

Relationship between Human Resource Management Practices and Enterprise innovation: Mediating role of creative culture

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Abstract

This study proposes a model of the relationship between Human resource management practices and enterprise innovation at the organizational level. The model is tested on 196 personnel and managers at 54 small-sized Chinese software development companies. The enterprise innovation is considered to contribute to improving enterprise efficiency and effectiveness. We found that creative culture fully mediates the relationship between HRM practices and enterprise innovation. The results indicate that (a) HRM practices had no direct effect on enterprise innovation; (b) HRM practices worked through employees' creative culture. Implications of these findings are discussed.

Key words: Human resource practices, Enterprise innovation, creative culture, mediating role, China,

1. Introduction

Innovation is at the heart of software development companies' success because it allows them to improve the quality of products, increase efficiency, cut costs, meet the changing needs of customers, increase sales and profits, gain a greater market share and differentiate themselves

from competitors [3]. 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 [9]. In studying of innovation in enterprises, most vital factor that must be considered is human resource management (HRM). There is growing evidence available to suggest that Human Resource Management (HRM) practice is an important predictor of organizational performance. Although in the past didn't give innovation ones consideration but today in surveying about activities of human resources accomplished, indicate clear relationship between human resource management and innovation. Human resource practices are the primary means by which firms can influence and shape the skills, attitudes, and behavior of individuals to do their work and thus achieve organizational goals [5]. Creative culture has emerged as a central construct in a wide range of organizational studies including those focusing on performance [4]. Thus, the purpose of this study is to verify the cause and effect relationships among HRM practices, enterprise innovation and creative culture in the software companies of china. The primary objectives of this study are (1) Explore the perception of HRM practices, creative culture and enterprise innovation of Chinese software

companies' employees; (2) Explore the relationship between HRM practices and creative culture (3) Explore the relationship between creative culture and enterprise innovation: (4) Examine how employee creative culture positively mediates the relationship between HRM practices and enterprise innovation.

2. Theoretical background

2.1. Human resource management practices:

Human Resource Management (HRM) is the management of an organization's employees. HRM is the function within an organization that focuses on recruitment of, management of, and providing direction for the people who work in the organization. HRM can also be performed by line managers. HRM is the organizational function that deals with issues related to people such as compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration, and training. Corporate value comes from efficiency, which originates from the corporate culture and a talented workforce.

2.2. Creative Culture:

Organizational culture is a "complex configuration of shared assumptions, values, norms, and artifacts that is both varied and distinct across organizations" [13]. Research suggested the importance of several aspects of organizational culture in promoting creativity and innovation effort [7]. One of the main goals of organizations is to improve the creativity and innovation at the workplace, so that organizational success can be relentlessly pursued [2]. Firms can send signals to their employees about their desire to promote an innovative culture. For example, innovative behaviour which is sup-

ported and developed through the socialization of workplace social network members is embedded within the shared values, systems and beliefs of the organization. [6].

2.3. Innovation:

The purpose of innovation is revealed and operated creativity, in other words, innovation means operated and creative thought; that is presentation of product, process and new services to market. It is mental creativity for making one thought and originality with use of a new concept. Innovation is a key factor for growth and economic development. In fact, some see organizational innovation as the most important avenue to growth. Despite some well-founded concerns about the general state of the empirical literature, overall organizational performance has been linked to Organizational innovation and creativity. [12] Found support for the role of innovation as a mediator between competition, age, organizational resources, and financial performance [1].

2.4. Relationship between Human resource management practices and Creative culture:

In a changing scenario of the global business environment with a highly competitive market economy, the HRM practices and creative culture will provide an edge to an organization. This study is an attempt to understand the effect of the HRM practices and organization creative culture on enterprise innovation. HRM practices and organizational creative culture are strong predictors of the enterprise innovation. Human resource management practices are a potentially powerful lever for shaping the culture of the organization and along with the creative organization culture; they are a strong predictors of enterprise innovation [2]. Product innovation, for instance, produces new goods and services that can more effectively

meet changing customer needs and concerns [7]. Process innovation also improves methods, services, or operations, which can also make organizations more competitive. Creativity, however, is often perceived as single-person effort, when it can be more effective in generating innovation, when it is nurtured as a group and organizational effort [2].

2.5. Relationship between enterprise innovation and creative culture:

Kenny and Reedy (2007) emphasize that organizational culture affects the extent to which creative solutions are encouraged, supported and implemented. They explain that a culture supportive of creativity encourages innovative ways of representing problems and finding solutions. [10] takes the view that as entrepreneurial organizations grow through the successful application of creative ideas, they experience a crisis of leadership'. [12] mention that innovation is a highly complex social process which requires the effective interaction of a large number of individuals and sub-units within the innovating organization. [10] explains that culture supports innovation by creating an organizational climate which institutionalizes innovation as an important activity and further, by focusing attention on and legitimate innovation, a supportive culture helps to motivate and sustain the complex, interactive process of social exchange necessary for successful innovation.

2.6. Hypothesis:

Hypothesis1: Human resource management practices will be positively associated with enterprise innovation.

Hypothesis2: The Human resource management practices has positively related to creative culture

Hypothesis 3: The creative culture has positive effect on enterprise innovation.

Hypothesis 4: The creative culture fully mediates positive relationship between HRM practices and enterprise innovation.

3. Methodology:

3.1. Results and Discussion:

The reliability coefficients for all instruments are above 0.7. HRMPs' Cronbach's Alpha of 0.82, Creative culture 0.845, and Enterprise innovation's Alpha of 0.887, indicating acceptable internal consistency of instruments used in this study.

Table: 1 Correlation analysis:

Variable	HRMpractices	Creative culture	Enterprise innovation
HRMpractices	1	.202**	.290**
Creative culture	0.202**	1	.264**
Enterprise innovation	0.244**	.252	1

** Significance at $p < 0.001$ level (2 tailed)

* Significance at $p < 0.05$ level (2 tailed)

Related correlation matrix analysis of measurement variables exhibits (as shown in Table 1) that HRM practices creative culture and enterprise innovation are all positively related to each other.

4. Discussion and Conclusion:

This research is the first to investigate HRM practices and its effects on enterprise innovation through mediating role of creative culture in China. The findings of this study should encourage HR managers to stimulate their employees by creative culture and empowering them. They should understand that this mechanism significantly enhances their employees' creative performance.

Future Implications:

Overall the study provides key implications, developing the creative culture for

employees contributes to overall organizational efficiency and effectiveness, which in turn aligns HRM practices and behaviour with the common organizational goal to maximize efficiency and effectiveness.

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