

ASSESSING THE MODERATING ROLE OF ORGANIZATION CULTURE EFFECTIVENESS IN HUMAN RESOURCE MANAGEMENT PRACTICES AND ORGANIZATIONAL INNOVATION

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Abstract

The goal of this article is to investigate the role of human resource management (HRM) on innovation, organisational culture, and effectiveness. Firms' competitiveness and economic performance suffer when they are unable to expand and maintain their innovation capabilities. Malaysia's innovation capacity remains low. Furthermore, the lack of research and development (R&D) and innovation capabilities in the country shows significant hindrance. The ability of information and communications technology (ICT) enterprises to innovate is understudied despite the number of studies on the issue, specifically on ICT SMEs in Malaysia. Small and medium-sized enterprises (SMEs) in developing countries have received little attention in previous studies on Malaysian innovation because those studies have mostly focused on the manufacturing sector and include only large corporations from the West. A survey technique is applied to gather information from the owners, CEOs, and managers of ICT SMEs. This study plan to receive and evaluated 200 responses in total. The research models and hypotheses were evaluated using the Partial Least Squares (PLS) method. This research addresses the gap between Human Resource Management and innovation The study's goal is to improve and evaluate a theoretical framework that connects HRM and inventive potential. The study's objective is also to enhance and test a theoretical framework linking HRM and innovative capability. This research addresses the gap between Innovative Centric Human Resource Management and innovation, as well as the connection between HRM and organization culture in the context of innovation.

Research paper

Keywords: HRM Practices; Innovation; Organizations Culture; Effectiveness

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Introduction

There are several elements that influence an employee's decision to stay with their present employer in today's complex and competitive labour market. The most well-known factors that may influence an employee's decision to stay or quit include the economy, job satisfaction, supervisors, organisational culture, and occupational commitment. However, this research focuses on the human resource strategy approach to employee innovation. In today's human resource management practises, it is necessary to integrate organisational goals with human resource strategy in order to ensure that people policies are in line with management objectives. This means that the HR department is no longer an afterthought for the company, but rather an integral component of it. Strategic management's goals are to give the organisation a sense of direction and a sense of purpose. Human resource management practises are now treated as seriously as marketing and production responsibilities in many businesses, and the days of the human resource manager being preoccupied with administrative duties are over.

Human resource management must be viewed through the lens of the organization's broader strategic goals, rather than a solitary perspective that takes a unit-based or micro approach. The purpose is to take a holistic approach to human resource management, ensuring that there are no fragmented methods and that the human resource management policy is fully integrated with the corporate objectives. For example, if employees' training demands are simply addressed with haphazard trainings on a variety of topics, the company risks losing not only the time spent in training but also the direction they have. Firms risk losing money if their human resource management practises

aren't developed in this way. And this does not augur well for the organization's success. To summarise, human resource management must be incorporated into the overall strategy to ensure effective use of people and greater returns to businesses in terms of ROI (Return on Investment) for each ringgit spent on it.

Problem Statement / Research Questions

Whether the superiors realise it or not, the style that they apply in the everyday practise at the company is a vital part of the organisation. Human Resources is becoming increasingly important in today's organisations. Employees are, without a doubt, the best asset that most businesses have. Human Resource is the conventional functional department in charge of employee management, and its scope is expanding. Change management, succession and retention planning, continuous learning, and 360 career planning are among the activities managed by Human Resource teams. Before Human Resources can work on implementing strategy, they must first determine what impediments are now in the way of the intended improvements.

In many ways, strategy implementation is a systematised process of removing the company's various internal change hurdles. Even when everyone agrees that change is necessary, every strategy will face some resistance; and, of course, the more drastic the shift in approach, the more conflict there will be. Many of HR's potential confrontations can be avoided by predicting and addressing some of the issues that will inevitably occur. As a general rule, there are five fundamental causes for strategy implementation failure, and from these causes, HR management must attempt to overcome ten or so ex-

pected difficulties. The organization's competitiveness, personnel competencies to accomplish the current task, and development are the primary causes and challenges.

Objective (s) of the Research

- 1) To examine the influence of Human Resource strategy does affect the employee innovation.
- 2) To evaluate the employee performance towards employee innovation.
- 3) To investigate the moderating effects of organizational culture on the relationship between employee innovation.

Literature Review

This study is to determine the relationship between human resources strategy towards employee's innovation. For this research, a review about the variables that including three types of human resource strategy which is attracting & recruiting, learning and development and together with reward and recognition.

Innovation

The term "innovation" is used in academic writing in many different ways. New ideas, methods, goods, and services are considered innovative if they are accepted and implemented. It is based on Thompson's definition that this study employs. It has come to mean a wide range of things since these definitions and others, such as "an idea, practise or material artefact perceived as new by the relevant unit of adoption" (Zaltman Duncan Holbeck 1973 p.2); "the successful implementation of creative ideas within an organisation"; and

"a planned, drastic change in an organisation or its existing products and processes" (Amabile et al., 1996 p.3; Bakker et al., 2015). For "discipline-specific definitions of innovation," Baregheh, Rowley, and Sambrook say that different disciplines tend to concentrate on distinct areas of the organisation (2019). (p.1334). The study of new technology as a consequence of new IT research is not uncommon among IT experts (Batrancea et al., 2019; Moghadamzadeh et al., 2020). Innovativeness is defined as "the multi-stage process by which firms translate ideas into new and improved products or services, in order to grow and compete and differentiate themselves successfully in their market" (Baregheh et al., 2009). The term "innovative" is a moving target that no one can agree on (Baregheh et al., 2019).

