

RELATIONSHIP BETWEEN STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES AND ORGANIZATIONAL INNOVATION WITH RESPECT TO THE ROLE OF ORGANIZATIONAL LEARNING

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Abstract

Innovation is a critical enabler for firms to create value and sustain competitive advantage in the increasingly complex and rapidly changing environment. Firms with greater innovativeness will be more successful in responding to changing environments and in developing new capabilities that allow them to achieve better performance. Innovation initiatives tend to depend heavily on employees' knowledge, expertise, and commitment as key inputs in the value creation process. Knowledge and competencies of human resource Human resource practices are the primary means by which .are as valuable assets for firms firms can influence and shape the skills, attitudes, and behavior of individuals to do their

This study empirically examines the impact of .work and achieve organizational goals strategic human resource practices and organizational learning on organizational innovation in Iran Petrochemical industry. This study used questionnaire for collecting data and uses Structural Equations Model (SEM) which consists of Confirm Factor Analysis and Path Analysis based on Partial Least Square (PLS). The results indicate that strategic human resource practices are positively related to innovation performance and organizational learning positively helps to organizational innovation performance.

Keywords: strategic human resource practices, organizational learning, organizational innovation.

Introduction

Nowadays, organizations increasingly face dynamic and changing environments so that, obliged to adapt themselves to sustain on survival and dynamism. In such situation, organizations gain success where can predict changes in future, moreover getting adapted

with the changes occurred in today's world so as to can further conduct the changes to provide better changes for a better future(Akhavan and Aboali, 2010). Indeed organizations to survive and escape death and stagnation and adapt to changing environments and uncertainty need innovation. Waiting For The Great Destruction unless being innovative, this goes true for the managers across the organizations, mentioned Organizations with solutions to yesterday's problems cannot be solved so that Environmental conditions are so complex, dynamic and uncertain where organizations can no longer continue in this way without innovation(Vaezi et al. 2010). Today, Today, innovation is the fulcrum point for any organization, accounted as a vital tool to create value and sustain on competitive advantage within organizations, that is, Organizations to attain sustainable competitive advantage need to use the innovation process. Literature on strategic management recognizes innovation as an essential factor for companies to create value and attain competitive advantage in continuous within changing environmental conditions. In response to the changing environment and build new capabilities, companies that have more innovation will be more successful. New and original creations rely heavily on the knowledge, expertise and commitment of staffs. Knowledge, expertise and commitment of employees as key data on the creative process are considered. Knowledge-based view considers the company as a repository of knowledge and competence. Previous studies, based on this perspective, have introduced knowledge and skills of human resources as a valuable asset for the companies. In this regards, this paper intends to examine the Relationship between Strategic Human Resource Management Practices and Organizational Innovation with Respect to the Role of Organizational Learning in Iran's petrochemical industry.

Problem statement

Human resources is the main capital in new age; indeed, Efficiency and productivity of any organization is dependent on the behavior and performance of its staffs, and Employees of organizations mentioned as indicators to measure organizational excellence of each organization rather than others(Hajikarimi& Bahtaei, 2009).

The concept of innovation recognized as a vital enabling tool to create value and sustain on competitive advantage within organizations in a changing environment with increasing complexities (*subramanyam*, Youndt, 2000). The organizations empowered more with innovation are successful in response to the changing environments and building more new capabilities whereby this would let them attain innovation better (Montesi and Moreno,2004). The starting point for innovation strongly relies on knowledge, expertise and commitment of human resources as key inputs to the process of value creation and innovation (Yount & Snell, 1996). Because after a big improvement in managerial processes, the organizations would need motivation and ability driven from human capital in order to create innovative ideas, develop innovative methods and build new opportunities for their progress (Scarbrough, 2003). Human Resource Management plays a major role in creating necessary conditions in order to proliferate the process and conduct individuals to build and develop innovative behaviors. Companies can use some strategic

