THE PROCEEDINGS OF II.INTERNATIONAL STRATEGIC MANAGEMENT CONFERENCE

Strategies for Navigating through National, Regional and Global Challenges & Crises



TÜBİTAK

June 8-10, 2006 Dedeman Hotel, İstanbul – TURKEY

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THE STRATEGIC ROLE OF AN EFFECTIVE HUMAN RESOURCE MANAGEMENT IN ORGANIZATIONAL INNOVATION, CREATIVITY AND CHANGE MANAGEMENT

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ABSTRACT

Increasing competition in economic, technological and social spheres of life and rapid changes constitute the most important aspects that have marked our era. Within this dynamic process, in a range from fear of being selected out to rising to industry leadership, organizations can only survive and get successful if they can be "different" than others (i.e. competitors). The precondition for creating such a difference lies undoubtedly in the effective management of organizational innovation, creativity and change processes. In our day, however, one of the most pressing problems for organizations is the scarcity of resources. To overcome this difficulty, organizations, in addition to other physical resources, need to acquire the qualified workforce size and composition, which in turn becomes more costly with each passing day. Through effective management of this workforce, organizations will be able to achieve organizational innovation, creativity and change, and obtain competitive advantage. Hence, organizations will be able to get ahead in their industry as powerful and competitively distinct entities.

The present study investigates the peculiar ways in which organizations, in the aim of achieving organizational innovation, creativity and change, try to make strategic use of their human resource management functions while pursuing their principal objective of obtaining a brand new and different competitive advantage.

***Key Words**: Organizational Innovation, Change Management Creativity, Strategic Human Resource,*

INTRODUCTION

In our world, moving from industrial era to information era -especially- the radical changes occuring in technological structure are changing the variety and quality of individuals' needs while leading the companies into an intense competitive atmosphere. As a result of an understanding based upon a globalization philosophy with a greater and one certain market, large scale companies destroying the concept of "national market" as of protective government understanding's being shaken aimed at satisfying the universal needs of a consumer which can be conceptualized as a "world human" (Aydın, 2001: 1). In fact, we know that business life, moreover the whole world and even the universe we are living in, are changing rapidly. Even the word "change" is itself changing. The administration systems that cannot be isolated from their surroundings, according to modern management thoughts, have to both estimate the directions and dimensions of changes-even improvements- that may occur, and obtain the necessary superiorities in a strong competitive environment in order to adapt to environmental changeable factors which come accross upside downs continuously and at least to survive. Organizational structure makes it necessary to adapt processes and variables to the direction and dimensions of environmental change for the fulfillment of the aim of gaining competitive superiority by adapting the environmental change. Strategic Management occurring as a peculiar process for this goal becomes a concept which attracts managerial attention to environmental changes through a point of view from outside to inside; instead of being from inside to outside.

Besides, traditional human resource management forms related to mere internal structure of the organization, like general business administrations, might be successful because of the static environmental conditions, however, by abandoning the traditional personnel management types which have difficulty in adapting the correlation and dynamism of environment (economic, social, political, cultural, technological, etc.) changing especially in the latest years; it reveals that it is only possible for human resource management of the organization to gain a strategic dignity for realizing the heaps of aims like successful and permanent surviving, utilizing environmental changes and opportunities, being less affected from the negative sides of changes and conditions, fulfilling a rational adaptation to environment. This is because environment is changing rapidly, and organization has a struggle for adapting to this change, this can turn into an organizational success only if it is applied as a whole with the strategies towards employees constituting dynamics of this struggle which are organized parallel to change, directed and made to be ready by obtaining their contribution (Aydın, 2000: 1).

Otherwise, an organizational failure is an unavoidable result. As a matter of fact, two thirds of the companies stated in the first Fortune 500 list published in 1954 survive no longer or don't have the same power. The common reason is inability of adapting to change. It is really hard to adapt to change. Thus, once we think that we can become in accordance with the change, we come accross other changes and especially when the matter is technology and competition it is getting harder to pursue change. What is the place of human resources in such a dignified and consistent change process? Fortune magazine is listing "The Most Appreciated Companies". The criteria that it takes into consideration in these evaluations are: quality of management, quality of product, innovativeness, investment value, financial power, ability, social responsibility, usage of assets (Cavlaz, 2000: 26-27). The innovative companies developing their creativity can reach the ability to adapt to changing conditions by benefiting from active usage of their assets especially in human assets. In this sense, human resources are accepted as a strategical source creating value for providing competitive superiority and defined as a human capital. This worth of human resource is the result of its knowledge and ability to use knowledge and to learn, its flexibility, creativity, etc. Thus, the success of organization increases in accordance with the usage of this precious source in an effective and efficient way (Özgeldi, 2002: 17).

