

Innovation in Human Resources

A theoretical advancement on employee motivation and organisational innovation

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Abstract. Innovation is an important topic for companies in order to stay competitive in the market. Without innovation and the closely linked subject of creativity, companies would not develop further and could not succeed within the globalized world. A crucial factor of innovation and creativity are people. Employees need to have the possibility to be creative because without creative minds no new ideas are generated and therefore no innovation takes place. The aim of the paper is to give an overview about the linkage between creativity and innovation. Additionally the theoretical advancement describes the importance of employee motivation for organizational innovation. The results show the necessity of creative work force within an innovative organization since creativity and innovation are closely related to each other. Employee motivation plays a key role for creativity hence a positively stimulating corporate culture is needed in order to have an innovative company.

Keywords: organizational behaviour, creativity, employee motivation, incentives and performance based rewards, process innovation

1. Introduction

Innovation is a word which gains more and more importance in the actual globalized world. When thinking about the meaning of innovation, the words novelty, change and new ideas can be associated with the term. According to Peter Drucker, innovation is the specific tools of entrepreneurs, the means by which they exploit changes as an opportunity (Drucker, 1985).¹

Innovation is necessary and crucial in order to develop further and stay competitive. But how does innovation appear within a company? What is necessary to be an innovative enterprise? What are the drivers of innovation in an organization? First of all it is important to understand that innovation has different facets such as technical, organizational, institutional or social innovation. Having a closer look on organizational innovation, organizational intelligence is established by the accumulation of knowledge of each individual, because each member of the organization contributes their ideas and values. The organizational intelligence as said so far is depending on the group and therefore a “social outcome resulting from the activities of the collective accumulated wisdom”². There are many organizational factors which influence creativity and innovation but four have major consequences: leadership behavior, measurement systems, organizational structures and organizational cultures.³

Employees are an important resource for innovation but under which circumstances innovation can be created? It is necessary that the people have the available resources in order to be creative and hence

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¹ (Shephard & Ahmed, 2010)

² (Shephard & Ahmed, 2010)

³ (Shephard & Ahmed, 2010)

innovative. An implemented reward system within an organization could give an incentive for employees to be motivated while working because they want to reach a certain goal. Consequently the positive attitude affects the creativity. Therefore motivation systems within an organization could support the innovativeness of the entire company.⁴

In various companies, the organizational culture has a negative impact on innovation. This happens when the structures are rigid and too much emphasis is put on how things are done. There is a lack of freedom for employees meaning that they are restricted to try new ways of doing things. Companies can help nurture creativity by applying innovation processes providing the mental space for new ideas to take root. Therefore it is crucial that the company requires an open culture meaning to share extensively its knowledge with the entire enterprise. Companies need to measure progress which is an important part of continuous improvement cycle. The individual and the organizational dimension have the importance as key factors in influencing and determining creativity. With the help of reward systems, employees stay motivated which furthermore leads to more creative minds. When employees have the possibility to be creative, they can share their new developed ideas with the entire organization which leads to innovation.

2. Organisational culture, creativity and innovation

2.1. Creativity and innovation

Creativity and innovation are closely interlinked nevertheless there is a distinction between both terms.⁵ In general the term creativity is defined as the creation of ideas. Creativity is a process which leads to outputs.⁶ As McLean stresses creativity is “the ability to produce work that is both novel and appropriate”. He states that “innovation is a process of developing and implementing a new idea”.⁷

