



(HOW) DOES THE HR STRATEGY SUPPORT AN INNOVATION ORIENTED BUSINESS STRATEGY? AN INVESTIGATION OF INSTITUTIONAL CONTEXT AND ORGANIZATIONAL PRACTICES IN INDIAN FIRMS

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This paper investigates how human resources are managed in firms of different ownership forms in India and the extent to which strategic human resource management (hereafter strategic HRM) techniques have been adopted to support an innovation-oriented business strategy. Based on a qualitative study of 54 Indian managers from different firms, this study highlights the Indian institutional context for strategic HRM. It reveals the extent to which the Western approach to and configuration of high-commitment/performance models of HR practices may differ from those found in Indian firms. This study also has a number of practical implications for HR professionals, HR practices, and organizations in the global context. © 2010 Wiley Periodicals, Inc.

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Introduction

An emerging body of studies has attempted to establish links between human resource management (HRM) practices and innovation, which ultimately contribute to enhanced organizational performance (e.g., Jiménez-Jiménez & Sanz-Valle, 2008; Katou & Budhwar, 2006; Laursen & Foss, 2003; Seale & Ball, 2003; Selvarajan, Ramamoorthy, Flood, Guthrie, MacCurtain, & Liu, 2007; Shipton,

West, Dawson, Birdi, & Patterson, 2006; Walsworth & Verma, 2007; Zanko, Badham, Crouchman, & Schubert, 2008). While research findings vary slightly, most of these studies share a similar conclusion: that adopting an innovation-oriented strategy needs to be supported by a high-commitment, high-performance approach to HRM. A high-commitment, high-performance approach to HRM is characterized by extensive training and development, extensive employee

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involvement and empowerment, high levels of autonomy and flexibility, and performance-related rewards and recognition (e.g., Guest, Conway, & Dewe, 2004; Guthrie, Spell, & Nyamori, 2002; Huselid, 1995). It has been argued that these humanistic HR practices will lead to enhanced psychological outcomes (e.g., organizational commitment and engagement) for employees, which will, in turn, lead to enhanced employee productivity and creativity (e.g., Cooke, 2002; Kanter, 1989).

Existing studies on HRM and innovations (including product, process, and service innovations), however, have focused primarily on developed countries as their site of investigation. Few studies have systematically investigated the extent to which HRM has been deployed strategically to facilitate an innovation-oriented business strategy in emerging economies such as India, where the approach to HRM may be less sophisticated (Budhwar, 2009), and the HRM context may differ significantly from that in the West. This is in spite of the fact that India's technological capacity is widely acknowledged and increasingly exploited by foreign multinational corporations (MNCs) (e.g., Astill, 2008; Khanna, 2007; Prahalad & Krishnan, 2008; United Nations Conference on Trade and Development [UNCTAD], 2005). Indeed, innovation and entrepreneurship have played a crucial part in the success of leading Indian firms across different business sectors (Khanna, 2007; Prahalad & Krishnan, 2008).

While there is now a growing body of studies on strategic HRM and organizational performance in the Indian context (Amba-Rao, Petrick, Gupta, & Von der Embse, 2000; Bhatnagar, 2007b; Biswas & Varma, 2007; Budhwar & Boyne, 2004; Budhwar & Khatri, 2001; Chand & Katou, 2007; Paul & Anantharaman, 2003; Rao, 2007; Singh, 2003), these studies have not specifically explored HRM's role in innovation-oriented business strategy. In addition, conforming to the general trend of studies in HRM and organizational performance, these studies on India have primarily adopted a quantitative method, often with a single respondent at the senior level from each surveyed firm. Survey studies offer useful overviews of HRM practices across

a relatively large number of organizations surveyed. They do not reveal, however, organizational nuances and complexity in the process of adopting and implementing HR policies. A second motivation of this paper, therefore, is to complement an emerging body of quantitative studies on HRM and performance in India. This study offers some detailed information regarding company practices through a qualitative survey using open-ended questions and a small number of in-depth interviews with managers. This is particularly important because quantitative survey information tends to reveal superficial and, at times, unreliable information. On the other hand, more complicated interplay between innovation and HRM practices is illuminated through qualitatively based studies (e.g., Storey, Quintas, Taylor, & Fowle, 2002; Thompson, 2007; Zanko et al., 2008). This qualitative information enables researchers to identify organizational factors that influence the adoption of HRM practices. This takes the literature beyond the resource-based view (RBV) of strategic HRM and firm performance. This study takes into account the institutional and micro-political perspectives of what shapes HRM practices in the Indian context and the extent to which these practices share similarities with those displayed in Western economies. Conducting a qualitative study on HRM and innovation-oriented business strategy of Indian firms of different ownership forms, therefore, responds to Tsui's (2004) call for more high-quality indigenous (context-specific) studies to produce contextualized knowledge and contribute to our global management knowledge. More specifically, we investigate the types of HRM practices that sample firms have adopted and the extent to which these practices are deployed strategically to support an innovation-oriented business strategy.

HRM, Innovation, and Organizational Performance

Theoretical Perspectives

A general consensus pervades the strategic management literature that the ability for an

organization to develop and exploit knowledge faster than its competitors is a key component of competitive advantage (Leonard-Barton, 1995; Nonaka & Takeuchi, 1995; Nonaka & Teece, 2001; Porter, 1980; Prahalad & Hamel, 1990; Storey & Salaman, 2005; Teece, Pisano, & Shuen, 1997). Researchers on organizational learning and knowledge management also point out that much of the knowledge is tacit and embedded in work practices, which is difficult to codify (Brown & Duguid, 1991; Lam, 1997; Myers & Davids, 1992). The strategic management of human resources, therefore, through HR interventions such as employee involvement, suggestion schemes, and knowledge sharing is seen as a value-added HR function. Such efforts capture knowledge that enhances organizational performance, particularly for firms that adopt an innovation-oriented business strategy (Mumford, 2000; Porter, 1980; Schuler & Jackson, 1987).

