



Innovative Human Resource Practices and Related Issues: A Literature Review

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Abstract

This paper aims to present a narrative literature review on IHRP (Innovative Human Resource Practices) from last two decades. It identifies the gap in existing literature and provide direction for further research, Studies are classified and presented on the basis of time period, and issues covered, distribution of literature in various resources, methodology used, country wise publications and contributions made by the researchers on the concept. The studies resulted that there is a relation between Innovative Human Resource Practices and HR Outcomes. However, in service oriented industries innovative human resource practices have potential impact to improve employee productivity. But implementation of Innovative Human Resource Practices and its validity is under debate in product oriented industries in the world. The paper presents a comprehensive literature review and critical analysis to move forward in Innovative Human Resource Practices. It may be very useful source of information to the researchers and HR managers who wish to understand and implement Innovative Human Resource Practices and carry out further research on the various issues of this interesting area.

Keywords: Innovative Human Resource Practices, Job Satisfaction, Organizational Commitment, Organizational Citizenship Behavior

Introduction

Human Resource Management (HRM) is a planned approach to managing people effectively for brighten their performance. The main aim is to establish a more open, free and thoughtful management style so that staff will be motivated, developed and managed in a way that they can give of their best to support departments

objectives. Good HRM practices are instrumental in helping achieve departmental objectives and enhance productivity. HR practices refer to process of choosing the best work force plan an organization to attain a goals or objectives. As the world is becoming more competitive and unstable than ever before, product based industries are seeking to gain competitive advantages at



all cost and are turning to more innovative sources through HRM practices (Sparrow, Schuler and Jackson, 1994). HRM practices conceptualized as a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contribute to the achievement of its business objectives (Delery and Doty, 1996). HRM practices are set of practices used by organization to manage complex social relation and generate organization knowledge to sustain competitive advantage (Minbaeva, 2005).

Innovative HR practices have been defined as the intentional introduction and application of any previously unused concept, practice, process or system designed to influence or adopt the behavior of employee with the aim of achieving improved organizational performance, identified and implemented by HR practitioners.

Concept of Innovative Human Resource Practices

An effective organization is energetic to success. However, research shows that only 15% of the companies have an organization that helps them to outperform in a competitive environment. A high performance organization is known by five important attributes namely, compelling leadership and direction, accountability, talented workforce, front line execution and high work performance culture. A high performance culture comes only through the introduction of the innovative human resource practices

Innovative HR practices have been defined as "the intentional introduction and application of any unused concept, practice, process or system is designed to influence or adapt

the behavior of employees with the aim of achieving improved organizational performance, identified and implemented by human resource practitioners". They are likely to subsidize to improved performance only in three conditions, when employees possess knowledge and skills lacked by managers, when employees are motivated to apply this skill and knowledge through discretionary efforts, and when firm businesses or production strategy can only be achieved when employees contribute such discretionary effects.

Significant progress has been made linking innovative HR practices, such as system high performance work practices to organizational performance. Research has suggested that not only do innovative HR practices results in tangible organizational results but they also assist organizations in developing innovative solutions as need arises.

Examples of innovative practices for fourteen HR Practice Categories

1. Employee acquisition strategies
2. Employee retention strategies
3. Compensation and incentives
4. Benefits and services
5. Rewards and recognitions
6. Technical training
7. Management development
8. Career planning and development practices
9. Performance appraisals
10. Potential development
11. Succession planning



12. Employee relations with a human face: treating employees with concern
13. Employee exit and separation management
14. Adopting responsibility for socially relevant issues