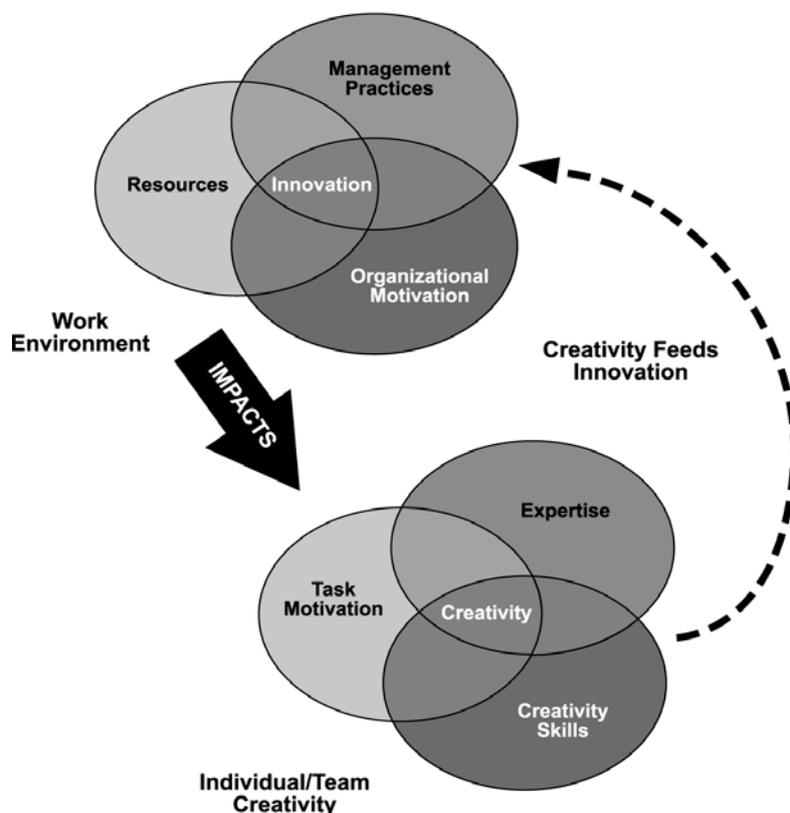


Figure 1: Componential Theory of Organizational Creativity (Amabile, 1997)

⁴ (Nacinovic, Galetic, & Cavlek, 2009)

⁵ (McLean, 2005)

⁶ (Moultrie & Young, 2009)

⁷ (McLean, 2005)

The author Amabile has developed a componential theory of organizational creativity.⁸ It is important to differentiate between the individual level as well as the team level and the work environment which all have an impact on the organizational creativity. As shown in the figure above, the model contains three key elements interacting with each other and resulting in innovation: resources, management practices and organizational motivation.

Innovation does not come by its own but rather is dependent on human beings taking initiatives and being creative. The combination of task motivation, creativity skills and expertise constitutes creativity which is the motor and driver of innovation. It is important to understand that innovation has an impact on the creativity but creativity of employees is a necessary factor in order to establish innovation. The staff of an organization should aid improving business performance by creating ideas resulting for example in better products, services or work processes. Employee behavior is strongly influenced by a couple of factors, the two most important are incentive and reward systems and the organizational culture.⁹

2.2. Organizational culture

Organizational culture also called corporate culture is the values, attitudes, beliefs, meanings and norms that are shared by people and groups within an organization.¹⁰ Often the culture of an organization determines the desire for innovation. Employee behavior is shaped by organizational culture and therefore influences an individual's actions. Consequently it is possible that cultural values and norms are a powerful means of stimulating creativity and innovation. An implemented reward system within a corporate culture is defining who receives rewards and for what reason. With the aid of incentive and reward systems an enterprise can stimulate employee's behavior and therefore achieve desired results. Reward systems are not just installed in a company in order to motivate employees but as well to control the outcomes. Reward systems can be one of the factors stimulating innovation within an enterprise. It is obvious that there is a direct link between the corporate culture guiding employee behavior and reward systems motivating employees resulting in innovation for an organization. The variety of means how employees can be motivated will be examined in the next section dealing with rewards and motivation theories.

3. Motivation theories and rewards

Motivation plays a very important role when talking about the human behavior. In the working context motivation is defined as the "psychological processes that cause the arousal, direction and persistence of voluntary actions that are goal directed".¹¹ The process of motivation is individual since every person or employee has different goals and needs, therefore they can be differently motivated. In order to be motivated not just the goal a person pursues is decisive but as well several other factors such as needs, attitudes or desires have an impact on a person's motivation.

3.1. Need-based motivation theories

There is an existence of several need-based theories such as Maslow's Need hierarchy theory or Herzberg's two factor theory. Needs are described as "deficiency states or imbalances, either physiological or psychological, that energize and direct behavior".¹² There is an activation of needs when a person feels that something is missing. For example in a company, an employee is doing every day eight hours the same job but is not satisfied because he has no chance to improve his work position. He has the feeling that there is a lack of responsibility for example therefore he feels the need of changing this status in order to satisfy his need. When taking a closer look at Maslow's motivational theory, it is observable that needs are organized in a hierarchy. This theory of Abraham Maslow is divided into five categories: psychological needs, safety

⁸ (Amabile, 1997)

⁹ (Nacinovic, Galetic, & Cavlek, 2009)

¹⁰ (Hall & al., 2010)

¹¹ (Werner & DeSimone, 2009)

¹² (Werner & DeSimone, 2009)

needs, social needs, esteem needs and self actualization. This theory states that one need needs to be satisfied in order to reach the next category.

