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Innovating Organisations and HRM: A Conceptual Framework**

In November 2003 the Dutch HRM network held its third annual international conference at the University of Twente, Enschede, The Netherlands. Its topic was "Innovating HRM?", a multi facetted topic that can be elaborated in many ways, as the 10 different tracks of the conference testify. The articles in this special issue are related to two of the tracks, labelled "Organisational innovation and HRM" and "Innovating the HR Function". This first article should be read as an introduction to the five articles from the congress that follow, to position them in the field and to show that again a shift in emphasis seems to announce itself.

Key words: **Organisational Innovation, Human Resource Management, Innovation Management, Network Organisations**

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** Introducing article by the editors.

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Introduction

Innovations are becoming more and more important as a safeguard for the continuity of organisations (Bolwijn/Kumpe 1990). Organisations that do not innovate run a large risk to become obsolete and to demise in the end. They have to be innovative in at least three domains: new product development (product innovation), new technologies in their transformational processes (process innovation) and new organisational forms and management practices (organisational innovation). However, if we look at the way organisations innovate, it is more and more accepted that management practices, especially in the field of human resource management (HRM), have a large impact on innovation processes too. Several HR-practices have been developed over the last decades that contribute to the innovative capacity of organisations. In literature, up to now little systematic attention has been given to their role in innovation. Much has been written about both concepts (innovation and HRM) separately, but for the combination of the two no conceptual framework is available. So the important thing we try to do here is to develop such a framework. We will do this in three steps. The first step will be the presentation of a general framework for innovation studies. Within the context of this general framework, we then present a more specific framework on the relation between innovation and HRM. In the third step the connection between organisational innovation and HRM will be modelled, followed by an introduction of the articles of this issue.

1. A conceptual framework for innovation studies

Innovations can be defined as 'deliberate and radical changes in existing products or services, processes or the organisation in order to reach competitive advantage compared with competitors' (De Leede 1997). Crucial aspects in this definition are:

- innovation means the introduction of something new, at least for the standing organisation, in terms of new products or services, new technology or new forms of organisation;
- innovation takes place with the intention to gain some advantage;
- innovations develop through radical jumps although many authors also speak of incremental innovation;
- innovations can be managed, this means that there are activities/stages such as goal formulation, design and organisation, implementation and monitoring.

In fact innovations can be seen as deliberate interventions in products or services, processes and organisational or managerial arrangements. In most literature about innovation, the emphasis is on the first two forms of interventions, the technical innovations. Of course changes in products or services and processes are important forms of innovation, however, new organisational forms, like teamwork, virtual work, the formation of inter-organisational networks, etc., may be equally important as technical innovations. The same is true for new ways of management, especially in the field of human resources. A more effective organisation of human resources and/or a better use of their knowledge can deliver a considerable contribution to the overall innovativeness of the organisation. For this reason, we distinguish within our conceptual framework (see figure 1) four types of interventions or innovations: new prod-

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ucts/services, new processes, new organisational forms, new (human resource) management practices. In practice many innovations will be combinations of different forms. For instance, the introduction of a new product will frequently also lead to a change in the existing processes, as well as to a change in the organisation and in HRM-practices (like a change in personnel composition, the development and training of existing personnel, etc.). For analytical reasons however, we want to look at the connections between the different forms of innovations more closely. We focus on the connection between HRM and organisational innovations.

Interventions like innovations are not taking place without a cause or a specific driver. In most cases they will be reactions to developments outside or inside the organisation. These developments can form a threat for the existing situation: if this threat is not answered adequately this could lead to the decline of (parts of) the organisation. But they can also present an opportunity: answering them gives the organisation the option to expand or to develop into a new direction. In our conceptual framework we distinguish four types of developments:

- economic developments, like changes in markets and industries, changes in demands for products and/or services, etc.
- technological developments, like the development and application of new technologies, new combinations of technologies, etc.
- social/cultural developments, like demographical changes, changes in individual preferences, such as individualization, emancipation of specific groups, etc.
- political developments, like changes in government policies (towards innovations), general trends like liberalisation of trade, supra-national co-operation, etc.

In practice there will often be a connection between several of these developments, but again for analytical purposes it can be important to look at specific (combinations of) developments and their impact on the innovation interventions.

A third main part of our framework regards the innovation effects or outcomes. Until now the field of innovation outcomes seems somewhat underdeveloped in the existing research and literature, especially in the abundant research and literature on HRM and performance. Almost all this work deals with 'organisational outcomes' like productivity, efficiency, profit, market share, growth, and more recently also quality, client satisfaction and sustainability (see for a good overview Paauwe 2004). However, given the fact that innovations are deliberate interventions – meaning that they are intended to achieve specific goals – it is important to study whether these goals are really met. Therefore we add to our framework a new type of organisational outcome, namely innovative capacity. This is a rather new outcome for which no good measurement exists yet, but one could think of the amount of new products/services during a certain period, the overall adaptability of the organisation for changes, etc.