A key theoretical perspective that strongly influences strategic HRM is the RBV (Barney, 1991; Hoskisson, Hitt, Wan, & Yiu, 1999; Rouse & Daellenbach, 1999). Proponents of RBV have argued that organizations “obtain sustained competitive advantage by implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses” (Barney, 1991, p. 99). RBV proposes that selecting and accumulating resources are functions of both within-firm decision making and external strategic factors. Within-firm managerial choices are guided by economic rationality and motives of efficiency, effectiveness, and profitability (Conner, 1991). External influences include strategic industry factors that impact the firm, including buyer and supplier power, intensity of competition, and industry and product market structure. These factors influence what resources are selected and how they are deployed (Oliver, 1997).

While the RBV is useful in understanding why differences exist between firms, and consequently how certain organizations can gain competitive advantage, it has not looked beyond the properties of resources and resource

markets to explain enduring firm heterogeneity. In particular, it has not examined the social context within which resource selection decisions are embedded (e.g., firm traditions, network ties, and regulatory pressures) and how this context might affect sustainable firm differences. Nor has RBV sufficiently addressed the “process” of resource selection: that is, how firms actually make, or fail to make, rational resource choices in pursuing economic rents.

Oliver (1997) addressed this issue by advocating the combination of RBV with the new institutionalism of organization theory (DiMaggio & Powell 1983, 1991). Oliver viewed firms as being influenced by powerful forces for difference and similarity. The former would include factors such as an orientation toward efficiency and deliberate decision making, while the latter, in contrast, would imply that decisions are embedded deeply in specific norms and traditions. According to Oliver (1997), an organization’s business strategy may be influenced profoundly by a complex institutional context of resource decisions, not just strategic factors such as the nature of the product market. This institutional context includes decision makers’ norms and values, corporate history, organizational culture and politics, public and regulatory pressures, and industry-wide norms (Oliver, 1997). In other words, an organization’s business strategy is influenced by its social and economic context. Firms may be captives, to a certain extent, of their own history and that of their clients and the communities and countries in which they operate. As Oliver (1997) noted, “Yet it is the embeddedness of these institutionalized competencies in history that also increases their likelihood of being perpetuated without question” (p. 702).

More specifically, ownership forms have been found to be helpful in illustrating the operating environment and hence the HR strategies firms employ. This is because different ownership forms expose firms to different business environments with resultant heterogeneous institutional advantages and disadvantages (Boisot & Child, 1996; Shenkar & Von Glinow, 1994). Tan (2002) argued

that ownership type has a significant impact on the environment-strategy configured, which in turn has important performance implications for the firm. Similarly, Peng, Tan, and Tong (2004) argued that “different ownership types lead to different managerial outlook and mentality due to a number of macro and micro foundations giving rise to various managerial cognitions” (p. 1105). This is particularly the case in emerging economies, where the state is both the regulator and a main employer. Further, public-sector firms in these countries retain strong bureaucratic and monopoly features despite experiencing an increasing level of exposure to market forces. In addition, due to the under-development of market institutions, private-sector firms may have to be more strategic and responsive to remain competitive. Indeed, the impact of ownership forms on HR practices has been widely observed in studies of HRM in China (e.g., Chiu, 2002; Ding & Warner, 1999; Wei & Lau, 2005). China is one of India’s major competitor countries in the global economy and shares considerable similarity in market institution deficiency.

More recently, Edwards, Colling, and Ferner (2007) argued for an integrated political economy approach that examines the interrelationships between markets and institutions, on one hand, and the material interests of organizational actors, on the other. They contended that “an emphasis on strategic behaviour is central to the *micro-political* approach. Here, the focus is on how actors look to protect or advance their own interests, the resource they use, and the resolution of conflicts” (Edwards et al., 2007, p. 203, original emphasis). The role of power and politics in organizational life was observed a long time ago (e.g., Buchanan & Badham, 1999). In addition, the lack of HRM’s organizational power, as a function and a specialist department, has often been considered a stumbling block to enhancing HRM’s strategic role and effectively implementing new HR initiatives to support organizational goals (e.g., Legge, 1978; Ulrich, 1997; Zanko et al., 2008).

In view of the different strands of literature, we argue here that despite the strategic

importance of deploying certain HRM practices to elicit employee innovation to enhance organizational performance, firms may not always be able to act in such a strategic way due to institutional and organizational constraints. We therefore need to investigate firms’ operational environments, both internal and external, to understand the extent to which they are able to deploy HR strategy to support an innovation-oriented business strategy.

Empirical Evidence on the Links Between HRM and Innovation

In contrast to the burgeoning body of studies that have attempted to establish and measure the links between HRM practices and organizational performance (e.g., Wright, Gardner, Moynihan, & Allen, 2005), empirical studies on HRM practices and innovation have been somewhat limited, as a number of authors have noted (e.g., Camelo-Ordaz, Fernández-Alles, & Valle-Cabrera, 2008; Jiménez-Jiménez & Sanz-Valle, 2008; Laursen & Foss, 2003; Shipton et al., 2006). Interestingly, however, although studies on the links between HRM and organizational performance point to diverse and sometimes contradictory findings, the small but growing number of studies on HRM and innovation conducted in various countries appear to share a more consensual conclusion. For example, Laursen and Foss’s (2003) survey study of 1,900 Danish companies found that seven out of the nine HRM practices adopted by manufacturing companies, including training, have led to superior innovative performance. The impact of HRM practices on innovation is more marked in the manufacturing than the service sector. Their findings are supported broadly by that of Katou and Budhwar’s (2006) study in the Greek manufacturing context and Lau and Ngo’s (2004) survey study of 332 firms in Hong Kong.