Rationale and Scope of the Study

There has been a rising concern about the performance measures based on traditional HR practices such as performance appraisal, career management, training, reward system, recruitment, greater teamwork, greater participation of employees in decision making etc., As discussed in the early part of this paper, these measures although used to fail to capture the employee productivity as result of management actions. The concept of innovative HR practices has gained fame all over the world particularly in developed countries as companies are using innovative HR practices as an internal as well as external performance measure because it is consistent with the organizational objective of organization performance and efficiency. Due to its popularity lot of research work has been conducted over the last two decades and covering diverse issues on HR practices. Although theoretically the significance of innovative HR practices has been proved but there exist gaps between the various studies about the HR practices. In software firms the innovative HR practices played a vital role but in some product oriented firms did not adopt these innovative HR practices. In the light of above, present study has been conducted to find out various issues underlying in product oriented firms and how to solve those issues by using innovative HR practices. Another

rational of this review paper aims to present a narrative literature review on IHRP (Innovative Human Resource Practices) from last two decades. It identifies the gap in existing literature, Studies are classified and presented on the basis of time period, and issues covered, distribution of literature in various resources, methodology used, country wise publications and contributions made by the researchers on the concept.

This study is a step to bring out those methodologies and variables in order to determine the direction for future research on innovative HR practices. The paper covers empirical and descriptive studies conducted and published on innovative HR practices during last two decades.

Objectives of the Study

The Study has been conducted with the primary objectives like;

- To arranging the publications on IHRP in an orderly manner so as to enable easy and quick access.
- To classifying literature on IHRP and analyzing the outcome of the studies reviewed.
- To Identifying the gaps in the existing literature and suggesting the course of future research on IHRP.

Data and methodology

The Article is based upon research directed on IHRP in several countries and published in various sources. More than 100 papers have been reviewed. All these papers are classified on the basis of various approaches and issues covered Literature related to IHRP addresses issues like IHRP and its relation with Job



satisfaction, Organizational commitment, and Organizational citizenship behavior. IHRP concepts, limitations, advantages and implementation, IHRP as strategy and literature review. The studies reviewed are also classified on the basis of methodologies used, the following part covers detailed description on literature on IHRP.

Literature on innovative human resource practices

Various articles dealing with the theory and applications of IHRP and HR Outcomes (such as job satisfaction, organizational commitment, and organizational citizenship behavior) have been published over the last two decades. we have also categorized the studies based on methodologies used by various researchers, country and year-wise publication and breakup of literature reviewed on research related to IHRP. Some important observations based on the classification of the literature on IHRP are given in the following part: -

Breakup of literature on innovative human resource practices

Literature on innovative HR practices can broadly be classified into three sub-themes. These are IHRP and job satisfaction; IHRP and organization commitment; IHRP and organizational citizenship behavior. A brief description of these issues is presented in the following section explaining sub topics covered under each issue.

Relationship between IHRP and job satisfaction:

There is positive relationship between Innovative HR practices and Job Satisfaction. The positive effect between IHRP and Job Satisfaction and it is useful to increased Autonomy of

employee over how to perform their tasks, providing opportunity to participate in decision making, and increased relationship with coworkers. And also he HR practices Team work and Job Rotation are used to increase the Job Satisfaction (Anni weiler, 2005). Working more hours, Saturday and/or Sundays, or in shifts, and having a fixed term agreement will creates a negative impact on Job Satisfaction. (M. Malarkodi, 2012).

Relationship between IHRP and organizational commitment:

Commitment is a belief which reflects "the strength of a person's attachment to an organization (Grusky, 1966). Employee Commitment to the organization has a positive influence on job performance and a negative influence on intention to leave or employee turnover. HR practices in training, compensation, and reward have revealed that these can lead to reduced turnover, absenteeism, better quality work, and better financial performance. Finally, this study revealed that there is a positive relation between Innovative HR practices and organizational commitment.

Relationship between IHRP and organizational citizenship behavior:

This study seeks to analyses the impact of Innovative HR practices on Organizational Citizenship Behavior of the employee. OCB includes such individual's behaviors that are above and beyond the call of duty and is, therefore, discretionary and not directly recognized by the formal reward system but are beneficial to the organization and can contribute the performance and competitive advantage.

