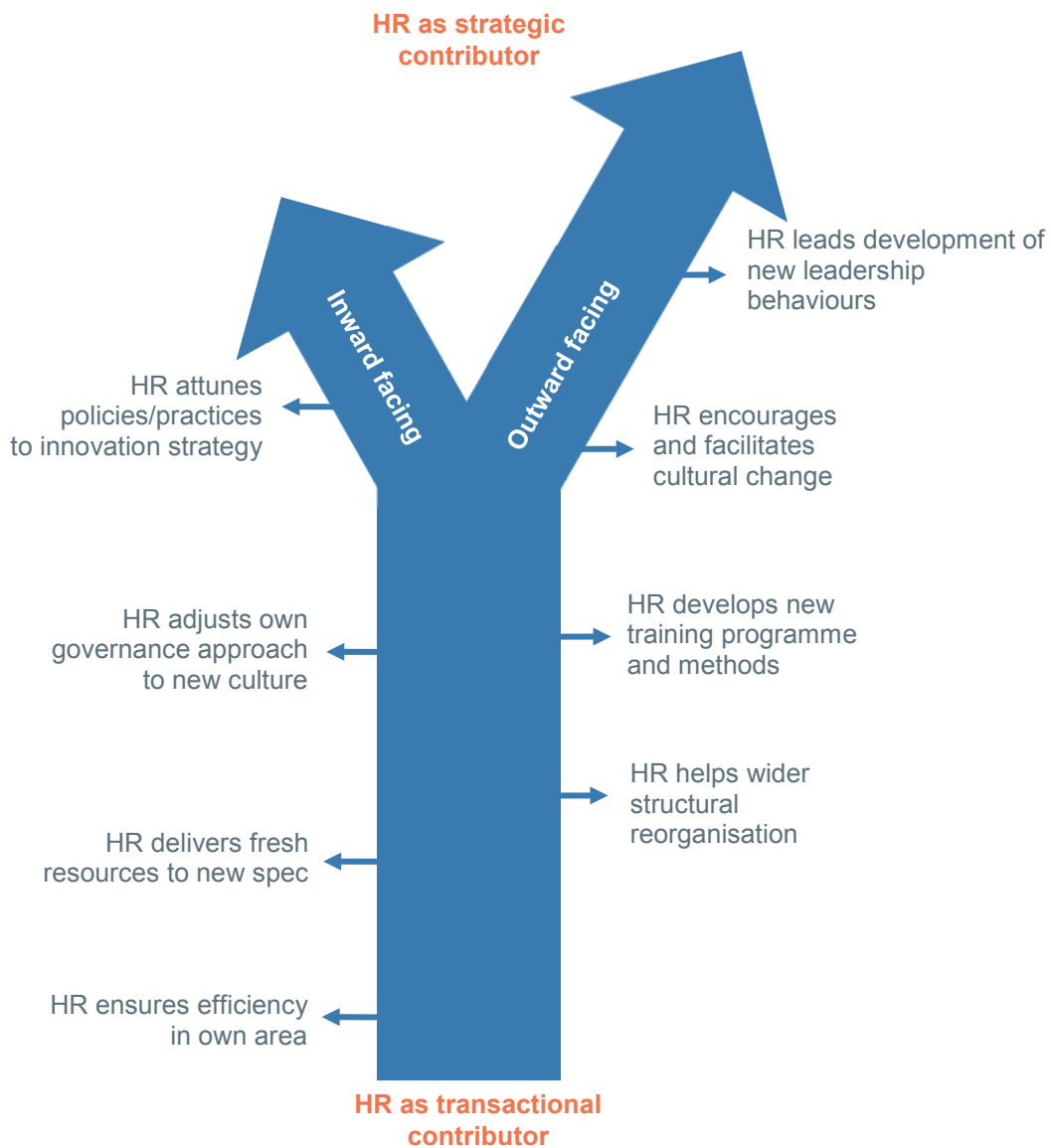
HR minds its own house

A final area to note is that HR should itself emulate the wider cultural change it seeks, and this is what we have found among our case studies. This was most evident in HR making its processes more efficient, leaner, effectively-automated and customer-friendly – as colleagues are themselves expected to do. On occasion this went further, in simplifying policies and giving managers greater freedom to adjust them better to different circumstances. The aim was to avoid HR’s tendency to over bureaucratise and hinder innovative behaviour.

To summarise

As Figure 3 (overleaf) shows, HR can contribute to innovation activities along a wide spectrum. From applying the corporate principles of driving out process ‘waste’, through ensuring its policies and practices facilitate, not hinder, innovation. From performing its resourcing role mindful of new requirements, to finally pressing for the adjustment of leadership behaviours, engaging directly with culture change, and helping to ensure that the conditions are right for innovation to flourish.

Figure 3: HR's role in innovation



Source: IES

To return to Figure 2, HR appears to be most effective when the distinctions between itself and other people management actors become blurred. Its actions are integrated with those of line manager colleagues under the clear direction of an organisational leadership which is itself prioritising innovation.

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More on this topic

We explored the challenges of engaging individual employees in innovation, in the 2015 edition of this report. To read this article, visit: <http://www.employment-studies.co.uk/resource/innovation-turning-good-ideas-reality>

If you would like to hear more about the Institute's HR consultancy work or to continue the discussion around the topic of innovation and HR, please contact Peter Reilly, Principal Associate:

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Innovation: HR as enabler or inhibitor?

11 May 2017, London

This workshop will look at whether organisations use HR Policies and practices to promote organisational innovation and thereby enhance organisational performance, or whether workplace innovation comes from other sources.

This event will be facilitated by Peter Reilly.

To find out more or book a place, please visit: <http://www.employment-studies.co.uk/events>



This article is from IES report: Tamkin P (ed) (2017), *Darkening skies? IES Perspectives on HR 2017*, Report 510, Institute for Employment Studies.

The full report is available online at: <http://www.employment-studies.co.uk/hr2017>

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