Similarly, Selvarajan et al.’s (2007) survey study of 246 firms in Ireland showed that a firm’s human capital philosophy has a positive impact on its innovativeness and in turn the firm’s performance. In addition, Shipton et al.’s (2006) longitudinal study of 22 UK

manufacturing companies showed that training, induction, teamwork, appraisal, and contingent reward, when applied together with exploratory learning focus, are positively associated with innovation in technical systems. Empowerment and employee involvement are also found to be important HRM practices that stimulated innovation. For example, Tsai's (2006) quantitative study showed that effectively using employee empowerment practices was positively related to innovations in the semiconductor design industry in Taiwan. In addition, Mazzanti, Pini, and Tortia's (2006) study of the food sector in Italy showed that a good industrial relations environment and employee involvement helped stimulate organizational innovation. Walsworth and Verma's (2007) study of international firms in the Canadian context, however, showed that training was more beneficial for innovation than employee involvement and variable pay.

In contrast, Cano and Cano's (2006) survey study of 367 Spanish industrial firms revealed that financial reward and public recognition for achieved performance were the most effective HRM practices that stimulated innovation. Their finding is supported by Camelo-Ordaz et al.'s (2008) qualitative study of 97 Spanish companies in the three most innovative sectors, which suggested that "the top management team's strategic vision alone does not explain a company's innovation performance" (p. 620), and financial reward for innovative ideas is the engine for creativity.

While the positive links between certain HRM practices and innovation have been largely established, the impact of HRM on innovation is not automatic; nor should it be taken for granted. Rather, a number of factors, including organizational politics and senior management's priorities, may influence innovation. This has been uncovered by several in-depth case studies (e.g., Cooke, 2002; Kim and Bae, 2005; Storey et al., 2002; Zanko et al., 2008).

How firms adopt HRM practices consequently affects employees' perceptions of the intent of these practices, which will, in turn, affect their outcomes. Indeed, a number of authors (e.g., Bowen & Ostroff, 2004; Nishii, Lepak, & Schneider, 2008) have pointed out

the urgent need to examine employees' views on the firm's perceived motive and consequently the effect of HRM practices when we evaluate their impact. As Nishii et al. (2008) noted, "It is not just the HR practices themselves, but rather also employees' perceptions of those HR practices that are important for achieving desired organizational outcomes" (p. 528).

Strategic HRM and Organizational Performance in India

The opening up of the Indian economy since 1991 has led to a dramatic rise in the number of privately owned Indian firms that have been growing into globally competitive MNCs. Meanwhile, heightened market competition has resulted in public-sector enterprises' restructuring their organization and reconfiguring their business strategy (e.g., Khanna, 2007; Som, 2007). These changes require a new way to manage human resources. Despite major organizational changes, however, key characteristics that define public-sector firms may persist, albeit continuously diluted by market forces. In addition, major HR challenges for firms operating in India have been the shortage of a skilled/professional workforce and the high attrition rate (Budhwar, 2009). Firms are increasingly involved in the "war for talent," and some companies have employed several HR techniques, such as performance management, training and development, diversity management, and employee recognition, as key HR initiatives to attract and retain talent (Bhatnagar, 2007a). As Singh (2003) observed, there has been a growing awareness of the importance of HRM as a key driver of business performance in India.

Existing studies on HRM practices in India have not only revealed a number of characteristics, but also highlighted the relevance of strategic HRM in enhancing organizational performance. For example, Budhwar and Khatri's (2001) study found that Indian organizations have a unique internal labor market that is based on social relations, political contacts, caste, religion, and economic power, although there is evidence that private firms are beginning to focus on competence and

performance in their HRM policy. Singh's (2003) study revealed that firms with a strategic HR orientation perform significantly better than those with less emphasis on HR do. Paul and Anantharaman's (2003) study of Indian firms in the IT industry showed that training, job design, compensation, and incentives have a direct impact on operational performance outcomes such as employee retention, employee productivity, product quality, speed of delivery, and operating cost. Similarly, Chand and Katou's (2007) survey on the impact of HRM practices on organizational performance in the Indian hotel industry also showed that hotel performance was positively related to good HRM practices.

Bhatnagar's (2007b) study found that within a psychologically empowering climate, the strategic role of HR facilitates organizational learning capabilities, which lead to higher organizational commitment. Similarly, Biswas and Varma's (2007) study of firms in both public and private sectors in India revealed that individuals' perception of the psychological climate in the organization had a significant positive impact on their willingness to engage in organizational citizenship behavior, as well as on their job satisfaction levels. Further, organizational citizenship behavior and job satisfaction levels had a significant impact on individuals' performance. A consensus from these studies is that strategic HRM does contribute to enhanced employee commitment to, and behavior toward, the organization and ultimately organizational performance.

The overall findings in the Indian context converge with those of research studies on HRM and organizational performance in the Asian context more broadly (e.g., Bae & Lawler, 2000; Chan, Shaffer, & Snape, 2004; Kim & Bae, 2005; Lau & Ngo, 2004; Lawler, Chen, & Bae, 2000; Ngo, Turban, Lau, & Lui, 1998; Tsai, 2006). They all point to a consensual conclusion: that strategic HRM or adopting high-commitment/performance HRM practices contributes to enhanced organizational performance. This suggests two possibilities. One is that there is a relatively high level of universality of strategic HRM as a guiding principle, although specific practices,

their function, and their impact may differ according to societal and organizational contexts (Kim & Bae, 2005). Another possibility is that there are stronger external HR attributions in the Asian countries, which share a collectivistic culture (e.g., Japan, South Korea, China, and India) than in countries characterized with individualistic cultures (e.g., Nishii et al., 2008). In addition, it may be the case that Asian nations with a collectivistic culture are under great pressure to catch up as latecomers as global economic players (e.g., India and China) or to maintain their competitive edge (e.g., Japan and South Korea). The perceived need to respond to external pressure is so paramount, therefore, that employees are more ready to accept HRM practices as a progressive "given" and adapt their attitudes and behaviors toward the organizational goals accordingly (Nishii et al., 2008).