The present study is to examine the impact of Innovative HR practices on



OCB of the employee and consequently its impact on turnover intentions. The result of the study suggest the implementation of Innovative HR practices have strong positive with OCB of employee.

Methodologies used in the studies under review:

In the process of reviewing literature on IHRP we have also classified the studies on the basis of methodologies used. Different methodologies used by the various researchers are divided into four

categories which are conceptual, descriptive, empirical and exploratory cross-sectional. Conceptual papers are those covering basic/fundamental concepts in IHRP while studies providing explanation or description of IHRP content or process and implementation issues are classified as descriptive studies. Empirical studies cover those which have taken data from existing databases, reviews and case studies. Studies in which data collection is done through survey are classified as exploratory cross-sectional.

Year - wise and country-wise publication of literature on IHRP

Authors model	Year	Country	HRM practice variables	HRM outcome variables
Beer et al.	1984	USA	Broadly defined as four HRM policy choices: Employee influence HRM flow Reward system Work system	Specifically identified as: Commitment Competence Congruence Cost effectiveness
Devanna et al.	1984	France	Specifically examined four areas of HRM practices: Selection Rewards Appraisal Development	No indicators in this respect
Guest	1987	UK	Specifically examined HRM policies on job design	Specially defined as integration commitment



			recruitment/selection appraisal training and development reward system communication manpower flows change management	flexibility adaptability quality
Schule and Huber	1993	China	Specifically defined HRM activities: job analysis and HRM planning recruitment/selection appraisal compensation training and individual and organizational development safety and health union management relationships	No specific indicators in this respect
Arthur	1994	US	decentralized decision-making general training skill level, supervision due process social activities wage level benefits and bonus	control system commitment system
McDuffie	1995	Australia	hiring criteria contingent compensation	No outcomes indicators



			status differentiation training	
Delaney and Huselid	1996	US	Selectivity in hiring Employee training Incentive compensation Grievance procedures Job or work structure Internal labor market for employee promotions Provision of employment security Vertical hierarch	No indicators of outcomes
Youndt et al.	1996	US	Staffing Training Performance appraisal Compensation	Administrative HR system Human –capital enhancing system
Schuler	1997	Bangladesh	job analysis and HRM planning recruitment/selection appraisal compensation training and individual and organizational development safety and health union management relationships	No specific indicators in this respect



Ngo et al.	1998	Latin America	25 items of HRM practices factored into 4 categories: Structural training and development Retention_ oriented compensation Seniority_ based compensation Diversity	Employee satisfaction Employee retention (inherent as employee outcomes) Employee retention (measured by annual turnover)
Chang and Cn	2002	China	Training and Development Teamwork Human Resource Planning Performance appraisal Employment security	Employee turnover

Empirical Evidence On Innovative Human Resource Practices

There has been a growing debate on what influences employee productivity of a company. A large number of studies have studied the relationship between HR practices and economic performance. Traditionally, studies have focused on HR strategies and HR practices but now Job satisfaction and Organizational Commitment have attracted considerable attention of researchers all over the world. In this review paper a large number of empirical studies on IHRP have been presented and their results

have been analyzed in order to validate the hypothesis associated with IHRP. Careful analysis of literature shows that there is positive relationship between HRM practices and organizational commitment. The empirical analysis suggests that measures to evaluate the effectiveness of HR practices and that one way could be via the positive impact of HR on commitment. Zomitsky (1995) stated that HR practices contributed to the economic success of an organization through enhanced employee commitment and satisfaction.



