

Impact of Innovative Human Resource Practices on Organisational Learning

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Abstract:

This study provides a theoretical framework illustrating the impact of innovative human resource practices on organisational learning. Reviewed literature explores that the high performance human resource practices positively influence organisational learning. Different high performance human resource practices related with organisational learning. High performance human resource practices include a) training b) performance-management c) performance-appraisal d) performance-based compensation e) empowerment f) competency development.

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Introduction

The success of any organisation depends on the competence and skills of the human resources (HR). In present complex environment, no organisation can exist and grow without appropriate human resource capabilities. Human resource is a valuable asset in an organisation unlike other assets because all other resources such as material resources (raw and semi-manufactured) can be better utilised by motivating human resources.

Human resource management (HRM) refers to the policies, practices and systems that influence employees' behaviour, attitudes and performance through learning (Noe *et al.*, 2007). HR practices include human resource planning, recruitment, selection, screening, orientation, training, performance-based compensation, performance-appraisal, performance management, empowerment, competency development, job analysis, recognition, and health and safety (Mohamad *et al.*, 2012; Osman *et al.*, 2011; Absar *et al.*, 2010; Stumpf *et al.*, 2010; Evans and Davis 2005).

The main task of HR is to help the organisation to accomplish the set objectives effectively by creating a learning environment (Hangarki, 2012). Bhatnagar and Sharma (2005) remarked that HR are a source of competitive advantage and emphasises the positive relationship with organisational learning. In a competitive environment, high performance HR practices, whose objective is to enhance the competitive advantage are required. The role of high performance HR practices in an organisational learning has been discussed by many researchers such as Cabrales *et al.*, 2011; Lopez *et al.*, 2005. High performance HR practices are required to monitor, measure, and intervene in acquisition, distribution, and use the knowledge by employees.

Garavan *et al.* (2000) noted that the main task of human resource development in creation of learning organisation include assisting employees in acquiring, distributing, interpreting, and using the knowledge later on.

There is growing evidence that innovative HR practices can have a significant impact on organisational learning. High performance HR practices such as training (Wei *et al.*, 2010; Huselid, 1995), performance management (Huselid, 1995), performance appraisal,

performance-based compensation (Wei *et al.*, 2010; Gurbuz, 2009; Lopez *et al.*, 2005; Huselid, 1995), empowerment (Wei *et al.*, 2010; Gurbuz, 2009; Lopez *et al.*, 2005), and competency development are relevant to the promotion of learning (Gardiner *et al.*, 2001). It is observed that high performance HR practices increased the individual ability to learn (Garavan *et al.*, 2000; Mueller, 1996). According to Garavan *et al.* (2000), no study is conducted yet to evaluate properly the extent in which human resource development and other human resource practices promote learning. Thus, the aim of this study is to examine the impact of six high performance HR practices, which are training, performance management, performance appraisal, performance-based compensation, empowerment, and competency development on organisational learning include knowledge acquisition, knowledge distribution, knowledge interpretation, and organisational memory.

The paper is structured as follows. After introduction, review of literature focussing on high performance HR practices and organisational learning is presented. Next, we develop a conceptual framework illustrating the impact of high performance HR practices on organisational learning. The paper is concluded by highlighting on high performance HR implications, limitations, and future research.

Review of Literature

Innovative Human Resource Practices

Due to rapid changes in globalisation, privatisation/deregulation, competition, and technological advances, human resources (HR) and other management practices have been changed dramatically. These environmental changes have enforced organisation to adopt high performance HR practices that enhance sustained level of competitive advantage (Gurbuz, 2009). High-performance HR practices are those practices which enhance the employee competencies, skill, ability, and ultimately pave way for improving organisational performance through learning (Wei *et al.*, 2010; Lopez *et al.*, 2005). High-performance HR practices are also known as best practices (Lopez *et al.*, 2005). As cited in Gurbuz (2009), Huselid, Jackson, and Schuler have identified that high-performance HR practices can be referred to "as internally consistent set of policies and practices that a firm's human capital contributes to the achievement of business objectives" (pp.110-123). Different scholars have identified high-performance HR practices in varied sectors. Training (Wei *et al.*, 2010;