In the light of the paucity of empirical studies on strategic HRM and innovation-oriented business strategy across different ownership forms in emerging economies, and given the growing significance of India in the global economy and as a site for innovation, this paper investigates the extent to which strategic HRM techniques have been adopted by Indian firms in both the public and private sectors to gain competitive advantage. Specifically, we address the following research questions:

1. Are firms using HR initiatives strategically to support an innovation-oriented business strategy? If so, what are the major HR initiatives these companies adopt?
2. How effective are these HR practices as perceived by managers in supporting the innovation-oriented business strategy?
3. What may be the major problems and areas for improvement if HR practices are to play a more significant role in supporting the innovation-oriented business strategy for firms to gain competitive advantage?
4. To what extent are the HRM practices identified in the Indian context similar to or different from those prescribed in the high-commitment/performance model of HRM and those identified in existing

studies on HRM and innovation in other societal contexts?

To explore these issues in detail, we employ an analytical framework that combines the RBV of the firm (Barney, 1991; Wernerfeldt, 1984), the “new” institutional theory (Powell & DiMaggio, 1991), as well as the organizational politics perspective (Buchanan & Badham, 1999). We provide an exploratory analysis of the organizational factors that influence the adoption of HRM practices and the relationship between the HR strategy and business strategy at the organizational level. We do so with a qualitative and inductive methodology based on grounded theory (Glaser & Strauss, 1967) by examining empirical evidence from a sample of 54 Indian firms of different ownership forms. We analyze within-firm decision making, resource deployment, and external strategic factors through a perspective that emphasizes the role and nature of embedded institutional and organizational forces that lie at the heart of strategic HRM and business strategy (Child & Tsai, 2005; Farndale & Paauwe, 2007).

Methodology and Background of the Samples

Empirical data used in this paper comes from a qualitative survey of 54 managers from Indian-owned/Indian-invested companies. Each of the informants worked in a different company at the time of the survey. Six managers were of senior ranking as the operations director or general manager of a subsidiary level, nine managers were of junior ranking as section leaders, and the remaining 39 were mid-ranking managers. They were aged between late 20s and late 40s, with the majority being in their 30s. Thirty-six informants had worked for the company for at least six years; the longest serving informant had worked for his or her firm for 20 years, and the shortest serving informant had worked for his or her firm for 18 months at the time of the study. The informants were therefore familiar with their firm’s business and management practices.

These informants were all EMBA graduates, whom the authors had taught between

2006 and 2008. Deploying MBA students and MBA alumni as research targets is a highly valid and common approach to collecting data. This is particularly true for emerging economies such as China and India, where cooperation from informants may be difficult to secure without a prior relationship. Leading scholars in the management field have used this method effectively to collect data, and results have been published in leading management journals (e.g., Chen, Chen, & Xin, 2004; Chen & Tjosvold, 2006; Tsui, Zhang, Wang, Xin, & Wu, 2006; Wang, Law, Hackett, Wang, & Chen, 2005). Good rapport was established between the authors and the informants because of the teaching and learning interaction. Further, this personal relationship enhanced informants’ willingness to devote their time to complete the survey questions seriously, to disclose company information, and to share their honest opinions with the authors. The informants’ familiarity with HRM and business strategy knowledge and practice also made it easier for them to engage in investigating HRM and business strategy issues in a more informed and articulate manner compared with those who had not been through MBA education in general. Informants received no incentives for participating in the study other than a complimentary copy of the findings report, which was anonymized. This research method bears the limitation of a convenient sample and therefore may lack generalizability (also see additional discussion in the Conclusions).

We targeted middle managers not just because they provided convenient access. Rather, we feel that they are an important group to study, as most of them have some sort of HR responsibility, are likely to be more connected with the grassroots level than senior managers are, and are employees themselves and recipients of HRM practices. Their perception is therefore important to assessing the role of HRM practices and innovations of the firms. The need to solicit lower-level employees’ view on the effect of HRM practices to complement insights obtained from high-level managers or HR executives has been articulated by Bowen and Ostroff (2004) and Nishii et al. (2008).

The sampled companies were spread across a range of business areas including banking, telecommunications, information technology (IT), consulting, commercial, aerospace, pharmaceutical production/research and development, railway engineering, automotive production, energy, oil, minerals, and shipping. Of the 54 companies, 35 are state-owned enterprises (SOEs), 12 are privately owned enterprises (POEs), and seven are Indian-foreign joint ventures (JVs). Given the difficulty in gaining access for academic research, we were not able to provide equal numbers of companies in each business ownership category. Because this study is of an exploratory nature, however, we feel that the number and spread of the cases we obtained are sufficient to provide information needed for this paper's discussion.

The oldest firm in the sample was established in 1940 and the youngest in 2000, whereas the majority of the sampled firms were established prior to India's economic liberalization in 1991. All sample firms were relatively large employers. The smallest firm employed some 800 employees, whereas the largest employed 56,000 employees. The second smallest firm employed nearly 8,000 employees, and 32 firms employed more than 20,000 employees. All firms have multiple sites in India. The media has reported that many are industry leaders. At least 28 of the companies were listed in the Business Today (BT) 500 database at the time of the interview. BT 500 is considered the most authoritative list of major Indian firms across a broad range of industries (also see Singh, 2003). The fact that all informants had been sponsored by their employer to study their EMBA course was indicative of the performance of the firms and their awareness of management development as part of their HRM.

