

HR innovation and what you need to know

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As a [Human Resource \(HR\) professional](#), you have the power to drive major innovation within your business and team. It's important to your business's current and future success is crucial. With an [innovative culture](#), you can unlock the potential of your team and shape your [organizational design](#).

HR innovation is the implementation of new ideas, methods, and technologies to better meet the ever-evolving requirements of the organization and its workforce. It's about anticipating future needs and circumstances rather than simply finding a response to a changing present situation.

Without fostering innovation, employees can become disenfranchised with their day-to-day work, and not have a visible career path. This can lead to businesses experiencing [staff turnover](#), with employees seeking better opportunities for growth elsewhere.

[Constant innovation](#) is a key factor in evolving business, and it's up to you as an HR professional to cultivate this. Innovation can be maintained and shaped through HR's responsibilities.

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An evolving and culturally innovative workplace means that team members are enabled to have more personal growth and benefits, including:

- Higher [job satisfaction](#)
- Personal upskilling
- Better sleep and more energy for work
- More immersion and greater engagement with their work
- Less apprehension in taking on challenges
- Faster work rate
- Scope for leadership opportunities

With innovation driving further [employee engagement](#), a more engaged team results in greater profitability for your business.

It's important to understand that there's no solution for a perfect innovative culture, but there are several ways that HR can improve their workplace environment.

There are two types of HR innovations: radical and incremental. A radical HR innovation is for example the famous Google's "20% Project", in which the company proposed that staff work on a company-related project which interested each employee. This initiative has had very positive HR outcomes, such as improvement of employee motivation, performance, and retention, as well as [talent attraction](#). But this HR innovation has also business outcomes for the company, as the "20% Project" is the source of 50% of Google's inventions, including Gmail, Google maps, and AdSense. Many other disruptive HR innovations are shown in different business contexts such as the use of Sabermetrics in American Major League Baseball (MLB).

Incremental HR innovations are improvements to existing HR practices that take place in organizations and, while they may be less spectacular than their radical counterparts, they also contribute to successful company transformation. Examples of incremental HR innovations can be, for companies not having these yet, the full digitalization of recruitment processes or the introduction of an internal confidential survey measuring employee engagement or [employer branding](#). In all cases, according to research, both radical and incremental HR innovations can add value to organizations.

HR innovation can take place in one single HR field, such as recruitment or remuneration, but it can also happen in several HR fields at a time, therefore creating possible synergies among them. Effective HR innovation implementation requires both an internal fit with other HR practices in the company and an external fit with the organization's strategic objectives.

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There are 3 things that HR Professionals can do to foster innovation:

1. Hire for innovation
2. Create a culture of innovation

3. Train and reward for innovation

1. Hire for Innovation

Hiring for innovation requires that we identify people who can “think outside the box.” Let’s not assume that everyone is equally innovative, but instead let’s recruit people for their innovation capabilities. Are they inquisitive? Are they locked into one view5point or willing to consider others? Are they open to new ideas, new concepts? These questions have a lot to do with how people are recruited and how their skills are improved to welcome innovation.

Seth Waugh, CEO of Deutsche Bank Americas, advises, “You must have people with that hunger to always learn, who are always open, and who think about things differently.”

Intuit, a manufacturer of financial management software including Quicken, ensures its culture is sustained through its hiring process by making sure that every new employee understands their “Customer Evangelist Culture” which has resulted in tremendous customer loyalty and market share growth.

Another example of a culture that drives innovation is Apple. What makes Apple so unique and competitive is that on top of their great products, they also seem to have a great culture, and it’s this culture that drives their innovation, and hence their superior products.

It’s interesting that even though Apple has been around since the 1970s, it hasn’t developed the rigidity that is so apparent in many long-established companies, yet they have changed its CEO over the years and grown considerably. They have somehow managed to retain a casual working environment and resisted any real push for policies and procedures or dress codes or timesheets. They continue to create a common desire, energy, and enthusiasm to develop great products and overcome their competition.