The fourth part of our framework considers the context (or contingencies) in which developments, interventions and outcomes are placed. Examples of these contingencies are:

- the institutional context, like laws and other regulations, the position and role of several stakeholders such as government, shareholders, employers and employees(organisations)

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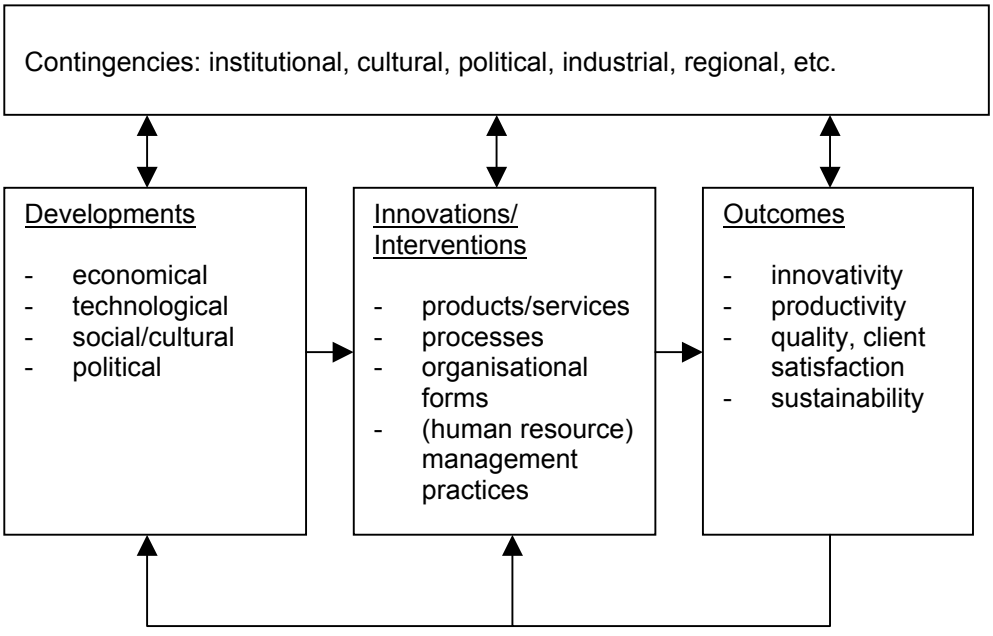
- the cultural context, with specific values, beliefs, norms, routines, etc.
- the industrial context, with the specific features of an industry or sector
- the regional context, with the specific features of a region

The study of the interaction between these contingencies and the different other parts of our framework also seems to be a rather underestimated field of innovation studies up to now. However, in this contribution the focus will be on the interventions block in the lower part of the scheme.

Figure 1 **Conceptual framework innovation studies**
(Looise 1998; Looise/Paauwe 2002)



A last, less visual part of our conceptual framework, concerns the way in which innovations develop. Most literature regarding product/service and process innovations draws attention to the development of these innovations in stages or phases. In the past, different approaches have been developed for the definition of those stages. In some, older, literature on innovations these are seen as rather linear processes with a number of sequential steps. An example of this approach can be found in Zaltman et al. (1973) who define phases like 'initiative' (in which there are sub-phases like knowledge creation and consciousness-raising, attitude forming and decision making) and 'implementation' (with initial and ongoing implementation as sub-phases). Another example is Rogers (1983) who also uses the main distinction between 'initiation' and 'implementation' with sub-phases like 'agenda-setting', 'matching', 'redefining/restructuring', 'clarifying' and 'routinising'. These traditional phase-models have been much criticized. The main critique was that they gave too simple a picture of the innovation process. Innovations are not just linear processes or projects that can be

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divided into a number of sequential stages. This has led to other less linear, less planned and more circular models. Examples of these are Kanter (1983) with 'the generation, acceptance and implementation of new ideas, processes, products or services', and During (1984) with 'problem solving, internal diffusion and organisational adaptation', in which 'problem solving' is seen as a cycle with four phases including (1) the creativity stage, (2) the selection stage, (3) the design stage and (4) the application stage. However, also in these latter models we see a number of different – though less linear or sequential – phases or aspects, like:

- problem definition, goal setting
- idea generation, the use of creativity
- selection and decision making
- internal diffusion and organisational adaptation

These phases/aspects can be found in product/service innovation, in process innovation and – to a lesser extend –in organisational innovation.

