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Leading Innovation through Knowledge Sharing and HRM practices

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Abstract: Innovation is one of the most important factors for economic growth in every company. Previous studies have shown that innovation is highly dependent to the knowledge. On the other hand knowledge sharing is an influential factor can create knowledge. Therefore, knowledge sharing can be applied to increase innovation (product/service, process, marketing, and organizational innovation). Training, staffing, reward system, performance appraisal, and participation are the most applicable HRM practices that have potential to affect knowledge sharing and thereby innovation. This paper attempts to justify the relationship between HRM practices, knowledge sharing, and innovation. At the end, this study proposes a framework which any linkage of it is being supported by extant research.

Keywords: Innovation, knowledge sharing, HRM practices

1. INTRODUCTION

Innovation is one of the most important factors in any industry. Innovation is important since it results in economic growth (Manafi and Subramaniam, 2015). Moreover, relationship between innovation and economic growth is supported by endogenous theory (Howitt, 2010).

Innovation can be defined as transforming process of an idea into a thing which can achieve value in businesses (Howitt, 2010; Manafi and Subramaniam (2015). Different studies attempted to highlight influential factors on innovation including role of firm network structure (Capaldo, 2007; Chulun et al., 2017), knowledge management/sharing (Chen and Huang, 2009; Wang and Wang, 2012; Manafi and Subramaniam, 2015), quality management (Golmohammadi et al., 2014; Bon and Mustafa, 2013), leadership style (Manafi and Subramaniam, 2015; Barsh et al., 2008), organizational learning (Chiva et al., 2014; Stata and Almond, 1989). However, one of the most important factors is knowledge management and knowledge sharing. It is clear that transforming an idea requires knowledge, thus maybe we can consider knowledge has a key role in increase of innovation. Knowledge sharing is one of the critical factors that can result in knowledge creation (Nonaka and Takeuchi, 1995). Therefore, increase in knowledge sharing can improve innovation. By narrowing this issue to human resource management (HRM), it would be important that through which tools in HRM we can increase knowledge sharing and finally innovation. The resource based view (RBV) theory (Barney, 1991), emphasizes on critical role of human resource to achieve competitive advantage that in fact supports relationship between HRM techniques and innovation. In addition, social capital theory (Nahapiet and Ghoshal, 1998) focuses on key role of knowledge sharing.

Different HRM practices have been employed in various researches (Huselid, 1995; Chen and Huang, 2009, Fong et al., 2011; Manafi and Subramaniam, 2015) including training, staffing, performance appraisal and reward and compensation. Hence current research attempts to define the relationship between innovation, knowledge sharing and HRM practices.

2. LITERATURE REVIEW

2.1. Innovation and its impact on Firm Performance

There are many different categories of innovation and the one which is highly accepted is OECD (2005) in Oslo Manual that describes four kinds of innovation: process innovation, product innovation, marketing innovation, organizational innovation. Technological innovation covers process and product innovation and also non-technological innovation covers marketing and organizational innovation. According to Schumpeter (1934) and many other well-known scholars in field of innovation for example Damanpour (1991) and Edquist, Hommen and McKelvey (2001), innovation have been classified in different ways. With no detraction from such classifications, the Oslo Manual classification homogenizes and synthesizes all of the previous critical innovation classifications. The presented theoretical framework by resource based view (RBV) can facilitate clarified innovation analysis and its relationship with performance (Manafi and Subramaniam, 2015). The RBV theory employs internal characteristics of organizations to describe their heterogeneity in both performance and strategy.

Based on core assumption of this theory, only those organizations with specific capabilities and resources and also certain characteristics can obtain competitive advantage and thus gain improved performance. A factor's distinctiveness is based on its value, rarity, inimitability, durability and non-substitutability (Barney, 1991). So, sustainable competitive advantage demonstrates the organizational capability to reconfigure and continuously renews its supply of idiosyncratic and valuable capabilities and resources to generate innovation (Camison and Villar-Lopez, 2014). According to theoretical point of view, the diversity of research findings put other projects in danger within academic field in order to have a better knowledge of causes and effects of organizational innovation.

The variables' heterogeneity and also difficulties to identify their relationships and in making difference between ambiguities caused challenges for investigating in this field (Camison and Villar-Lopez, 2014). Based on country-level point of view, employing macroeconomic data, many researches to describe economic context which provides a favorable environment for innovation (Santos et al., 2014). Regardless of having remarkable attention in industrial economics, the innovation theory provides a particular field of study which leverages contributions from various knowledge areas, specifically those initiating from economic and organizational studies, so generating a albeit and solid and new developed theoretical body. Various scholars employing qualitative and quantitative methodologies under multiple methods have investigated the relationship between business performance and innovation.