Attracting & Recruiting

The process of attracting, screening, and choosing qualified persons for a position within a company is known as recruitment. In order to maintain an effective staff, recruitment is a vital management activity. Finding the proper individual for the job is the goal of good recruitment, and it has ramifications for business performance, image with customers and industry, staffing numbers, and profitability. One of the most pressing issues confronting organisations today is staff recruitment and innovation. The purpose of innovation is to bring about good change in someone or something. The basic source of expanding wealth in an economy is innovation leading to improved productivity. It is critical to pay close attention to the organization's practises, including its structures, processes, and policies, while developing an individual who innovates systematically.

This is because these habits may unintentionally sabotage the company's innovation initiatives. It is not enough for senior leaders to declare their commitment to innovation, focus on the necessary skills and culture, and then sit back and wait for innovation to blossom. "Many senior HR officials and recruiters concurred that older workers are being treated like second-class citizens and rue the waste of what they have to contribute, including organisational experience and the potential to train younger staff," according to another. The majority of organisations were not built to facilitate change or innovation. Their organisational procedures, on the other hand, frequently work against them. By enhancing repetition, standardisation, and predictability while avoiding risk, you may boost your innovation efforts.

Learning and Development

Training is activity leading to skilled behavior. It's not what you want in life, but it is about to know how to reach it. It's not where you want to go, but it is how to get there and It is not how high you want to rise, but it is how to take off. Actually, training is about knowing where you stand, no matter how good or bad the current situation looks at that particular time and where you will be after the same point of time. Furthermore, training is about the acquisition of knowledge, skills, and abilities through professional development (Alavi & Leidner, 2001; Abubakar et al., 2017, 2018).

Reward & Recognition

Elippo defines training as "the act of developing an employer's knowledge and skill for completing a specific job." Training, on the other hand, according to Dale Yoder, is the process of preparing manpower for the

specific occupations that it will execute. And, according to Beach, training is the systematic process by which people acquire information and skills for a specific reason. Training is a learning process that comprises acquiring knowledge, honing skills, refining concepts, regulations, or altering attitudes and behaviours in order to improve employee performance.

Reward and recognition is the employer's feedback for an employee's work. It simply is the monetary value you would give to you for employees in return of their services (Hosseini et al., 2022). Employee benefits as a whole have no direct effect on employee performance, however, inadequate benefits do contribute to low satisfaction level and increase absenteeism and turnover in employees. To manage the positive impact of employee benefits within an organization, the effective delivery of benefits solutions needs to be a virtuous circle. Research recently undertaken by AIG UK Benefits reviews company and employee views about the provision and communication of voluntary employee benefits (VEBs) to understand how these offerings can create engagement with a workforce and the findings further highlighted the importance of the communication surrounding benefits packages. VEBs are defined as benefits employees have access to through their employer. The research sample included 150 HR managers, all of whom are involved in the selection and communication of employee benefits in the workplace, and 500 individual employees, all working for companies offering standard (core) and voluntary employee benefits.

Organizational Culture

The cornerstone for developing strategically relevant HRM practises is organisational culture. The strategy literature has long emphasised the importance of certain core skills or core capabilities to company performance. Organizational culture has a significant impact on performance. We believe that when employees at all levels share values, assumptions, and beliefs that are aligned with strategic goals and capabilities, organisational performance will improve. Recent research, for example, has linked high performance work practises and high involvement work organisations to favourable organisational results (e.g., increased productivity, lower quit and dismissal rates). In general terms, social capital plays a role in organisational capacities and culture. The overwhelming evidence suggests that social capital has a significant positive impact on corporate performance.

Methodology

The sampling technique used in this study is area sampling. Through this technique, clusters of geographic areas such as states, block or particular boundaries within a locality were created (Fornell & Larcker, 1981; Sekaran and Bougie, 2003). In the context of the research, the sampling frame were grouped into clusters based on states (Dana et al., 2022). It was decided to focus on small and medium-sized enterprises (SMEs) in the Greater Kuala Lumpur/Klang Valley region of Malaysia, which includes Kuala Lumpur and the cities and towns in Selangor state that surround it. Kuala Lumpur and Selangor account for more than a third of Malaysia's GDP, making this area a critical economic growth centre (SPAD 2011). A large number of SMEs in the service sector (which includes ICT) are located in the Klang Valley area,

resulting in a more competitive business environment. Unit of analysis is organization Participants are the owners, CEOs, or managers of ICT SMEs from the 200 companies.

Conclusion

Firms need human resources to develop advanced innovations and long-term performance in an ever-changing environment. When it comes to the link between human resource management and organisational performance, this study underlines the importance of innovation performance and cultural effectiveness. As a result, including culture into HRM will undoubtedly increase long-term improvements that promote organisational performance. The main resources to bring in the innovation is human resources. There is no doubt that human resources is a key to implement the innovation in organization. Either incremental or radical innovation, there is still need human capital to drive the innovation. The importance of human resources are needed because there have the expertise, knowledge and skill that believe to change the organization. All the practices in human resources practice, believed to give assistance to the employee to generate more ideas, being innovative and creative to change the organization.

Integration of HRM practises with innovation and culture effectiveness will yield a fruitful result, namely organisational performance for firms, which will enhance the firm's sustainability with continuous improvement by meeting the urgency to protect the natural environment as well as government and societal pressure. Furthermore, the suggested paradigm aids researchers in better understanding the function of HRM in boosting organisational performance through innovation and cultural effectiveness.

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