Today, Apple has about 147,000 employees, yet continues to retain a culture of innovation through its HR practices. They hire, reward, and recognize employees for a common desire, energy, and enthusiasm to create great products. They encourage employees not to be afraid

to fail. There is no punishment for this.

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2. Create a Culture for Innovation

The ability to help create, protect and build [organizational culture](#) is a critical role for HR to play, as it is a major driver for innovation. However, management needs to support, plan for and nurture an innovation culture for innovation to be successful.

An Unsupportive Culture is the Number One Obstacle to Innovation

An IBM Global CEO study in 2008 cited an unsupportive culture as the number one obstacle to innovation. Organizations that have a culture that supports innovation are often customer focussed, value-driven, and strategic. They ensure that their operating strategies are developed through interactions with their: employees, customers, partners, vendors, suppliers, and consultants. They review market trends and identify, through benchmarking, what is required to out-perform their competition.

A study by the Harris Group indicated that Executives see a culture of innovation as crucial to not only growing their business (95%) and profitability (94%) but also to attracting and keeping talent (86%).

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HR and Culture

The most [powerful force in business is culture](#). While corporate culture is not necessarily the responsibility of HR leaders, the people who are hired and the training and cultural imperatives placed on the business are done so through the role of HR, so HR leaders can have a big impact on whether or not the organization is culturally attuned to innovation.

The Boston Consulting Group, McKinsey & Company, and Booz Allen Hamilton completed studies, in 2007 on Innovation. On the positive side, the results indicated that it remains a high priority for most corporate leaders around the world; they recognize it as a key growth driver. Unfortunately, they also found that there is a broad belief that most organizations don't have the leadership, systems, or tools to successfully and consistently innovate. As well, they found no statistically significant connection between the amount of money an organization spent on innovation and its financial performance.

Cultural Barriers to Innovation

There are many barriers to [creating a culture of innovation](#). Research has identified these three critical ones:

1. Lack of Leadership Support
2. Innovation is driven by time and money
3. No strategy for innovation
4. The absence of a culture that supports innovation
5. Risk-aversiveness
6. Not engaging all employees

Daniel Muzyka, Professor Emeritus of Management as well as a Dean Emeritus at The University of British Columbia's Sauder School of Business adds a barrier to innovation as being, “a constant examination of quarter by quarter results versus longer-term planning.” He says that this, “creates a culture that is not supportive of innovation.”

It is very difficult for management today to build successful innovation processes in organizations. This is because management is often encumbered with constant short-term, bottom-line-oriented pressures as well as shorter-term to accomplish change. The decreasing lifespan of executive teams diminishes the focus on the long-term innovation process and tends to increase the focus on sustaining the status quo and existing product line. That's a dangerous move in volatile markets.

To move outside of this realm, organizations will need to re-evaluate how management performance is measured; the extent to which adding new products and services are included

in the [measurement of management's performance](#), and how much time in management meetings is spent on innovation versus day-to-day business. Performance measures need to consider whether or not employees are given the time and resources to experiment, generate ideas, explore these and make presentations to management. Or is this done on an ad hoc, more haphazard basis?

For example, Google ensures its culture of innovation remains strong by giving its engineers time to invent. They spend 20% of their time working on projects they feel passionate about. And their [performance reviews](#) consider how they spent this time. Other characteristics of Google's innovation culture are:

1. They aren't afraid to take calculated risks; they hire for taking risks.
2. They have developed a very flat organizational structure to foster innovation.
3. All employees have easy access to face-time with senior management to present their ideas.

They desire to get new products up quickly as a prototype so that customers can play with them, feel them and provide feedback on them. In this way, they can quickly improve them, re-launch them and make them great. If they wait until it's perfect before launching their experience has shown that they will: lose market share, increase development costs, and in some cases, never get to launch a product that the customer wants. Striving for perfection before releasing innovation can be a killer.