Huselid, 1995), performance management (Huselid, 1995), performance-based compensation (Wei *et al.*, 2010; Gurbuz, 2009; Lopez *et al.*, 2005; Huselid, 1995), and empowerment (Gurbuz, 2009). The other empirical studies namely Absar *et al.*, 2010; Stumpf *et al.*, 2010; Katou, 2008; Mohamad *et al.*, 2009; Evans and Davis, 2005 on human resource practices such as performance management, performance appraisal, training and development, induction, recognition, recruitment and selection, information technology and its relationship with organisational performance are found in the literature.

Based on the existing literature, following high performance HR practices which are widely accepted and hence selected for present study as follows: -

- a) Training
- b) Performance management
- c) Performance appraisal
- d) Performance-based compensation
- e) Empowerment
- f) Competency development

The brief concept on these high performance HR practices is given in table 1:

Table 1: Categories of Human resource practices comprising High-performance HR practices

HR practices	Description
Training	It is a planned and formalised training programmes for employees to facilitate the learning of job related knowledge, skills and behaviour (Wei et al., 2010).
Performance management	It is an ongoing process of communication between supervisor and employee and the emphasis is on performance improvement of individuals, and the organisation with the help of analysis, review, development, and improvements (Pareek and Rao, 2006).
Performance appraisal	It is periodic evaluation of personnel by superiors or others regarding his/her performance, which is used for promotion, rewards or identifying training and development needs (Pareek and Rao, 2006).

Performance-based compensation	It includes all form of pay and rewards received by employees on the basis of his/her job performance (Gurbuz, 2009).
Empowerment	It gives an authority to an individual to think, behave, take action, control work and decision-making in autonomous way (Gurbuz, 2009).
Competency development	It encompasses all activities carried out by an organisation and its employees to maintain and enhance the employees' knowledge, skill, and attitude in technical, behavioural and conceptual areas (Forrier & Sels, 2003).

These practices (see table 1) represent the general categories of human resource practices commonly found in high-performance HR practices research.

Organisational learning

Organisational learning can be considered as an organisational process through which individuals, groups, teams, communities and the organisational itself learn (Firestone and McElroy, 2004). Organisational learning can be thought of as an effective strategy for sustaining and improving a firm's competitive edge and performance (Sinkula *et al.*, 1997). As cited in Narver and Slater (1995), Fiol and Lyles (1985) defined organisational learning as the development of new knowledge or insights that have the potential to influence behaviour. Lopez *et al.* (2009) have considered organisational learning to be the composite of four elements such as knowledge acquisition, knowledge distribution, knowledge interpretation, and organisational memory. This conceptualisation is also considered by Narver and Slater (1995). Knowledge acquisition refers to acquire new knowledge internally and externally; Knowledge distribution means transferring/sharing of the acquired knowledge; Knowledge interpretation refers to incorporating significant aspects of knowledge through shared understanding and co-ordination for effective decision-making; and finally organisational memory refers to storing knowledge for future use either in organisational system designed for this purpose or in the form of rules, procedures, and other systems. Besides, Sinkula (1994) and Narver and Slater (2007) have also linked organisational learning with two Components-Adaptive learning and Generative learning. Adaptive learning is also known as single-loop learning. It helps the company to identify ways to deliver new products and services to all customers more efficiently and effectively. Similarly, Generative learning is also

known as double-loop learning. It helps the company to identify new customers and market to serve and new products and services to offer to existing and potential customers.

The objective of this study explores the relationship between high performance HR practices and organisational learning. A conceptual framework focussing on high performance HR practices and organisational learning is developed.