1.The Relationships Among Innovativeness, Creativity and Change at Conceptual Level

In general, change expresses bringing something from one level to another level. The change in organizations includes the meaning of coming to a different situation from existing situation about the topics related to organizational activities. Continuous and dynamic change means becoming different continuously about all the topics related to people and organizations, making the new place and conditions different from the old ones. Change has characteristics which can be dealt with at both individual and organizational level (Koçel, 1999: 510).

The most important individual features are individuals' developing new working strategies continuously, adapting themselves to behave differently in intellectual sense and resistance point displayed towards change.

The first one of them is related to creativity and innovation. Modern organizations should work in such a formation where people can display their creativity at most. Personal creativity is the basic factor for the change in organizations. Therefore, all organizations are taking precautions about making their employees creative and developing different suggestions about this topic.

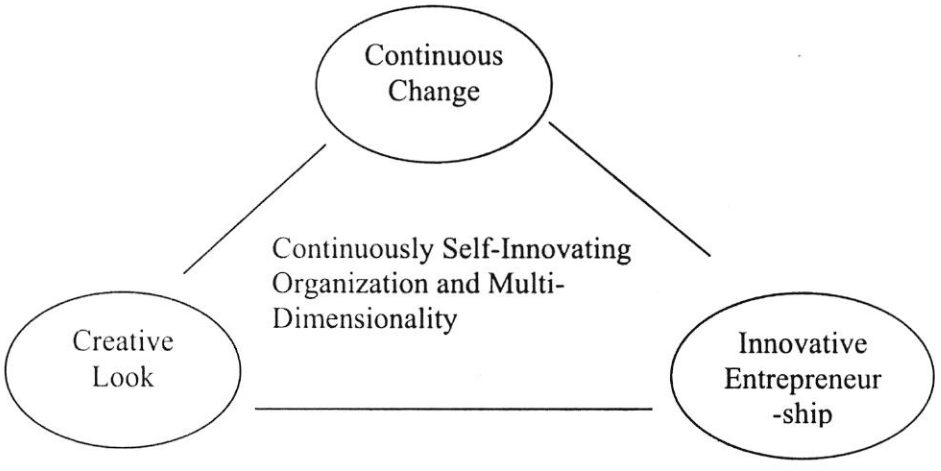
The second important characteristic of change at individual level is its affecting the relationships between employee and organization. It is claimed that these relationships have three diferent aspects as formal, psychological and social.

- Formal aspect expresses the relationship between the employee and organization related to his/her work.
- Psychological aspect expresses the relationships that the person feels, and make him dependent and loyal to the organization.
- Social aspect expresses the relationships between organizational culture as a whole and the person's indivìdual culture and value forms.

Change concerns the relationship between organization and person closely in terms of these three aspects and provide an organizational quality for change.

Creativity which becomes an unavoidable part of organizational life helps the organization while developing new and effective ways and strategies for realizing works and makes it sufficient. Creativity expresses a superior ability raising an organization's ability to revolutionize and change itself continuously by leading more productive and effective work strategies. Such an ability becomes a very important factor in modern business world where new techniques, products and production styles are getting old-fashioned rapidly. Creativity can develop and become prevalent at most in a dynamic and free atmosphere. It becomes a certain requisite for organization managements to have true knowledge about how to fulfill the process of creativity, how to select creative employee and how to form a place where creativity is backed up in order to encourage and manage creativity. Some management scholars claim that we should distinguish creativity from innovation. These scholars state creativity as production of a new thought or idea and innovation as transformation of this produced thought into a new way of product, service or production. Creativity means creating a new thing while innovation means putting this new created thing into practice. The differentiation made between creativity and innovation may have an important function in organizational life, as there is a difference between the skills needed for producing new ideas and the skills needed for applying these ideas with the commercial aims. An organization needs both creative and innovative employees to benefit from the ideas of its members completely. In addition, innovative ideas can be profitable for organizational activity only if they can be put into practice in an innovative way. Therefore, it is overt that the creativity process in organizations should include both creating and innovating. The ones working in connection to individual creativity have important ability differences. The individuals having high creative power and skill, have more original thoughts and ideas than the individuals which are just the opposite and think more freely and behave more flexibly. Furthermore, such individuals think the authority as a matter of argument, and disobey the rules and regulations that they find non-sense. Like the way reflecting the characteristics of creative individuals, the organizations having organizational creativity and innovation display similar outstanding differences in terms of transforming its members' skills into new product, process and service. This creative process in the organizations includes three basic steps which are production of new and creative idea, problem solving and application. As we indicated before, creativity can be nourished in a tolerable organizational climate. However, such a climate shows a quality of working conditions which a few administrators can accept or tolerate. This is because a continuous process of change, which is an inseparable part, even the base of innovation, disturbs a great number of company managers. Furthermore, it is necessary to provide a high level combination among all parts constituting the organization (Şimşek vd, 2001:258-262).