A second need-based motivational theory is the one of Frederick Herzberg, the so called two-factor theory which is closely related to the one of Maslow. This theory states that persons have two different kinds of needs. On the one hand, they strive for survival; on the other hand Herzberg said that persons are looking for personal growth. In this motivational theory, Herzberg claims that factors that are satisfying survival needs, do not provide job satisfaction. They just prevent that employees get dissatisfied. Whereas factors that influence the personal growth are leading to job satisfaction. In a company when for example hygiene factors which surround the job (extra responsibility, promotion) are guaranteed, employees cannot be dissatisfied which leads to job satisfaction. According to Herzberg, companies should use the methods of job enrichment and job enlargement in order to motivate employees. Job enlargement means that companies offer a greater variety of tasks which make the work more interesting. Job enrichment is challenging the employees with more complex tasks where employees strive for achievement.

3.2. Financial methods of motivation

There are several theories explaining what really motivates human beings at work. Some theories state that money is the most important factor motivating employees.¹³ It is as well possible that even though a variety of non-financial methods of motivation which will be explained in the next section exist but the employee gets a poor pay then this would lead to dissatisfaction. In general the main incentive for people to work is gaining money. There are different possibilities on which an employee is paid: fixed salary, piece rates, commissions or fees. Furthermore there is as well the existence of other additional methods for instance fringe benefits which are not made in cash towards the employee but are contributions to pensions, a company car, private health or insurance.

Employees may also benefit from performance related pay which remunerates employees according to their performances. A performance related pay system is making differences between the levels of achievement. This means when an employee is rated as excellent, he would receive a ten percent bonus.

3.3. Non-financial methods of motivation

Pure monetary incentives may not be an effective motivator and other factors may be more important in motivating employees. For some employees job enlargement or job rotation might be an important incentive. Regarding job enlargement, the worker gains more responsibility whereas in job rotation the tasks of an employee are changed. Furthermore an important non-financial incentive is empowerment where the employee is recognized that he is capable of doing more than he did in the past resulting in decision-making. Maybe some employees do not like to work alone and therefore prefer working in a team which gives the benefits of increased productivity due to pooled talents and shared responsibilities and risks.

4. Summary

Innovation is necessary in the globalized world and furthermore it is essential to stay competitive in the market. As described innovation has several drivers and can be recognized in various areas. This paper focused on the linkage between creativity and innovation and hence on the impact on the organizational culture along with motivation systems used in enterprises. Without employees being the basic essential participants in an organization, no innovation would be possible therefore it is evident that the staff plays an important role when talking about innovation. The aspects mentioned in various sections are interrelated with each other and lead to innovation. As described before the organizational culture is determining the desire for innovation and impacts the employee's behavior. The organizational culture can guide the staff members towards certain outcomes by giving them various incentives to reach the desired goals. It is essential to understand that every individual employee has different needs and desires and therefore responds in a different manner to various incentive and reward systems. Consequently it is necessary that the organization

¹³ (Hall & al., 2010)

is establishing reward systems which appeals to all employees. The work behavior of an employee changes positively when he has the opportunity to reach set goals and in turn gets rewarded. This procedure creates freedom and space for employee creativity if the focus is set on the outcome rather than on the way of how to get there. Creativity is very important within an organization because it supports the innovation process. An innovative organizational culture needs creative employees but employees only can become creative if sufficient space is given to them. By providing employees with the possibility to become rewarded, in my opinion this has a positive impact on the work attitude of the employees. Whereas on the other hand it is possible that an employee is set under pressure by a reward system because he feels controlled having a negative impact on the creative process. If an employee does not fulfill certain tasks, he will not get rewarded. This pressure of reward attainment hinders his creative mind to create new ideas.

It is necessary to understand that innovation and creativity are closely linked to each other. It is essential to have in mind that creativity meaning the generation of new ideas mostly occurs at the individual level whereas innovation is the process where those ideas are captured.¹⁴ For an organization it is necessary to keep track of both sides: the frequent generation of ideas as well the use of its innovation process. By offering various and different rewards and incentives for employees, they get more motivated and therefore are more open for creativity and creative ideas.

Several companies could benefit from an organizational culture supporting innovation. On the one hand organizational behavior is beneficial but on the other hand it also can be harmful. Organizational behavior supports creativity and innovation which leads to organizational encouragement and work group encouragement. In contrary control is diminishing organizational creativity and innovation.

In conclusion, it is evident that innovation can arise at various levels of an organization: the individual, the team or the organizational level. As said already, it is necessary that the individual needs to be motivated because if the individual employee is eager to work, this has as well a positive impact on the team which then consequently impacts again the entire organization.

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¹⁴ (Nacinovic, Galetic, & Cavlek, 2009)