2. The relation between HRM and other forms of innovation

Our second conceptual step concerns filling in the 'interventions block' of figure 1. We can ask how the different types of intervention relate to each other and especially how HRM-interventions relate to the other types of innovation. To answer these questions we have to take a closer look at the content and meaning of both the other types of interventions and HRM(-interventions).

HRM can be defined as 'all management decisions and activities that affect the nature of the relationship between the organisation and its employees – the human resources' (Beer et al. 1984). It is common to distinguish a number of important areas of policies and practices within the broad field of HRM. Here we follow the division as used by Beer et al (1984):

- the design of organisations and tasks (task technology, job content, job rotation, job enrichment, multi-tasking, group work, work quality, etc.);
- the staffing of the organisation by managing the in-, through- and outflow of personnel (recruitment, assessment and selection, introduction, career development, education and training, termination, outplacement, retirement, etc.);
- the measurement of performance and the reward of employees (appraisal, job evaluation, pay for performance, bonuses, profit sharing, employee ownership, etc.);
- the channels for communication and participation in work and decision making (information and communication, way of leadership, different forms of participation, information and communication, etc.).

All these areas can be further refined to specific policies or practices. For our purpose, however, this grouping will suffice.

With respect to the management of human resources different approaches can be distinguished. Some authors, like Storey (1995) and Legge (1993) make the distinction between traditional personnel management and modern HRM. Others, like Beer et al. (1984) present a typology of HRM-approaches in line with organisational characteristics or strategies, in terms of a bureaucratic, a market and a clan approach to HRM. Without going into the details of these distinctions, it must be clear that in the setting

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of this contribution we also want to look at HRM in an innovative way. Innovative HRM means that organisations are prepared to look for new ways of dealing with the abovementioned areas of HRM. Examples of HRM-innovations are:

- the introduction of a more flexible staffing approach e.g. by giving people contracts for the duration of their projects in stead of permanent contracts;
- the delegation of the responsibility for the development and introduction of new work methods to a team (devolution);
- the introduction of a reward system that is related to innovation outcomes, like the number of new products, the successful implementation of a new technology, etc.

We must acknowledge that existing legislation and/or other forms of regulations like collective agreements in most European countries will restrict the possibilities for HRM-innovation. However, also in these countries and within the context of these regulations there is 'room for manoeuvre' on these issues. If we combine the specifications of both the different forms of innovation and HRM, we come to the following matrix of domains of innovation and HRM (Table 1).

De Leede, Looise and De Weerd-Nederhof (1999), did an extensive literature review of HRM-aspects in connection to several forms of innovation. A first general conclusion that came up after scanning the literature on HRM-aspects in innovation is that the interest in these aspects seems to be growing. Especially in the more recent literature with respect to innovation more attention seems to be given to HRM-aspects. But it is also clear that the attention to HRM-subjects in innovation literature still has a very fragmented character. No author(s) seem(s) to develop a more comprehensive and integrative approach with respect to HRM and other types of innovation. All issues mentioned come from different literature – or from literature overviews – there is hardly any literature with respect to the inter-connections. This points at the fact that HRM and other forms of innovation are treated as largely separate areas. Seen from the innovation-side, some HRM-aspects were relevant, but obviously there was no (need for) thinking in terms of an integral approach for innovation and HRM policies and practices. But the same can be said about the HR-side: there is a limited interest in innovation from HR-theorists. However, due to the growing need for innovation in most companies, the connection between innovation and HRM seems very relevant.

Upon closer inspection however, the fragmentation in attention to HRM-aspects is perhaps less strong and certain patterns seem to be present. Those patterns are related to the different domains of innovation and the fields of HRM that were identified. This can be defined as follows:

- Within the domain of product innovation the attention for HRM seems to be especially focused at the resource function of HRM but increasingly also with the management of performance and reward;
- Within the domain of process innovation the attention for HRM seems to be focused at building channels for communication and participation and – though less prominent – to the design of organisations and tasks;

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- Within the domain of organisational innovation the interest for HRM seems to be oriented at the design of organisations and tasks of work places and opening up channels for communication and participation, but also, increasingly, at (the measurement of) performance and reward and – as a new factor – also the organisation of the HR-function proper.

For this reason we added the organisation of the HR-function and we marked the combinations of areas of HRM and types of innovations in Table 1.