The qualitative survey was conducted via e-mails between each of the informants and the authors from September to November 2008. A prepared list (see Appendix) of five sets of open-ended questions guided the survey. Informants were asked to write down their answer to each question in a Microsoft Word format document and e-mail it back to one of the authors when they had completed

it. Confidentiality was assured to each informant. Each was given three weeks to complete the task. A reminder was sent to those who did not reply within the three weeks. In total, 78 managers were contacted and 67 participated in the study. Of the 67 returned documents, 54 were selected for further analysis after two of the authors conducted an initial screening for validity and reliability of the answers. Among the discarded surveys, six were incomplete (e.g., did not provide evidence to support their claims), and the rest either sounded too good to be true and/or relied too much on their company Web site with no independent thinking and assessment of their company's situation.

This method of survey shares the characteristics of in-depth interviews but saved cost and time to arrange and travel for the interviews. It was more convenient for the informants, as they could complete the document at a convenient time, think through their answers, and check for company information that they might not readily have. This provided richer information than interviews on the spot, which give the informant little time to think and respond. It allows the manager's voice to come through more fully and in a reflective way. Information collected from the informants was supplemented by, and cross-checked against, information from the company Web site and media reports. For example, for those who ranked their firm as highly innovative, we also checked if their firm had obtained industrial accreditations and/or industrial/national business awards. In addition, follow-up interviews were conducted with 13 informants via telephone to clarify what they had written and to random-check if what they said on the phone was in line with what they had written. Six informants were interviewed to clarify their statements and the other seven were randomly selected for checking. During the telephone interviews, all informants expanded on their answers. Due to time and other constraints, we were not able to conduct telephone or face-to-face interviews with all of the informants, which would have allowed us to uncover more in-depth data through a more interactive process. An additional ben-

enefit of a qualitative survey conducted via e-mail, however, is that the data can be processed to provide a quantitative picture more efficiently than that collected via face-to-face interviews as the original data is already in electronic form.

For this study's purposes, we included four types of innovation: product, production process, business process (internal focused), and customer service innovations (external focused). This is in line with the typologies previous studies have adopted on innovations (e.g., Jiménez-Jiménez & Sanz-Valle, 2008; Prahalad & Krishnan, 2008; Shipton et al., 2006). In addition, in the list of survey questions e-mailed to each informant, we included a list of examples of HRM practices (see Appendix) that may be seen as supporting innovation (those that have been found in previous studies in other societal contexts as shown above). This, as Bowen and Ostroff (2004, p. 217) asserted, helped us evaluate the strength of certain HRM practices by assessing their visibility among employees. It also enabled us to compare the extent to which innovation-supporting HRM practices identified in India match those commonly found in the studies of HRM and innovation elsewhere.

When analyzing the data, a table was used to record the informant's length of service, company name, year in which the company was established, ownership form, number of employees, the firm's type of industry, any of the four types of business innovations reported, the informant's perceived level of innovation orientation, major HR initiatives adopted to support the innovation-oriented business strategy, perceived overall effectiveness of the HR practices, and major problems/areas for improvement. We coded the information by recording the precise phrases in the relevant cell of the table and then aggregated the answers. We also recorded some quotes for illustrative purposes. The data content was coded first by the lead author and second by the second author for consistency and accuracy (see Miles & Huberman, 1994). Approximately 94% agreement was achieved between the two coders. The authors fully discussed and

resolved differences in coding and data interpretation.

Findings and Discussion

Informants were asked five sets of questions (see Appendix). These included company background, types of innovations and level of innovativeness, types of HRM practices adopted, their effectiveness, and areas for improvement. Informants were asked to elaborate or give examples to substantiate their views.

Types and Level of Innovations

Fourteen managers reported that their companies adopted three or four types of innovations (see Table I). Thirteen of these firms were in the "high" category. Twenty-five firms reported adopting two types of innovations, with product and production/business process innovations being the main types of innovations reported. Among the 25 firms that had adopted two types of innovations, only four firms reported having customer service as one of the two innovations. These were mainly the non-manufacturing firms, with business process and customer service innovations as their two main innovations. Fifteen firms reported adopting one type of innovation, all of which were product-related innovations. This suggested that there is a positive correlation between firms being ranked "high" in their innovation orientation and the variety of innovations they have adopted. Among all 54 informants, only 20 managers reported adopting customer service innovations in their firm. Eighteen of the firms fell in the "high" innovation orientation category. Based on these answers, it appears that innovations in customer service are not yet being treated as a competitive tool for many of the sample firms.

A total of 28 firms were ranked "high" in their innovation orientation by informants (see Table II). Among these, 13 are SOEs, nine POEs, and six JVs. Fourteen firms were ranked "medium" in their innovation orientation; of these, 13 are SOEs and one a JV. The remaining 12 firms were ranked

TABLE I Types of Innovation of Indian Firms (*N* = 54)

Types of Innovation Adopted*	Number of Firms by Level of Innovation Orientation			Total
	High (<i>n</i> = 28)	Medium (<i>n</i> = 14)	Low (<i>n</i> = 12)	
Three or four types of innovations	13	1	--	14
Two types of innovations	10	12	3	25
One type of innovation	5	1	9	15

*These include product innovation, production innovation, business process innovation, and customer service innovation.

TABLE II Level of Innovation-Oriented of Indian Firms by Ownership Form

No. of Firms by Level of Innovation Orientation	No. of SOEs (<i>n</i> = 35)	No. of POEs (<i>n</i> = 12)	No. of JVs (<i>n</i> = 7)
High (<i>n</i> = 28)	13	9	6
Medium (<i>n</i> = 14)	13	--	1
Low (<i>n</i> = 12)	9	3	--
Total (<i>N</i> = 54)	35	12	7

“low” in their innovation orientation, nine of which are SOEs and three POEs. This suggests that a lower proportion of SOEs are perceived to be innovation oriented. State-owned sector mentality and the company’s long history were two common criticisms from the informants that were seen as the main causes for the lack of innovation drive. The nature of the business was also seen as one of the reasons for the relatively low level of innovations of all sorts. This included, for example, shipping (very cost-sensitive), power generation, and distribution (equipment cannot be altered easily and customer base is relatively stable). Some SOEs are clearly in the monopoly position due to high entry barriers to the industry (e.g., energy), giving little incentive or pressure for the firms to innovate. Informants from firms that were ranked “low” in their innovation intent were critical of their firms’ complacent attitude and poor management; in fact, some did not even have an HR department. Organizational politics, lack of transparency and fairness in HR processes and decisions, lack of performance-based reward and promotion systems, and patchy and ineffective implementation of HR practices across sites were commonly identified as some of the main problems in the company’s HR system (see below for further discussion).