Conceptual Framework

A conceptual framework that shows how differential high performance HR practices influences organisational learning is discussed as under:

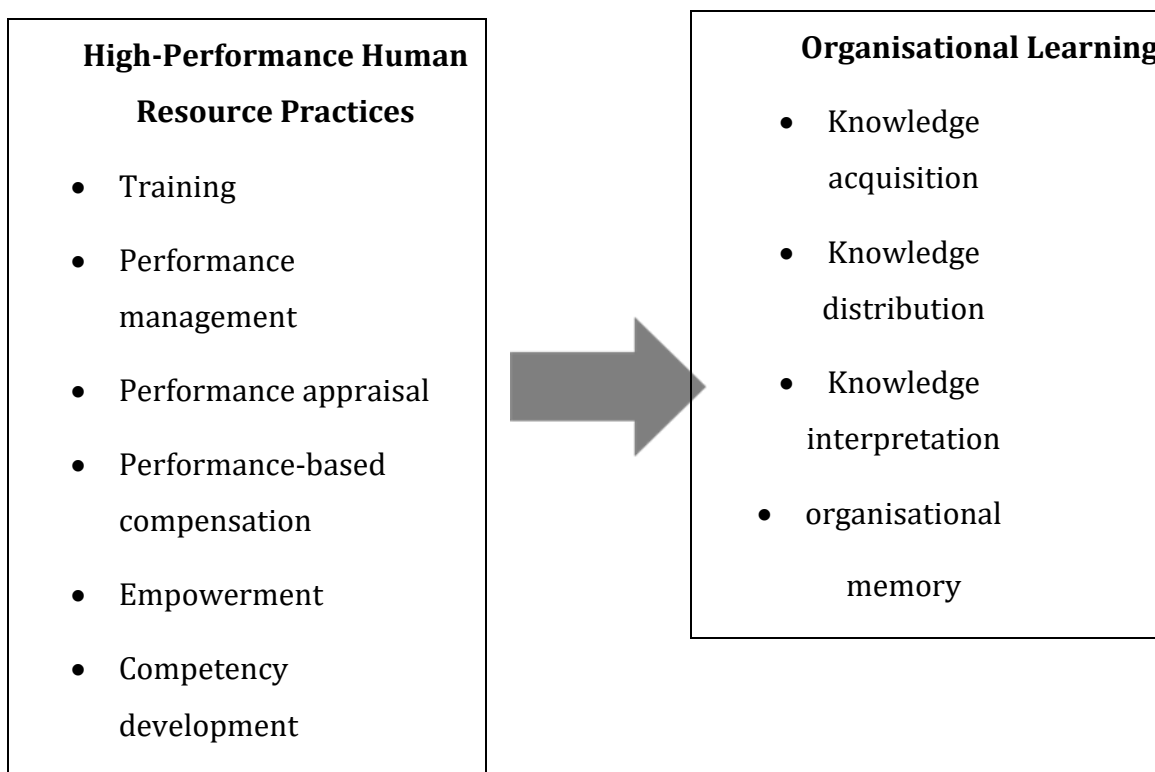


Figure 1: Conceptual framework representing high performance HR practices and Organisational learning linkage

Linkage between High Performance HR Practices and Organisational Learning

HR plays an important role in the development of organisation learning, as any competitive organisation would not exist without either of them. Snell *et al.* (1996) state that the

employees contribute to learning when they have the knowledge and abilities that the company needs and the motivation to make use of them. The present study proposes the linkage between high performance HR practices and organisational learning.

Training

Training is an important key factor related to the achievement of efficient learning. The training programme used by the organisation should result to the development of employees and train employees to capture, store and access the knowledge across the organisation. The training mainly focused on developing employees who are capable to obtain internal and external information and turning it into useful organisational knowledge (Hangarki, 2012). Training may also provide the individual to share knowledge accumulated in one task to another task. Training also plays a vital role to increase employees' abilities, in addition to increase interactions between employees that result in a shared knowledge and closer interpersonal ties that positively affect knowledge flow within the organisations (Naphapiet and Ghoshal, 1998; Kang *et al.*, 2007). It also provides a clear understanding about the company's aims and goals would help ensure a right direction for learning processes (acquisition, distribution, interpretation, and organisational memory) (Lopez *et al.*, 2006). Based on this aspect, the present study proposes the following proposition:

Proposition 1. Training positively influences organisational learning.