human resource practices such as Employment, participation, performance evaluation and compensation to Stimulate employee engagement (Jacobs & Jones, 1995). To emerge innovation, the organizations can use human capital to develop organizational expertise so as to create new services and products; however expertise found as a more complicated concept driven from Exploring the goals and specific tasks in a given environment (Ericson & charlnz, 1997). Strategic human resource practices can affect the selection, capacities and behaviors of employees to achieve organizational goals and to change them, where can play a major role in necessary conditions to proliferate, classify and conduct individuals towards innovative activities (Collins & Clark, 2003; Martinson, 1995). Using some strategic human resource practices such as recruitment, training, participation, performance evaluation and Reward as a means to motivate employees' engagement, organizations can oblige workers get to their innovative thinking and innovation (Larsen and Force, 2003, Damanpour, 1998). In order to create Innovation, companies can rely on human capital so as to create expertise in the production of goods and services, Expertise is extremely complex, mentioned primarily as the result of deliberate actions on tasks related to a domain. To accomplish such deliberate activities, it needs to individuals who are determined to do tasks and make efforts to improve their performance. Organizational learning accounted as the factor to enable human force within organization. Experts addressed the key role of innovation and organizational learning to attain competitive advantage. Some studies indicate that organizational learning and its functions, e.g. organizational knowledge prioterized over innovation (Baker et al., 2002). The underlying assumption is that Learning is the key role in empowering organizations to achieve speed and flexibility in the innovation process. today , Innovation is no longer only regarded as characteristic where having it conveyed better than not having it, or sometimes can be found as index only in some individuals; further, It is essential for survival in the competition and Sustaining the position(cook, 1998). Innovation is a factor which reviews and addresses the turbulence existing in the external environment of the organization whereby it can be further accounted as driving factor for long-term success in business particularly in dynamic markets. Organizations, to develop and expand innovation, need knowledge and learning. In recent years, a large body of studies on the factors influencing innovation have been conducted, concluded the organizational learning might affect innovation effectively within organization (Shoghi, Dawoodi, 2011). this paper intends to examine the Relationship between Strategic Human Resource Management Practices and Organizational Innovation with Respect to the Role of Organizational Learning in Iran's petrochemical industry. Hence, the main problem stated making clear the relationship between Strategic Human Resource Management Practices and improvement of innovative performance within organization as well as determining the role of organizational learning in this context.

Research Importance

Strategic human resource practices mentioned organization's main tool for shaping and influencing skills, attitudes and behavior of individuals in their job tasks so as to achieve

organizational goals and innovation (Collins and Clark, 2003 and Martynsvnz, 1995). Because the innovation process is often a long-term process, coupled with the uncertainty and interdisciplinary process, companies must acclaim value and importance of innovation as one of the priorities of the company, and set Formal evaluation mechanism based on measuring behaviors and innovative outcomes. From the perspective of the knowledge-based view, knowledge is a valuable resource for companies. Knowledge embedded in human capital enables companies to increase their distinctive capabilities and explore new and untapped opportunities. If companies are seeking new products and improving the processes, but motivation and ability of human capital to create creative ideas, develop innovative approaches and take advantage of the opportunities. Given the importance of the development of the internal forces, mainly to utilize their abilities, a particular attention has to be paid on organizational learning whereby the main focus on innovation has been reported. Hence, being provided with some programs to improve and develop organizational learning and organizational innovation and let them to be expanded conveyed so important. One of the most important domains here mentioned the Strategic Human Resource Management Practices so that this paper aimed to examine the Relationship between Strategic Human Resource Management Practices and Organizational Innovation with Respect to the Role of Organizational Learning in Iran's petrochemical industry.

Research Aims

This study aimed to determine whether innovative performance influenced of Strategic Human Resource Management Practices or not.

Further, according to the general aim of study, the criteria as follows have been determined in order to access the aim of study:

- Determine the relationship between Strategic Human Resource Management Practices and organizational learning
- Determine the relationship between organizational learning and organizational innovation

Further, the applied aims of this study mentioned as follows:

Increasing awareness of petrochemical companies' managers to achieve innovative performance in employees through human resource management practices