As HR leaders, how often do you prototype new and/or improved Human Resources initiatives? How many of you allow your employees to take calculated risks? What is your organizational culture for innovation? Do you give employees time to innovate? Is it part of their job responsibilities?

Creating Your Innovation Culture

To begin an initiative for innovation here are some steps to take:

1. Create a steering committee made up of individuals from different positions but also representing different experiences, levels, and generations.
2. Define a purpose and mandate for the steering committee (essentially, to oversee the cultural change required to create an innovative environment)

3. Complete a cultural assessment to identify the current culture for innovation within your organization as compared to the “ideal” environment, as identified by all staff.
4. Identify the strategies to close the gap between the present and the ideal innovation culture. These might include a kick-off event to help celebrate the development of the innovation culture.

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3. Train and Reward for Innovation

Reward for Innovation

The right [rewards system](#) provides a powerful force for reinforcing commitment, directing [employee professional growth](#), and shaping the corporate culture to be more innovative. HR departments must look at the reward mechanisms in place and ask if they are doing the right things to develop the employees and culture of the organization. This should include compensation strategies, [performance management tools](#), and other targeted recognition and reward programs.

I am always amazed when I see organizations with programs that recognize, how long an employee has been coming in on time, or have been with the organization for a long period. Yet few organizations reward employees for exceptional contributions. Performance reviews are also a concern in this area. Few organizations are measuring the right things when it comes to promoting the development of innovative-minded employees. HR managers should take a hard look at how they are trying to develop these critical resources.

For example, BMW’s continued success is its strategic focus on developing customer-friendly innovations, coupled with an approach to innovation management that is unique within the automotive industry. One of their keys is a constant focus on the culture of innovation – making professional innovative processes a key strategic and cultural constituent of every area of the company.

This focus on culture is a guiding principle within BMW. They believe that if a company knows what it stands for and what are its strengths, it can more easily develop and implement a clear

strategy. They believe that to be innovative, it is necessary to give up the idea that a company can do everything equally well. On the contrary, it seems more likely that a company that tries to do everything equally well will be unable to make full use of its strengths.

BMW ensures that all departments are focused on innovation. While some organizations focus only on manufacturing, BMW also focuses innovation on every department within the organization including sales and marketing, human resources, and product development. They also recognize that the results achieved by a company in the past are only of limited importance. The innovativeness of a company therefore always depends on future business development (which is not yet known), potential, expected growth, or in other words, specific ideas about prospects.

Just about everyone working for the Bavarian automaker, from the factory floor to the design studios to the marketing department is encouraged to speak out. Ideas bubble up freely, and there is never a penalty for proposing a new way of doing things, no matter how outlandish.

BMW's management structure is flat, flexible, entrepreneurial, and fast. This helps innovations to be developed quickly to improve internal processes and for the marketplace.

The McKinsey Quarterly, once said, "Leading companies for innovation make innovation a formal agenda item at regular leadership meetings. That signals to employees the value management attaches to innovation."

Seth Waugh, CEO of Deutsche Bank Americas, said, "Culture is a critical factor in promoting innovation. Business leaders stimulate innovation by offering incentives to workers, creating an environment, and setting expectations."

Train Leaders to Ask Staff

As management, you should be asking all employees, "What are you working on? What is the potential, the applications this might have in the future? What are your challenges? How can I help? How might people use it?" Such questions will engage employees to become actively

involved in innovation rather than asking the traditional questions which impose a time constraint.

In a nutshell, as HR professionals, helping your organization to achieve more innovations, to create the culture to support innovative thinking, and to hire, train and reward is a major undertaking. It can seem daunting to know where to begin. However, the most important first step is just that, to take that first step. It is a large and exciting change process. Even a small initiative can help to demonstrate the possibilities of a more robust effort. Lead your organization through this journey.

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