Table 1 A refined matrix of domains of innovation and fields of HRM

HRM-innovation:	**product/ service innovation**	**process innovation**	**organisational innovation**
new organisation and job design	x	(X)	X
new forms human resource flow	X	x	x
new forms of performance and reward	(X)	x	(X)
new forms of communication and participation	x	X	X
new organisation of the HR-function	x	x	(X)

X strong relation
x weak relation
(X) growing relation

What we learn from this overview is that there are large differences between the three domains of innovation with respect to connection with HRM-fields and subjects. Especially product innovation has its own pattern in connection to HRM, different from process and organisational innovation. In this pattern the main focus is on the resource function of HRM, but in connection to most other fields of HRM. The other two domains also have their own patterns, but these seem to be more related. In process as well as in organisational innovation the focus is on organisation and job design, on communication and participation and not on the resource function (with the exception of training and development). However, also some differences between the two can be mentioned: in addition to process innovation in organisational innovation attention is given to teamwork and leadership and to performance measurement and reward. Our findings seem to be in line with conclusions from recent HRM-literature (Boxall/Purcell 2003; Purcell 2004) showing that there is growing evidence for two main so-called HRM-clusters. The first cluster is called 'Human Capital Advantage' (HCA), and involves developing superior HR policies in areas such as recruitment, selection, training, etc., leading to high levels of employee skills. The second one, which is called 'Organisational Process Advantage' (OPA), exists where employees work well together in a specific 'social architecture' at all levels of the firm, but especially at the

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shop floor. Within the HCA-cluster the areas of HR-flow and performance and reward management are combined. Given the central role of knowledge and creativity within this type of innovation, we expect these areas to be of special importance for product/service innovations. Within the OPA-cluster the areas of organisation and job design and communication and participation are combined. Given the importance of a good redesign of the organisation and the tasks and also of the employee involvement and commitment in the change process, we expect these areas to be of special importance for process and organisational innovation.

3. Organisational innovation and HRM: introduction of the articles

This brings us to the connection between HRM and organisational innovation. If we look at organisations nowadays it is clear that they differ in a number of aspects from organisations in the first half of the 20th century. Organisations during that period are normally characterised as bureaucratic and hierarchical organisations, while now we speak about network or even virtual organisations. In between these opposing ends of the continuum we have seen other organisational forms like unit organisations, matrix organisations and project organisations. Ideal-typically, characteristics of HRM can be related to these changes in organisational forms. Table 2 gives an overview of the supposed connection between HRM and organisational innovation, based on Schoemaker (1999). Compared to the original scheme we changed the names of the HR-practices in line with our former categories. We also adapted a number of indications in the scheme. Most important 'innovation' though was the introduction of the HR-function in the scheme.

Table 2. The supposed connection between HRM and organisational innovation (adapted from Schoemaker 1999).

HRM-practices:	Hierarchical organisation	Unit-organisation	Matrix-organisation	Project-organisation	Network organisation	Virtual organisation
Organisation and job design	Function oriented	Function/ task oriented	Function/ task oriented	Group task oriented	Individual task oriented	Individual task oriented
HR-flows	Life time employment	Life time employment	Internal mobility	In- and external mobility	Employability	Employability
Performance and reward	Function related	Function related	Function & performance related	Group performance related	Individual performance related	Individual performance related
Communication & participation	Central, collective	Central, collective	Central, decentral	Multifocal	Individual	Individual
HR-function	Administration, execution	Administration, support	Contract manager	Contract manager	Architect Change Agent	E-HRM

However in practice ideal-types don't exist. In practice we see all kind of combinations of organisational forms and HRM-practices. We also know that in practice or-

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ganisations show not just one homogenous form of organising, but combinations of all kind of forms. So while the marketing department tries to work in a network, the production is still operating as a hierarchical organisation or as a unit organisation and the R&D-department as a project-organisation. And the same goes for the HRM-practices: on some fields they are innovative and new but on others they are still very traditional. In this special issue we deal with a number of contributions regarding the different combinations of organisational and HRM innovations.

Whereas formerly the focus was primarily inward, on the contribution of HR on the innovative capacity of organisations, on its strategic contribution and strategic alignment, and on the changes in the role and position of the HR function proper, in the light of changing expectations, we are in these new articles confronted with a more outward orientation. The networks in which organisations increasingly operate, the influence of interorganisational relationships and the changes that occur when organisations have to operate in new settings come into play are investigated. How does the role of HR departments change when several personnel policies and departments have a say in work relations or when employees work for more organisations at the same time? What kind of influence do network relations have on strategic choice and the development of HR policies and practices as a consequence of the exercise of strategic choice within the network in which especially knowledge intensive firms increasingly have to operate? What factors influencing HR policy arise when an organisation has to adapt from working in the public sector to working in the market sector, leading to a change in stakeholders? These are the topics the authors of the next four articles of this special issue deal with. The sixth article looks into a major HRM innovation, the introduction of E-HRM systems, and its consequences both for the HR department and for line managers and the employees. The final article focuses on the employment relation and provides a nice framework in which to place the innovative forms of HRM discussed here.