Some HR management – firm performance empirical papers

Author name	Title	Journal name	Year
Ahmad, O., & Schroeder, R. G	The impact of human resource management practices on operational performance: Recognizing country and industry differences	Journal of Operations Management	2003
Allen, D.G., Shore, L.M., & Griffeth, R.W.	The role of perceived organizational support and supportive human resource practices in the turnover process	journal of Management	2003
Applebaum, E., Bailey, T., Berg, P., & Kalleberg, A	. Manufacturing advantage: Why high performance work systems pay off. Ithaca	Industrial Relations	2000
Appleyard, M.M., & Brown, C	Employment practices and semiconductor manufacturing performance.		2001
Agarwala, T	Innovative human resource practices and organizational commitment: An empirical investigation	International Journal of Human Resource Management	2003
Bacon, N., & Blyton, P.	Management practices and employee attitudes: A longitudinal study spanning fifty years	Sociological Review	2001
Bae, J., & Lawler, J.J.	Organizational and HRM strategies in Korea: Impact on firm performance in an emerging economy	Academy of Management Journal	2000
Banker, R.D., Lee, S., Potter, G., & Srinivasan, D.	Contextual analysis of performance impacts of outcome-based incentive compensation	Academy of Management Journal	1996
Becker, B.E., & Huselid, M.A.	Managerial compensation systems and firm performance.	Paper presented at the annual meeting of the Academy of	1996



		Management, Cincinnati, OH.	
Black, S.E., & Lynch, L.M.	How to compete: The impact of workplace practices and information technology on productivity.	Cambridge, MA: NBER working paper	1997

Future directions and areas of research

As evident from the literature, IHRP has been the topic of interest for researchers particularly in developed countries since 1994. Majority of the studies relate to IHRP and return its comparison with IHRP with Job Satisfaction, Organizational commitment, and Organizational Citizenship Behavior. But there are many other important areas which need the attention of research as presented in the following section

IHRP in non-developed countries

Number of researches available on IHRP. Mostly these practices used only in developed countries. We mention that what type of HR practices used in those countries, this is helped to this may be another area for future research that provides evidences the superiority of IHRP in other countries particularly the non-developing countries.

To achieve better refraction and to widen the spectrum of the present set of findings, researchers may also look into the HRM practices and HR outcomes of the service based firms on classification in terms of product-oriented and project or service oriented companies. Studies can also focus on innovative HR practices and HR outcomes with reference to life cycle stages of the organization. As longitudinal study affords a better insight into causal relationship, it would be advisable to go for a longitudinal study in

further researches in the field where additive and interactive effects of various innovative HR practices on HR outcomes could be unearthed

IHRP product oriented firms

Most of the authors did the research on IHRP only in software firms. So there is a scope to further research on IHRP in product oriented companies.

IHRP and manager’s perceptions

Further studies may focus on identifying and comparing the perception of HR managers, line managers and software professionals on innovative HR practices of the company.

IHRP and employee’s perceptions

There is a scope for further study on employee perceptions, what they perception about by implementing the IHRP. To achieve better refraction and to widen the spectrum of the present set of findings, researchers may also look into the HRM practices and HR outcomes of the service based firms on classification in terms of product-oriented and project or service oriented companies. Studies can also focus on innovative HR practices and HR outcomes with reference to life cycle stages of the organization. As longitudinal study affords a better insight into causal relationship, it would be advisable to go for a longitudinal study in further researches in the field where additive and interactive effects of various



innovative HR practices on HR outcomes could be unearthed.

Conclusion

New economic realities have put pressure on the human resource function to demonstrate how it can add value to the firm's bottom line. Early conceptualizations often questioned the function's relevance to organizational effectiveness, mainly for the fact HR was seen to hold a primarily a reactive, administrative role. This research truly reflects the wide scope of innovative HR practice (from functional activities to wide ranging strategic initiatives) as well as its capability to affect the entire social structure of an organization. IHRP is now recognized as an important tool of increasing the organizational efficiency and performance all over the world, particularly in advance economies by adopting new HR practices. IHRP plays a crucial role in improving the employee performance as well as firm's performance. Still there are mixed evidences about the IHRP and HR outcomes. And there needed a more importance of IHRP not only in software firms but also in product oriented firms.

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