Performance management

Performance management is a continuous process."It is based on the principle of management by agreement or contract rather than management by command" (Armstrong, 2006). In the organisation, performance can be managed through organisational learning. According to Robert (2001) performance management is a very important concept that ensures how performance is successfully carried out in any business enterprises. Evans (2003) suggested that the performance management is very significant for the firm to consider the knowledge component (acquisition, distribution, interpretation, and organisational memory) in the performance management system. Based on this aspect, the present study proposes the second proposition:

Proposition 2. Performance management has a positive influence on organisational learning.

Performance appraisal

Performance appraisal is used to evaluate the performance of the employees (Lee *et al.*, 2010). It focuses on long-term objectives in order to recognise acquisition of knowledge and transfer (Lopez *et al.*, 2005). In addition to appraisal process supervisors should provide the employees continued feedback on their competencies and knowledge acquired, this also served to improve the attributes of an organisation (cabrales *et al.*, 2009). Hence, the following proposition is proposed:

Proposition 3. Performance appraisal has a positive influence on organisational learning.

Performance-based compensation

Performance-based compensation include incentives and rewards received by the employees on the basis of their performance at work. Organisation must set up incentives scheme related to fulfilment of goals and creation of knowledge among employees (Lei *et al.*, 1999). Through incentives and rewards system, organisation can be motivated the employees to acquire the knowledge and sharing the knowledge with their colleagues, interpreting, and store the knowledge for future use. The following proposition is proposed in this regard:

Proposition 4. Performance-based compensation has a positive influence on organisational learning.

Empowerment

The organisation should provide enough incentives for individuals to use and develop the knowledge efficiently. Employee participation in decision making produces a positive effect on organisational learning (Lopez *et al.*, 2005).

Empowerment give employees responsibility and authority to take decision effectively. However, all of this requires motivational and cognitive instruments (Nykodym *et al.*, 1994). Motivational instruments include actions such as trust, greater control of the work, and

setting of higher goal. While Cognitive instruments include more upward communication and better utilisation of information.

In short, empowerment recognises the importance of issues such as trust and sharing information which influence organisation learning (Lopez *et al.*, 2005). Hence, the following proposition is proposed:

Proposition 5. Empowerment has a positive influence on organisational learning

Competency development

Competency development refers to increase in the competence levels of employees which help in achieving the organisational goals (Johansson and Hurria, 2003). It involves building of the knowledge and skills of employees. In an organisation, competency can be developed through organisational learning process (acquisition, transferring/ sharing, interpretation and store the knowledge). Hence, the following proposition is proposed:

Proposition 6. Competency development has a positive influence on organisational learning.

Implications, Limitations and Future Research

The paper conceptual in nature, contributes in an understanding the impact of high performance HR practices on organisational learning. High performance HR practices are considered as one of the significant aspects to enhance the learning of the organisation. High performance HR practices, namely training, performance management, performance appraisal, performance-based compensation, empowerment, and competency development of employees contribute to enhance the organisational learning. The previous literature identified that the high performance HR practices can contribute to achieve sustained level of competitive advantage to the extent that they impact on the knowledge, skill, attitude, and behaviour of the employee that form the basis of organisational learning. The proposed framework and related propositions can serve to guide empirical studies and to illuminate understanding of the linkage between high performance HR practices and organisational learning.

Few limitations of this study need to be acknowledged. First, high-performance HR practices used in this study are limited. In future research, other human resource practices such as recruitment and selection, placement and transfer, and job clarity should be considered.

Second, different types of organisational learning such as 'single vs. double loop' learning (Argyris and Schon, 1978), 'exploration vs. exploitation', (March, 1991), 'adaptive vs. generative ' (Chiva *et al.*, 2010) have not been explicitly considered in this study. Further, future research should also explore the linkage between organisational learning, innovation, and performance. Lastly the paper is conceptual in nature and the proposed propositions need to be tested in varied manufacturing and service sectors.



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