Major HR Initiatives to Support Innovation-Oriented Business Strategy

A range of HR initiatives was reported as having been adopted by firms to support their innovation-oriented business strategy (see Table III). In particular, learning and development, employee involvement and quality initiatives, performance management schemes, and employee welfare and engagement schemes were the most commonly reported HR practices.

Learning and Development

Training and development was the most commonly adopted HR practice. In some firms, this was supported by the learning organization and/or knowledge management initiatives. Many firms specify a minimal number of training days per year for their employees. Some offer company-sponsored higher education such as MBA courses. Few managers, however, specifically reported having leadership or management development programs. Where one is in place, the effects were reported as positive. For example, a leading private, India-owned multinational firm introduced a business leadership award competition program to encourage innovation in business strategy among its young executives (Manager 14, private electrical motor company).

TABLE III Types of HRM Practices Adopted to Support Innovation-Oriented Business Strategy

Types of HR Practices	No. of Responses (N = 54)
Learning and development	
Training and development	48
Career development planning	3
Management/leadership development	5
Learning organization	15
Knowledge management	10
Employee involvement and quality initiatives	
Suggestion schemes	45
Quality initiatives	32
Performance management	
Performance appraisal	28
Performance-related pay	24
Profit-sharing	4
Performance/merit-based promotion	20
Employee recognition awards	33
Employee welfare and engagement	
Employee welfare schemes	7
Employee engagement initiatives	11
Other HR initiative reported	
Recruiting creative employees	3
Empowerment	7
Autonomy	2

Employee Involvement and Quality Initiatives

Employee involvement was the second most widely used initiative in all the companies studied. This was implemented mainly in the form of suggestion schemes. Quality initiatives, such as quality circles, professional circles, problem-solving teams, lean initiatives, kaizen, ISO 9000 series, total quality management (TQM), and total productivity management (TPM), were also commonly reported by informants whose firms were innovation-oriented. These are essentially forms of employee involvement that require employees to participate actively and contribute their ideas for business improvement. It was clear from the interview reports that suggestion schemes are a big initiative for many companies. Firms used reward mechanisms (e.g., financial rewards, promotion, and recognition when suggestions were ad-

opted) to incentivize employees to contribute their innovative ideas to the firm. Some internalize the scheme as part of the performance management and a punitive element could be traced, as revealed by managers interviewed:

Suggestion targets are set at the beginning of each year. All suggestions after evaluation are awarded and the best three suggestions of the month are awarded and recognized throughout the organization for their contribution. (Manager 16, Indian-Japanese joint venture automotive company)

We need to report the number of suggestions made in the appraisal report each year. (Manager 25, private electronic instrument company)

Every officer has to write down the number of suggestions that he has put forward in his appraisal report every six months. (Manager 6, state-owned aerospace company)

Performance Management

Performance management schemes are the third most commonly reported HRM practices adopted by firms to support their innovation-oriented business strategy. These include performance appraisal, performance-related pay, performance/merit-based promotion, and profit sharing. In addition, recognizing good performance was widely used, often involving self-evaluation. As one manager revealed, "For every quarter, employees put down their major achievements in a prescribed format (for that quarter) and the best ones are picked and awarded from each division" (Manager 16, Indian-Japanese joint venture automotive company).

Employee Welfare and Engagement

Also reported were employee welfare schemes and engagement initiatives that are aimed at improving employees' morale and commitment. Employer-sponsored cultural programs, social functions, and sports events were held periodically for employees and their family to promote employees' work-life balance and to develop a strong bond between employees' family members and the company. Family is paramount in Indian workplaces and employees' families are treated as an extended part of the company to gain employees' commitment. This is particularly important in organizations that employ younger graduates in knowledge-intensive professions, where employees are often expected to work long hours under a high level of performance pressure, and the staff turnover rate is high due to the shortage of talent. Providing welfare and organizing social life for employees and their families are important features of workplace and community relations in the Indian society, which is informed by its paternalistic, collectivist cultural values. Employees expect these provisions, and the blurred boundary

between work and family life makes it both necessary and relatively easy to organize these activities. This is perhaps an important aspect of HRM in Eastern countries, which is sharply different from practices in the Western world.

At least 29 managers reported that their company had adopted some of the latest HRM practices, albeit often without any diagnostic analysis and internalization from managers and ordinary employees. Managers in the follow-up interviews believed that the high level of publicity surrounding HRM "best practices," particularly from foreign MNCs and flagship Indian-owned firms, was a main source of influence in their firm's adoption of new HR practices. The role of HR consultants and HRM/HRD professional networks/associations was also believed to be important in disseminating new HRM practices. Many of these practices have Western or Japanese origin, such as learning organization, knowledge management, suggestion schemes, and quality initiatives. This suggests that some versions of Western HR practices are being planted in the Indian ground through an isomorphic effect, although their positive impact may be less evident.