Research model

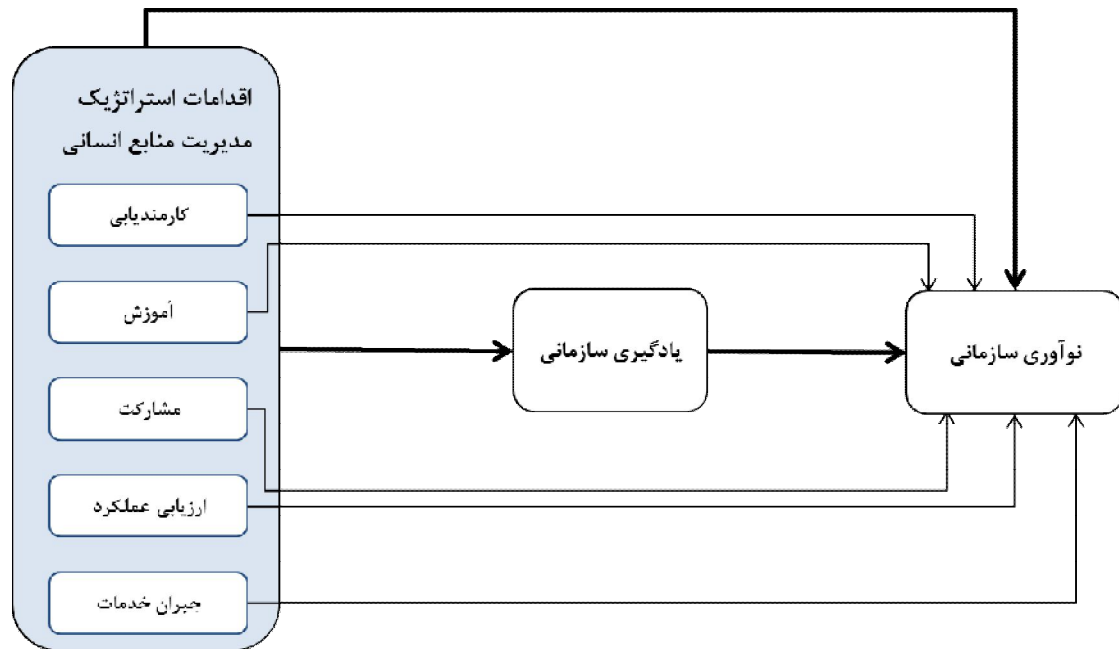


Figure 1- research model

**Strategic Human
Resource
Management
Practices**

Employment

Training
employees

Participation

Performance
evaluation

Compensating
services

Organizational
learning

Organizational
innovation

Literature review

Naser Taheri(2011) in a research entitled "a survey on organizational learning", addressed two factors of learning ability and learning quality in assessing organizational learning. Learning ability conveyed to the ability of sensors, the ability to understand and sustain on having what learnt in memory where the learning quality conveyed to the speed learning occurs and permanency of learning. In this study, a quantitative approach has been utilized to assess organizational learning in an industrial company.

Nahid Nasiri Vahed(2012) in a study entitled "design and define the factors influencing organizational innovations", conducted a study aiming at designing and examining the six factors influencing organizational innovation. The variables mentioned as determinants of product innovation by Andreas Herrmann, Torsten and tails and Rene Bvfvrt in 2006. Some variables influencing innovation include Technological capabilities, basic competencies; focus on customer needs, market orientation and learning capability.

Abdolmaleki(2002) in a study entitled " a survey on the relationship between organizational learning and changes seen in innovation in education systems departments throughout 19 districts-Tehran ", has indicated that there exists a high correlation coefficient between organizational learning and any change and innovation within the organization.

Akram Ganji(2010) in a study entitled "a survey on the relationship between organizational learning and organizational performance within industrial firms- Lorestan province", perceived that there exists a direct relationship between organizational learning and organizational performance.

Chung-Jen Chen and Jing-Wen Huang (2009) in a study entitled "Strategic human resource practices and innovation performance - The mediating role of knowledge management capacity", examined the role of knowledge management capacity in the relationship between strategic human resource practices and innovation performance from the knowledge-based view. This study uses regression analysis to test the hypotheses in a sample of 146 firms. The results indicate that strategic human resource practices are positively related to knowledge management capacity which, in turn, has a positive effect on innovation performance. The findings provide evidence that knowledge management capacity plays a mediating role between strategic human resource practices and innovation performance. Finally, this study discusses managerial implications and highlights future research directions.

Noor Hazana A. et al (2010) in a study entitled " strategic Human Resource Management Practices as deterministic factors for innovation in SMEs in Johor area", aimed to define whether strategic Human Resource Management Practices can be assumed as deterministic factors for innovation or not. For this, a number of new goods, advancements realized in

productions as well as the advancements in production scope in SMEs in Johor area assessed.