2.2. Knowledge sharing and Innovation

According to (Nahapiet and Ghoshal, 1998), the social capital theory can be defined as sharing of knowledge that is done purposefully. This theory describes that social basis interactions could be particularly effective to create knowledge while society is closely knit and has formed intricately the social structures (Helmstadter, 2003). Hence, it would be helpful specifically to encourage social interactions in order to improve knowledge sharing (Reychav and Teeni, 2009).

Social capital was introduced by Nahapiet and Ghoshal as one integrated outline in order to comprehend knowledge sharing and knowledge creation via internal social interaction in an organization. They explained that social capital possibly will be easier to grow among the communities in which there exist frequent interactions, shared history and also closed structure socially (Reychav and Teeni, 2009).

Moreover, according to Nahapiet and Ghoshal, relational, structural and cognitive aspects are three main dimensions of social capital. This framework of three dimensions has been formed in order to investigate relationship between intra-organizational fact and social capital for instance generating intellectual property (Nahapiet and Ghoshal, 1998), inter-unit resource exchange (Tsai and Ghoshal, 1998) and organizational citizenship behavior (Bolino and et al., 2002).

Knowledge sharing means behavioral routines or collective beliefs relevant to spread of learning between employees or units across a firm (Manafi and Subramaniam, 2015).

Previous studies have shown that knowledge sharing could result in improved organizational innovativeness (Chen and Huang, 2009; Manafi and Subramaniam, 2015). Specifically, experts have discussed before that knowledge sharing provides new knowledge combination or new products (Schumpeter, 1934; Chen and Huang, 2009; Manafi and Subramaniam, 2015). Due to knowledge is available in different people and various organizational levels so organizational employees have to share it for setting up new mental models and routines (Nonaka and Takeunchi, 1995). Moreover, while members prefer to exchange and share knowledge, so they are able to create collective learning as well as synergistic advantages from progress of knowledge and resource exchange (Nonaka and Takeuchi, 1995). Innovations occur while organizational employees share their own expertise and then convert it to explicit types of services and products (Chen and Huang, 2009). Therefore, organizations that can share knowledge effectively among their employees are possibly more innovative.

Clearly, we can assume knowledge as an effective variable on innovation. The SECI model has been defined by Nonaka and Takeuchi (1995) which includes socialization, externalization, combination and internalization as well as four kinds of knowledge conversation which are explicit to explicit, tacit to tacit, explicit to tacit and tacit to explicit. They have demonstrated that knowledge sharing results in knowledge creation. Hence, knowledge creation can contribute to improve innovation.

Also, Wang et al., (2009) analyzed the knowledge sharing impact and also team communication on innovation in a team. The findings have shown that knowledge sharing has a remarkable influence on innovation. Relevant to Iran's electronic industry, Zohoori et al., (2013) asserts that most critical factor to increase innovation is knowledge sharing. They studied effects of tacit knowledge sharing and also explicit knowledge sharing on speed of innovation and its quality and identified that all of the relationships are positive and significant. Based on mentioned studies, it could be concluded that innovation can be impacted by knowledge sharing in various industries.

2.3. HRM practices and their impact on innovation

The human resource management practices could be described as organizational activities which are about managing a human resources group and ensuring that such resources are effectively optimized to reach organizational goals (Manafi and Subramaniam, 2015).

A lot of common HRM practices such as training, performance evaluation, staffing, participation, compensation and reward system are related to some dimensions such as improving commitment, lowering turnover and also improving performance through their impact on motivation and development of staffs (Chun and Huang, 2009; Manafi and Subramaniam, 2015).

Fong et al. (2011) identified a gap in previous investigations that is HRM practices including training, compensation, staffing, team work and performance appraisal are considered as effective factors on knowledge sharing. In addition, Manafi and Subramaniam (2015) studied effects of HRM practices on both innovation and knowledge sharing.