As it is also clearly indicated in the figure below; it is considered that the possible organizational structures facing future should be realised by designing new managerial systems improving by means of renovating continuously, continuous and rapid change and creative point of view in management (Marşap, 2000: 106).



Change, first at strategic level and then at management and application level, makes it requisite to design work processes by reconsidering and fulfilling outstanding improvements in our time's most important performance criteria like cost, quality, service and speed.

2. Human Resources Aspect of Organizational Change

Succesful organizations believe that change is an opportunity for them. Really, there is a superiority for the ones who know gaining and pursuing advantages. That's why, a lot of organizations are aware of their neccesity for starting change with a proactive approach. The ones who cannot reach the desired goals are the ones who cannot display a proactive approach. These unsuccessful organizations either have ignored human dimension of change or couldn't deal with other related factors effectively. Analysis of change in terms of human resources has an extraordinary importance as organizations can only change through workers. As a matter of fact, with change you can change the structure, culture or members of an organization, and this shows us that three possible kinds of change focus on human resource of the organization. Moreover, the criteria based upon the quality and adaptation of organization workers while both determining organizational change strategies (reconstructed, step by step, emergency and complexity strategies) models with change methods (traditional, planned, etc.) and choosing various techniques (benchmarking, learning organization, no hierarchy, sensitivity training, etc.) applicable for change management. The organization management realized change in terms of process should also need to evaluate the organization workpower effectively while practicing the strategies and the methods that it can apply for removing the remaining problems (Yeniçeri, 2002: 166-265).

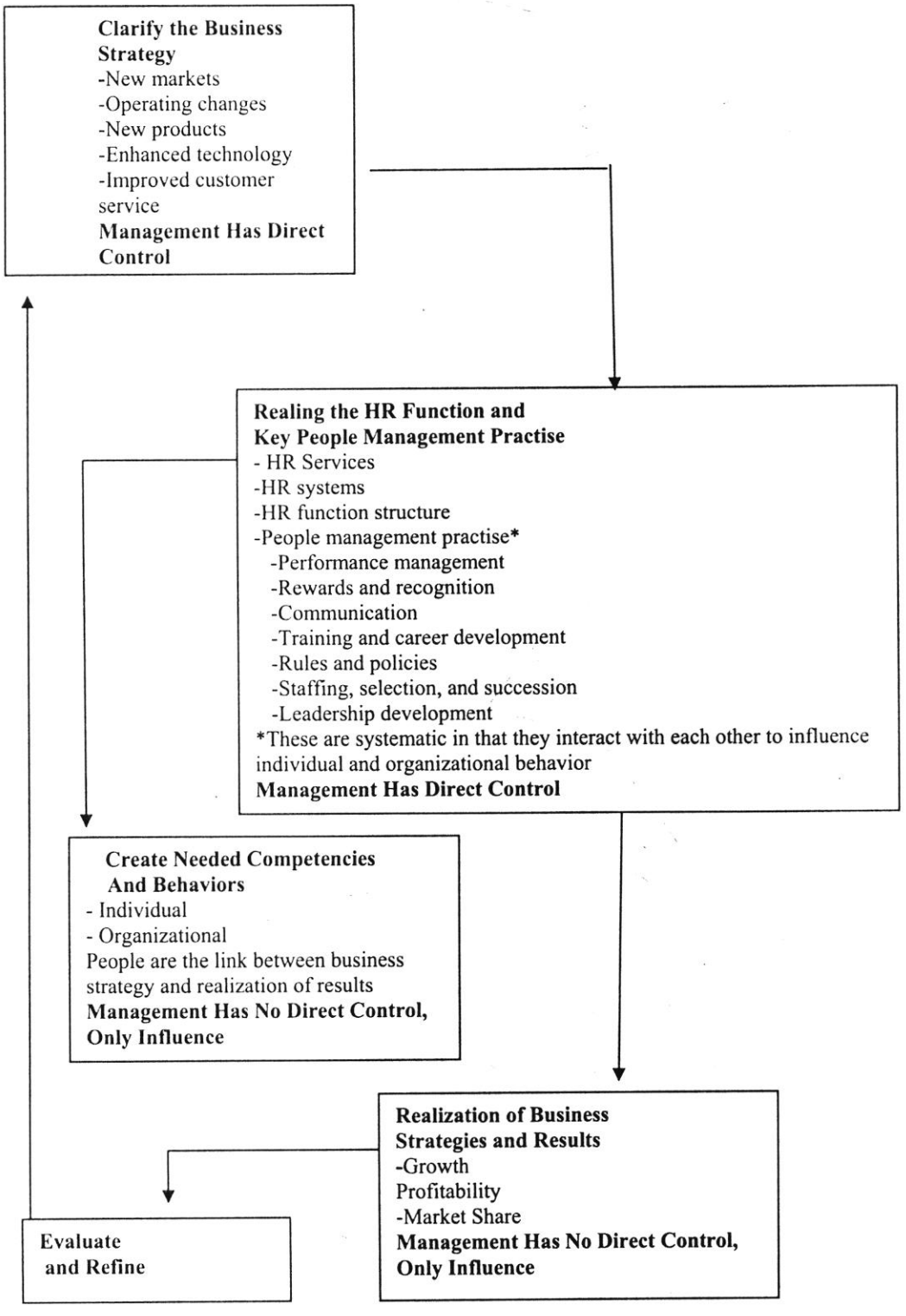
A change, indeed, is triggering other changes, affecting the roles, responsibilities, status and relationship of the organization workers, and can lead to some resistances as a result and even create serious effects on organization and its balance.