Ashok Sam (2007) conducted a study entitled "a survey on the relationship between innovative human resource management and organizational performance in Free Economy of India", aimed to examine the role of innovative human resource management practices to go through defining the role of Human Resource departments, employment, retraining and re-deployment, performance evaluation and service compensation to get to know how these factors lead to increase of companies' performance while changes occur.

Mohed Rosoli and Rasman Mahmoud(2013) in a study entitled "a survey on the intermediate effects of human resource management practices on innovation and performance of SMEs", aimed to examine how the human resource management practices and innovation correlation with each other and how on the whole affect SMEs' performance.

Alvani Nada (2003) conducted a study entitled "a survey on strategic human resource effects on innovation", where the results from this study showed a significant relationship exists between strategic human resource practices and innovation.

Lo'pez-Cabrales, Alvaro; Real, Juan C.; and Valle, Ramo'n(2011) conducted a study where examined the impact of human resource management practices on organizational learning across 87 companies engaged in innovative industry sectors in Spain. The results of their study showed that human resource management practices affects organizational learning by means of the value of knowledge attained by employees and the individuality of knowledge attained by employees.

Research hypotheses

Primary hypotheses

There is a significant relationship between the relationship between Strategic Human Resource Management Practices and organizational innovation

There is a significant relationship between Strategic Human Resource Management Practices and organizational learning

There is a significant relationship between organizational innovation and organizational learning

Secondary hypotheses

There is a significant relationship between employment and organizational innovation

There is a significant relationship between training employees and organizational innovation

There is a significant relationship between employees' participation and organizational innovation

There is a significant relationship between performance evaluation and organizational innovation.

There is a significant relationship between compensating employees' services and organizational innovation

Research methodology

The method used in this paper is such a descriptive research method. Because the descriptive method states the real, concrete and regular status occurred during research in different events and topics where on the researcher is not committed to doing anything. It is further a correlative research type because considers the relationship existing among the variables, mentioned further as a survey type of research because the data collection through questionnaire distributed among participants and then gathered come to realized in this study(Khalil Shourini, 2009 pp. 64-89). Hence, it is conveyed as an applied type of research because the results from the findings of this research can be used to attain the innovative performance within organization regarding the Strategic Human Resource Management Practices.

Data collection methods

In this study, two methods have been applied for data collection: library method using note taking as an instrument, field method using questionnaire. Using the library method including websites, note taking and so forth as well as field method through questionnaire as an instrument, data collection provided in the end.

Statistical population

Statistical population consists of senior managers and experts working at Iran's petrochemical industry companies with strategic Human Resource Management Practices.

Data analysis methods

Parametric statistical method has been used to analyze data in this study. After data collection provided and classified, descriptive statistics have been used to define them where inferential statistics and structural equation modeling including confirmatory factor analysis and path analysis based on partial least squares have been used to analyze data.

For the second order confirmatory factor analysis, structural equation modeling based on covariance was considered. SPSS-version 18 and PLS Graph software-version 2 have been used to analyze data

Research findings

The results from investigating research hypotheses

First hypothesis: There is a significant relationship between the relationship between Strategic Human Resource Management Practices and organizational innovation

The statistical result: according to the research model, the path coefficient on the impact of Strategic Human Resource Management Practices on organizational innovation is estimated 0.369. t-value for this parameter has been calculated over 1.96($t=2.82$), thus zero hypothesis can be rejected.

Second hypothesis: There is a significant relationship between Strategic Human Resource Management Practices and organizational learning

The statistical result: according to the research model, the path coefficient on the impact of Strategic Human Resource Management Practices on organizational learning is estimated 0.429. t-value for this parameter has been calculated over 1.96($t=2.82$), thus zero hypothesis can be rejected.

Third hypothesis: There is a significant relationship between organizational innovation and organizational learning

The statistical result: according to the research model, the path coefficient on the impact of organizational innovation and organizational learning on each other is estimated 0.841. T-value for this parameter has been calculated over 1.96($t=2.47$), thus zero hypothesis can be rejected.

A survey on the intermediate role of organizational learning

According to the findings from model, it can conclude that There is a significant relationship between the relationship between Strategic Human Resource Management Practices and organizational innovation, where Strategic Human Resource Management Practices affects organizational innovation directly for about 0.369. further, the table shown below indicate that Strategic Human Resource Management Practices associates to organizational innovation through organizational learning where on organizational learning has an intermediate role.