If the firms aim to present new products and also initiate new management processes, they require the motivation and capability of the human capital to provide ideas which are creative, innovative methods and offering new opportunities which are novel (Scarbrough, 2003). The HRM function can be modified and have an influence on attitudes, capabilities and behaviors of employees in order to achieve these goals (Chen and Huang, 2009; Manafi and Subramaniam, 2015). This is a critical aspects to provide proper context for encouraging and guiding staffs into generating innovative activities (Scarbrough, 2003; Chun and Huang, 2009). Organizations can use HRM practices such as performance appraisal, recruitment, rewards and training to motivate commitment from staffs and make them to participate creatively in innovating and thinking (Damanpour, 1991; Chen and Huang, 2009).

Those firms which use innovative features and also creative abilities in selection and recruitment, their employees would be drawn to generate diverse ideas and to be committed to more innovative acts (Chen and Huang, 2009; Manafi and Subramaniam, 2015).

Employing proper recruitment process, staffs can be considered as important sources of new ideas within the innovation process of an organization. Another aspect is training which can make the employees able to be exposed by various forms of knowledge and to become motivated to utilize new ideas (Chun and Huang, 2009; Manafi and Subramaniam, 2015). Firms can suggest different broad programs of training to their staffs to foster new knowledge, new skills and critical innovative capabilities to effectively conduct their work (Chun and Huang, 2009).

Firms need to place value and importance on innovation as a main priority within the organization and suggest appraisal tools which are formal in order to compute innovative outcomes and actions because innovation process is long usually, complex and includes different parties (Chun and Huang, 2009).

The performance appraisal which provides positive pressure on staffs could generate feelings of challenge and achievement and also act as a useful motivator for employees

(Chen and Huang, 2009). Performance appraisals can increase employees' motivation to participate in innovative activities and help the firms to obtain their goals for their innovation process (Chen and Huang, 2009). Moreover, understanding individual and team achievements along rewards also will encourage more innovation. Extrinsic and intrinsic compensations both are necessary to encourage employees to contribute in challenging activities and suggest them benefits to create new ideas and develop new successful products (Chen and Huang, 2009).

Those companies that generate innovative activities will have more uncertainty and variability levels comparatively in their innovation process. They need staffs who are creative and are motivated to be risk takers, flexible and can tolerate uncertainty and ambiguity (Chen and Huang, 2009).

Moreover, the studies on factors which might increase hospitality innovation also demonstrated that hospitality executives consider different HRM practices (employee empowerment and training) and also employee attitudes (employee commitment) to be critical to success of developing new projects within hospitality firms (Ottenbacher and Gnoth, 2005; Ottenbacher et al., 2006).

The existed literature on innovation in hospitality industry has many limitations. First, still it did not mention empirical and conceptual differences among two kinds of innovation (radical and incremental innovation), second, even though there is support for critical role of HRM practices to promote hospitality innovation, as noted earlier, yet there is lack of systematic and rigorous studies.

3. PROPOSED FRAMEWORK

By above discussion, there is a logical relationship between HRM practices and knowledge sharing and innovation. Besides, extant research have shown that innovation is highly dependent to knowledge.

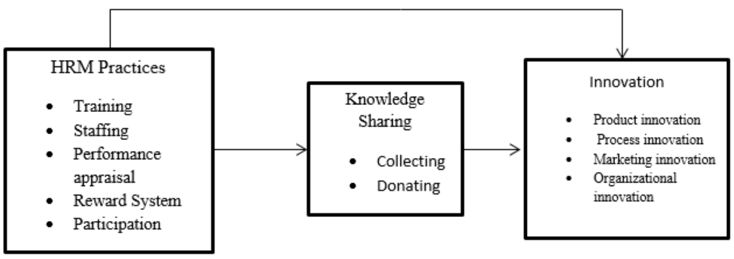

Figure1: Proposed framework of this study

Figure 1 shows the proposed framework of this study based on the RBV and social capital theories. It should be noticed that each linkage is supported by previous study as discussed in literature review section. Since knowledge sharing can be related to the human behavior, in this framework knowledge sharing has concentrated on two components including knowledge donating and collecting.

4. CONCLUSION

Innovation is one of the most important factors for economic growth in every company. Previous studies have shown that innovation is highly dependent to the knowledge. On the other hand knowledge sharing is an influential factor can create knowledge. Therefore, knowledge sharing can be applied to increase innovation (product/service, process, marketing, and organizational innovation). Training, staffing, reward system, performance appraisal, and participation are the most applicable HRM practices that have potential to affect knowledge sharing and thereby innovation. This effect can be supported by RBV and social capital theories.

Future study can test the proposed framework of this study in different industries such as ICT and manufacturing.

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