3. Effect of Human Resources Strategy Model and Its Components in Environmental Adaptation

At this point the strategical importance of HRM has emerged once more. Continuous changes and innovations occuring in environmental conditions led organizations to think more creatively and old management, policies, principles, strategies and applications are replaced with the new ones.

For instance, reconstruction, total quality, continuous improvement, performance increase, cost decrease, customer satisfaction increase, etc. strategies and methods are the struggles that the organizations have realized in order to adapt to change and create a competitive superiority. However, these struggles cause some new problems and work for focusing on problems and producing solutions, which has made it necessary to provide more powerful strategies related to human resources having at least the same importance as the other resources. This is because human resource management is an organizing process considering human resources in an integrity of organization and using human resource management in this scope. It becomes an approach which provides the harmony and unity of human resources with the strategic management process or forming human resources with the strategic plan of organization. The success of the organization can increase in accordance with mutual supporting, completing, consistent and harmonious characteristics of human resource strategies and application, and the strategic plans of the company. Strategic human resource management includes planning and management of human resource strategies and applications consistent with the strategies and values of the organization (in a harmonious, reciprocal supporting, completing way) (Özgeldi, 2002: 25).

The importance of such consistency can be seen more clearly when the main components of human resource strategy model are analyzed very carefully (Galphin & Murray, 1997: 16).



As emphasized in the figure, the fundamental variables of human resource strategy model provide strategic support and meet organizational needs more effectively in the main struggles against social, organizational, functional balances and personal aims, by considering environmental dynamics (Werther & Davis, 1993: 553). In this respect, it is possible to state that strategic human resource management adapts the elements of strategic management onto human resource management. These elements are as follows (Özgeldi, 2002: 25):

-Identification of external environment and its effect: Identify external environment, competition, change, external human resources dynamics and their effects (opportunities and threats).
-Focusing on long term.
-Integration with management strategy: Management strategy affects the process of strategic human resources and is affected by this process.
-Considering organizational environment: Considering the structure, culture and all workers.
-Results: The results of strategic human resources management affect management performance.

As a result, human resources management is an important strategic management function that sould be taken into consideration (Kağnıcıoğlu, 2001: 15), and constitutes a crucial part of general plans and strategies of administration (Ünal, 2002: 20).

4. Effects of Human Resource Management on Organizational Effectiveness and Efficiency upon the Success of Change

Strategic Management as a whole is the management of change. Therefore, it includes, in addition to values of the company, culture and system of the company, changes in administrative processes like leadership, planning, control and human resource management (Steiner, 1986: 18). The latest years it is observed that superior administrators begin to think more strategically and have a unified belief that the perspectives and applications related to human have a crucial importance for the success of company. As a matter of fact, the international feature of competition, increase in speed of technological development make it requisite to develop more perfect strategies related to human in order to manage companies in a more complex environment (Butler, 1991:2-3). As a result of the research conducted, the changes affecting work of companies in such a hard environment are (Drether, 1991: 26):

- Increase in tendency towards globalization
- High prices of raw material
- Shortening of product life cycles
- Difficulties experienced while hiding the research-development activities and the expenses related to this topic
- Cooperations in new, different quality and aim within the sector and in international area

Thus, that human resource management increases its strategical quality leads its becoming more determinative and effective in the processes and activities that it has undertaken. We can list the changes occurring in the development of organizational working up process (Leap, 1990: 668-699):

-Top management of most of the companies consider human resource management as a vital qualified organizational function. And the human resource managers have become more influential on general decisions of company and more aware of effects of labor power programmes on organizational goals.