Table 1- direct and indirect effect of independent variable on dependant variable

Relationship	Direct effect	indirect effect	Total
Strategic Human Resource Management Practices /organizational innovation	0.369	0.459	0.828
Strategic Human Resource Management Practices /organizational learning	0.841		
organizational learning/	0.545		

According to table, it can observe that Strategic Human Resource Management Practices on the whole affect in a direct and indirect way organizational innovation for about 0.821.

Secondary hypotheses

1-There is a significant relationship between employment and organizational innovation

The statistical result: according to the research model, the path coefficient on the impact of employment on organizational innovation is estimated 0.038. T-value for this parameter has been calculated less than 1.96($t=0.238$), thus zero hypothesis cannot be rejected.

2- There is a significant relationship between training employees and organizational innovation

The statistical result: according to the research model, the path coefficient on the impact of training employees on organizational innovation is estimated 0.505. t-value for this parameter has been calculated over 1.96($t=2.97$), thus zero hypothesis can be rejected.

3- There is a significant relationship between employees' participation and organizational innovation

The statistical result: according to the research model, the path coefficient on the impact of employee's participation on organizational innovation is estimated 0.102. t-value for this parameter has been calculated less than 1.96($t=1.014$), thus zero hypothesis cannot be rejected.

4-there is a significant relationship between performance evaluation and organizational innovation.

The statistical result: according to the research model, the path coefficient on the impact of performance evaluation on organizational innovation is estimated 0.191. t-value for this parameter has been calculated over 1.64($t=1.65$), thus zero hypothesis can be rejected.

Hence, it can deduce, statistically there is a significant relationship between performance evaluation and organizational innovation.

5-There is a significant relationship between compensating employees services and organizational innovation

The statistical result: according to the research model, the path coefficient on the impact of compensating employees' services on organizational innovation is estimated 0.128. t-value for this parameter has been calculated less than 1.96($t=958$), thus zero hypothesis cannot be rejected.

Conclusion

According to the research findings, it was specified that a significant relationship between Strategic Human Resource Management Practices and organizational innovation exist, where this is in consistent with the findings of research by Chung-Jen Chen and Jing-Wen Huang (2009). Hence, to create innovation, companies can rely on human capital so as to create expertise in producing new goods and services. Yet, Expertise is extremely complex, mentioned primarily as the result of deliberate actions on tasks related to a domain. To accomplish such deliberate activities, it needs to individuals who are determined to do tasks and make efforts to improve their performance. Companies can recognize Strategic Human Resource Management Practices first and then apply them so as to create organizational expertise to achieve aims in their business, e.g. innovation in the employees through motivating and persuading them(Chen and Jing,2009). An organization with better understanding from Strategic Human Resource Management Practices tends more towards innovation practices where this is totally relevant with the results of studies by Lin and Chen(2010)(Chung-Jen Chen and Jing-Wen Huang, 2010). Further, Chang and Hung(2004) indicated in their study that there is a positive significant relationship between human resource system and its components, that is, training, rewards getting due team performance and organization innovation where this affects research findings. Further, according to the findings of this research, a significant relationship between organizational learning and organization innovation was confirmed on the last, found relevant with the findings of research by Darroch (2005). Darroch indicated in his study that a positive significant relationship exists between the components, that is, knowledge acquisition, knowledge distribution, knowledge interpretation and organizational innovation, where this found totally relevant with findings of the present research. In this regards, Liao et al.(2011) in a study entitled "a perspective from organizational learning, knowledge management and organizational innovation, indicated that organizational learning acts as an intermediate variable which affects knowledge management and organization innovation, where knowledge management, organizational learning and organizational innovation taken as a valuable input, a key process and a vital output, respectively ; hence, a significant relationship between organizational learning, knowledge management and organizational innovation confirm the results of present paper.

Suggestions

Research hypotheses indicate no significant relationship exists between indices of Strategic Human Resource Management Practices including employment, employees' participation, compensating employees services and organizational innovation, i.e. each of the indices above does not affect organizational innovation alone, but would have a strong impact altogether. This means Strategic Human Resource Management Practices with collective effects of all its dimensions affect organizational innovation. Hence, managers in Iran's petrochemical industry have to take into account the Strategic Human Resource Management Practices as an integrative structure of five indices including employment, employees participation, training employees, performance evaluation and compensating employees services, needed to improve all these indices in order to improve Strategic Human Resource Management Practices.

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