Interestingly, the need to recruit creative employees and provide career development support to employees did not seem to feature prominently as important HRM practices to support innovation-oriented business strategy. Only three managers in the "high" innovation category reported recruiting creative employees as an HRM practice. Similarly, only three managers mentioned career development planning as a separate HRM practice. This may relate to the fact that line managers are only marginally involved in recruiting and are therefore not aware of recruitment criteria. But the fact that the informants have not highlighted these aspects of HRM may indicate that they are not fully aware that these HRM practices are important in supporting an innovation-oriented business strategy, particularly employee career development. It can be argued that training and development and performance management schemes may include a career development element. These schemes may not contain, however, the systematic analysis and design required for proper career

development planning. In addition, given the reward (promotion and payment) oriented nature of the performance appraisal and management schemes reported, performance management in many firms seems to focus primarily on what the employee has achieved in the past. Firms seem to be more concerned with employees' current performance and what they need to perform now, both for themselves as employees and for their subordinates. Our follow-up interviews with managers revealed that career development planning is generally not well developed or prioritized. The fear of staff turnover and the need to focus on current performance to maintain competitiveness were the two most common reasons cited.

No firms specifically reported adopting flexible working arrangements or greater autonomy as HR initiatives, although two informants reported that their firms' employees have autonomy "within reason." While a small number (seven) of firms reported employee empowerment initiatives, this tended to be organizational goal-driven. As one manager revealed:

People have been empowered to make decisions provided these are in line with the organizational goals. Cross-functional teams are created and given the responsibility and authority to meet the goals. A training programme is in place to help employees understand the culture and work philosophy of Japanese which helps in realigning of individual goals to that of the parent company. (Manager 2, Indian-Japanese joint venture manufacturing company)

This finding is noteworthy given the fact that autonomy and empowerment are cru-

cial HRM practices to elicit employees' commitment and creativity (e.g., Kanter, 1989; Nishii et al., 2008; Paul & Anantharaman, 2003).

Perceived Effectiveness of HR Practices

In general, the managers interviewed reported that the HR practices their firms adopted have proven to be effective to various degrees. There was a strong co-relation between the perceived level of firm innovativeness and the perceived effectiveness of their HR practices (Table IV). The main reasons for the perceived high effectiveness of HR practices include adopting a full range of HR practices that support each other, good bonding with employees that enhances employee engagement, freedom and empowerment that help employees' thinking and creativity, and employee involvement in decision making. It is worth noting that the majority of the firms that were ranked "high" in their HR effectiveness were JVs or POEs. Most of them were younger firms than SOEs and were seen to be more innovative and progressive in their HR and business strategy. As one manager remarked:

The HR practices so far have been very good and this is the reason as to why the attrition rate in the organization is very low. The satisfaction level in the employees with regard to job profile and compensation is very good.... We have no problems of IR [industrial relations] in the company. It's a private company and so far has been very effective in ensuring employee participation and their satisfaction. (Manager 25, private electronic instrument company)

TABLE IV Perceived Effectiveness of HRM Practices in Supporting Firm's Innovation-Oriented Business Strategy

Level of Innovation Orientation	No. of Firms Ranking Their HR Practices by Levels			Total (N = 54)
	High	Medium	Low	
High	14	13	1	28
Medium	4	7	3	14
Low	2	3	7	12

More broadly, positive outcomes reported by those who considered the effectiveness of HR initiatives as high in supporting their firm's innovation-oriented business strategy include higher efficiency and productivity; employee accountability; customer-centric approach; creating a work environment that encourages teamwork, learning, and innovation; focused approach to meeting or exceeding all stakeholder expectations; reduced absenteeism; organizational citizenship; enhanced employee integrity and commitment; employee engagement; lower attrition rate; and enhanced employee loyalty.

It is worth noting that only half of the firms that were in the "high" innovativeness category were ranked "high" in the effectiveness of their HR practices. This suggests that there is still plenty of room for improvement. Informants gave a number of reasons that highlight the causes of ineffectiveness of HRM practices and areas for improvement. These can be classified into three dimensions: namely, the role of the HR department/officers, gaps in HR initiatives, and poorly implemented HR initiatives. These are discussed below.

Areas for Improvement in HRM

The Role of the HR Department/Officers

Some managers saw the lack of professional standards for the HR department/personnel as the stumbling block for effectively managing people. HR professionals are criticized for being remote from business realities and falling behind dynamic business needs. As one manager depicted, "The HR department is not professional enough. The HR officers are not open-minded enough, not efficient and lack business understanding to lead changes" (Manager 26, state-owned manufacturing company). Other managers revealed that HR initiatives are sometimes implemented with insufficient input from the HR people, leading to slippage in implementing policies at the operational level because the line managers do not treat people management issues seriously and professionally.

Gaps in HR Initiatives

Managers identified a number of HR areas for improvement in order to provide more effective support to the company's innovation-oriented business strategy (Table V). These seem to fall into four main strands. One relates to the need for greater democracy and fairness in workplace management. This area has attracted the most criticisms and demands for improvement. In particular, managers highlighted the need for greater flexibility and autonomy in work and empowerment in making decisions, not just in taking responsibility. More transparency in feedback, more communication, more and quicker feedback on decisions regarding suggestion schemes, and a higher level of fairness and transparency in rewards were also highlighted. Given that the vast majority of the informants were mid-junior ranking managers at the operational level, this outcry for autonomy may indicate that organizational power may still be centralized in most of the Indian companies studied.

A second area for improvement related to rewards. Performance/merit-based promotion, more incentives for good performance, and more rewards for suggestion schemes were commonly cited. A third area related to job enrichment and satisfaction. Job rotation or cross-functional working was suggested by a significant number of managers for employees to better understand the totality of the business unit in order to work better as a team and provide creative thinking for business improvement. This would also help enrich individuals' jobs and enhance satisfaction. A fourth area for improvement, which received much less attention from the managers than the first three strands, related to better recruitment, development, and deployment of talent. This takes the form of recruiting creative/talented employees, providing career development for employees, and more effectively deploying talent. In short, a better alignment of HR strategy and business strategy is needed.