-Human resource policies are formed in a centralized manner, but are applied in a decentralized manner. While the legal and economic complexity of many labor power policies make it necessary for them to be constructed centrally by personnel experts at management level, improvements happening in the management information systems provide the opportunity of application of such policies in a decentralized way.

-The usage of automation and human resources information systems is getting increased day by day. The computer programmes related to the topic are raising the effectiveness of the department.

-Human resources departments are becoming more responsible of the activities related to the fulfillment of mission, aim and goals of the organization. Nowadays, there is a general tendency towards carrying out human resources strategies in accordance with organizational strategies.

- The managers and experts of human resources management should guess- know the employees' behaviours and manners that they will conduct in future and their creativity potentials beforehand. Therefore, these managers have the responsibility of helping the maintainance of general working system of the organization by removing the problems related to present employees' behaviours systematically before their leading to crucial problems.

In the conditions of today where the human resources having the knowledge and skills and working with the sense of loyalty to company are accepted as the most important factor in the success of management (Filizöz,

2003: 176). Supporting and directing employees' creativity is very important because of two reasons. First, the rise in the productivity of employees means decrease of costs in organizational level and occurrence of new suggestions for products. Second, providing the opportunity for employees to conduct their physical and intellectual abilities helps them to work better with satisfaction.

Human resource management having a crucial role in the process of fulfillment of change will contribute administratively to organizational effectiveness and efficiency with its four basic characteristics. These features can be listed as (Marthell, 1995: 225):

- Long term planning: Making plans with strategic contents about the usage of human resources constitutes the first step for human resources function to gain a strategic quality.
- New relationships between human resources management and strategic planning: This characteristic expresses that human resource management activities affect both the identification and application of management strategies.
- Interaction between human resources and organizational performance: The vital role of human resource management for reaching the strategic goals of company results in its positive effect on organizational success.
- Developments of reciprocal relationships between human resource management and managerial hierarchy: Acceptance of strategic importance of human resource management in company will cause intensification of its relationships with managerial hierarchy and this leads into increase in organizational efficiency.

CONCLUSION

It is thought that success of organizations is bounded to raising their performance, their obtaining competitive superiority and pursuing this superiority. Nowadays, it has become harder for organizations to obtain long term competitive superiority with speed, quality and cost advantages. In order to obtain and maintain the superiority in competition, it is necessary to create continuous difference as well as produce new values or use the present resources and technology with new values in an outstanding way. In this sense, it becomes unavoidable for organizations to be in such an understanding, structure and capacity that they should be customer-centered, information-based, learning and changing continuously, flexible, beyond the change and creating new markets. However, the one that will start and maintain organizational change, apply the outstanding strategies and produce new and different values is the human mind, human resources. Therefore, it becomes compulsory to develop and back up human resources. According to the modern human resources understanding, human resources department being a strategic resource creating new values is a source for obtaining competitive superiority and expressed as human investment. It has a strategic importance for the success of organization. Creating values by human resources or human capital can be possible when it is adapted or integrated into strategic management process. That's why, the present human resources and the ones that will be required in future should be chosen and employed according to general strategies and goals of the organization. It is necessary to provide their commitment to the organization and work, and prepare conditions that will improve and motivate their knowledge, skills and creativities, establish its relationship with management, provide an effective communication and information circulation (Özgeldi, 2002: 31).

Human resource management of the organization, equipped with strategic qualities, should search for the creative ways of finding self-confident, fully developed workforce, be the active consultant of the management for creating the necessary environment to keep employees present, activize the necessary methods to provide continuity and follow-up in the development of workers, and can apply and make apply change management succesfully (Cavlaz, 2002: 27).

In the change processes to be realized, the human resource management of the organization should consider not only the economic cost and benefit of change from a strategic standpoint. It should rather take the psychological costs and benefits into account, including the influence of change on organization's system and balance of social relationships as a whole, and other behavioral consequences. In this way, organizations, trying to obtain competitive superiority through adapting to environmental variables, should only implement innovations and change they believe are necessary. Within this process, organizations, while taking care of human resources, should also try to solve possible problems with the participation of employees, at the same time as sharing with them the benefits of change. In other words, organizations should not try to impose change and innovation in a size and dimension that is not compelled by environmental conditions.

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