Management Practices and Innovation Capacity in Enterprises

Andy Smith, Jerry Courvisanos, Steve McEachern & Jackie Tuck
“Innovation can be defined as the creative application of knowledge to increase the set of techniques and products commercially available in the economy.” (Courvisanos, 2007)

- Focus on technological factors
- Human capital factors only in last 15 years.
- Links to tertiary system and L&D not explored
Research Questions

- What is the role of human capital formation through enterprise-based HRM and L&D practices in developing innovative capacity?
- What part does enterprise engagement with the tertiary system, both VET and higher education, play in the formation of human capital and the development of innovative capacity?
- What guidelines can be developed that can be used by managers in enterprises to promote innovative capacity through better human capital formation?
- What role is there for intermediary bodies, particularly Industry Skills Councils, in developing innovative capacity in their industry sectors?
Key Studies in HRM

- Strategic HRM – innovation enhanced through “soft” HRM (1980s)
- Laurssen and Foss (2003). Danish DISKO project.
- HR Bundles – devolved responsibility and training-based bundles. Linked to overall innovation performance
Learning and Development

- Move to nationally recognised training
- Impact of a learning culture (Smith and Oczkowski)
- Absorptive capacity (Vinding, 2006).
- L&D lead integration in HR systems
Research Method

- Expert Interviews
- Employer survey
- Seven case studies in three sectors
Survey Results

- Innovation stimuli do not produce innovation but rather develop capacity
- Capacity clearly linked to innovation performance
- Three sets of management practices impact innovation:
  - People management
  - Support for L&D
  - External linkages – esp to educational organisations
Macro framework

INNOVATION STIMULUS

- Human Capital Factors of Innovation Management (HRM System)
  - L&D System
  - Tertiary System

Technological Factors of Innovation Management

INNOVATION (absorptive) CAPACITY

- Identifying trends
- Identifying new technologies
- Means of acquiring technology
- Exploiting technologies

Dynamic Capabilities

INNOVATION PERFORMANCE

- Number of innovations
- Speed of innovation
- Level of innovation
- Timing of innovation
- Use of innovation
- Extent of novelty
- Rate of change in technology

Steady State

Beyond Boundaries

Sectoral Innovation System (industry)

National Innovation System (Australia)
Case Study results

- Product and process innovation are not that common
- Organisational innovation is the most common form
- Role of HRM – low strategic profile of HRM in many companies
- L&D is not focused on innovation
- Linkages are poorly developed
Conclusion

- The model seems to work
- Management practices can develop innovation capacity
- This is not triggered in many Australian companies