After this introductory article, the second article, by *Kinnie, Swart and Purcell* on HR advantage in the Networked organisation examines the development of HR policies and practices as a consequence of the exercise of strategic choice within the network in which companies increasingly have to operate. This influence, it is argued, is particularly evident in knowledge intensive firms that rely mainly on their human capital to generate intellectual capital. The authors present three cases to illustrate the various types of influences that the network may have on the Human Relations Advantage (HRA) of a firm. The article shows that decisions on business strategy and HR are neither determined by the network conditions nor the result of unfettered strategic choice. It is the exercise of strategic choice by managers that creates opportunities to develop an HR advantage when they take account of the characteristics of the network they operate in. They conclude that we cannot understand the links between HR policies and processes and the performance of a firm without taking into account the nature of the external environment.

The third article by *Kelliher, Truss and Hope Hailey* entitled "Disappearing Between the Cracks: HRM in permeable organisations" addresses the very important topic of the implications of interorganisational relationships for Human Resource Management. The authors show that the existing literature focuses heavily on the role of the HR department within the organisation. They, in contrast, argue that the increasing

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relevance of interorganisational relationships means that employees working for one organisation are influenced by the HR policies and practices of another. They show this by presenting several cases from the automotive industry, representing different forms of interorganisational relationships. Both cases nicely illustrate how the practice of HRM within an organisation can significantly be influenced by an external organisation. The importance of power relations is highlighted and the article also points to a number of tensions that can develop between the different HR approaches in the related organisations and between the employees working side by side under different conditions.

The fourth article by *Torka* is related to this topic, as she too addresses the problems that may arise between personnel working side by side under different contractual forms. Her article however focuses on the commitment of a-typical workers and the role that HRM should play to keep a-typical employees committed. She argues that good old-fashioned personnel management practices should do the trick and that a-typical employees can be just as committed as workers with a standard labour relation, provided that they are treated equal to their colleagues. This means that the HR department should regulate the employment relation for workers provided by third parties to match those of their regular employees and hence that the HR department of the hiring company should firmly take the lead in the relationship with third party labour providers.

Innovating the HR function in a commercialising British public sector organisation is the title of the fifth article by *Andreescu.* Her work focuses on the changes that occur in the work and function of a public sector organisation's HR department when the organisation is forced to make a transition toward a more market oriented approach. She tries to identify the factors that support or hinder the shift toward a more strategic position for the HR department in such organisations. The article presents a conceptual model of the many factors influencing the (strategic) role (and position) of the HR department, drawing on theoretical notions from multiple constituency, negotiated order and role theory, thus highlighting the power relations that come into play when new stakeholders enter the equation.

The sixth article by *Ruel, Bondarouk and Looise* is on E-HRM. It examines the role and function of the HR department and the changes therein that occur when a company decides to implement an electronic HR system. Using material from several case studies, the authors present a valuable insight into the reasons companies have for introducing such a system and its implications for both line managers, employees and the position and work of the HR staff. This largely explorative study tries to define E-HRM and show how several forerunners in the field struggle with its implementation. It also addresses what effects can be found after introduction of such systems and argues that irritation sets in when goals are not clear and when the systems introduced do not meet the real needs of line-management, employees and the HR department, but is altogether too technology driven.

The final article of this special issue by *Kluytmans and Huiskamp* was actually not presented at the conference, but was added by the guest editors of this special issue because it provides a good overview of the changes in the employment relation that came up in recent years. The authors argue that new organisational forms have

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emerged from the quest to produce to customer specifications and the need to innovate. This has led to the demise of the classical organisation and its matching employment relations in favour of more market-oriented forms. They see the rise of three types of 'limitless' modern companies, in which networks play a dominant role, leading to new, market oriented and more hybrid employment relations. The authors subsequently point to the 'sources of tension' that result from this development. Modern employment relations such as 'competency-based appraisal systems', 'intensified dialogue between employee and superior' and 'individual choice benefits' are largely internal innovative regulatory instruments to manage these sources of tension, and they discuss their merits and risks. The article provides us with a nice overview of the rise of network relationships in organisational reality and its consequences for the employment relationship. Thereby it offers an excellent framework in which to place the innovative challenge for HRM emanating from network relationships that is manifest in the other articles in this special issue as well.

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