TABLE V Major HR Areas That Need Improvement to Support Innovation-Oriented Business Strategy

Types of HR Practices	No. of Responses (N = 54)
Greater democracy and fairness	
Greater flexibility	13
More autonomy	15
More empowerment	12
More communication	18
More transparency in feedback and communication	16
More fairness and transparency in rewards	8
More performance-based rewards	
Performance/merit-based promotion	15
More incentives for performance	16
More rewards on suggestion schemes	13
Better psychological outcome	
Job rotation and enrichment	15
Job satisfaction	6
Better talent management	
Recruitment of creative/talented employees	2
Career development	5
More effective deployment of talent	6
Better alignment of HR strategy and business strategy	13

Implementing HR Initiatives

Poorly implemented HR initiatives were seen as another main reason for HR ineffectiveness. Managers, particularly those from SOEs, reported that new HR initiatives were often implemented as a “fashion” without any real understanding of what they are and how they could be implemented to the benefit of firm employees. Below are a few quotes that highlight the main causes of the problem:

The adopted HR practices have proved effective up to a certain level. These have been successful in reducing the attrition rate of qualified and experienced engineers and technicians. In fact, implementation of the innovative policies by HR people in the Company has not been adequate, thus falling short to achieve their desired goals. (Manager 25, state-owned chemical company)

New HR initiatives are implemented as a fashion and yield no benefits.

Employees are not always engaged with the new HR initiatives. (Manager 33, state-owned manufacturing company)

Employee Suggestion Scheme is on the Intranet and ... employees can give paper suggestions, but is not that effective due to fear of being transferred to another site or other politics in the organization. Moreover, there is no feedback mechanism and employees [are] not aware whether the suggestion was noticed by the management or not. Moreover, there is no encouragement from the management for the employees to give more suggestions. (Manager 20, state-owned energy company)

Some weight should be given to number of contributions in the knowledge bank and the suggestions given by an employee. (Manager 5, state-owned aerospace company)

The Company has resources, takes care to adopt/adapt new HR developments, but is generally able to reap the fruits only to [a] limited extent. Reasons are lack of trust, rigour, and goal orientation. (Manager 3, state-owned oil company)

What firms need to do, then, was summarized succinctly by a manager from one of the top private Indian-owned MNCs, which has an aggressive business strategy, has a high performance culture, and is highly competitive. This “need to do” list includes a sense of freedom in decision making, the opportunity to participate, a positive organizational climate, care about employee welfare and well-being, and an organizational culture based on trust, honesty, openness, and integrity (Manager 28, private energy company).

Conclusions

This exploratory study contributes to the small but growing body of literature on HRM in India in general and the role of HR strategy in supporting an innovation-oriented business strategy more specifically. It is a response to the call for more qualitative studies to solicit views from informants below senior manager/executive level. It is also a response to the call for adopting an institutional-political approach to interpreting organizational practices (e.g., Child & Tsai, 2005; Edwards et al., 2007; Farndale & Paauwe, 2007). In doing so, this paper has adopted an “inside out” approach (Tsui, 2004) to studying the issue from the perception of mid-ranking Indian managers on HR policies through a qualitative study. This has enabled us to identify the key characteristics of HRM practices that Indian firms have adopted to support their innovation-oriented business strategy. It highlights the Indian institutional context for strategic HRM and reveals the extent to which the HRM practices adopted in Indian firms (as reported by the Indian managers) resemble that prescribed in the Western literature on strategic HRM and innovation. The combination of this qualitative method of data collection and a multi-perspective analytical approach has contrib-

uted to our empirical and theoretical understanding on the topic, which, despite its importance, remains relatively under-investigated. Through detailed answers from the informants and other sources of information such as company Web sites and media reports, we are able to identify a number of the institutional and organizational factors that influence our sample firms’ ability to deploy HRM practices effectively to support their innovation-oriented business strategy.

This is, to the best of our knowledge, the first study that investigates the role of HRM in supporting an innovation-oriented business strategy in the Indian context. In addition, previous studies on HRM and innovation have focused mainly on technical and to a lesser extent administrative innovations, thus being internal oriented. This approach often excludes firms that are outside the manufacturing and research and development sectors. Given that business strategy and HRM both play an important role in competitiveness, and that innovations can take many forms with or without the involvement of technology and technical staff, it is important that when we study HRM and innovation, we broaden our scope to include all types of innovations that might involve employees of all levels. By exploring the role of HRM practices in supporting innovation-oriented business strategy, we have been able to include firms in various industrial sectors, including those in the commercial sector, and assess the likely impact of HRM practices on employees at the firm/operational level. Based on our findings, we echo the argument that the strategic management approach, notably that of RBV, is too simplistic to understand firms’ adoption of HR strategy to support their business strategy. Instead, a combined theoretical approach (i.e., institutional, strategic management, micro-level political economy) is needed to identify opportunities and barriers firms are facing.

It is interesting to note that what Indian managers see as effective HRM practices that will support innovation and organizational performance appear to be in line with those prescribed in Western HRM literature and what has been found being practiced by firms to

various degrees in different parts of the world. This suggests either the universality of the strategic HRM principles as Kim and Bae (2005) suggest or that these EMBA graduate managers have been heavily influenced by Western business and management education materials and actually believe that these are the “best practices.” Given the eagerness of Indian firms to catch up with the global firms as latecomers and the growing number of Western MNCs operating in the country, we cannot rule out the normative isomorphic effect facilitated by Western MNCs, HR consultants, and HRM/HRD professional networks and associations.

This study also has a number of practical implications for HR professionals and organizations in the Indian and global contexts. First, while firms may be more proactive and innovative in their business strategy, their HR strategy is often lagging behind in supporting the strategic development of the former. As shown in this study, innovation-oriented Indian firms are adopting certain high-commitment/performance HRM practices consciously to support their business strategy. But not all of them have managed to do so in a strategic way. Some firms may be adopting Western HRM practices to be seen as progressive, modern, and innovative but do so without examining the utility of these practices to their firm. Firms therefore need to develop their HR competence, design HR policies and practices that are suitable to their firm, and raise the strategic role of the HR function to develop and harness their employees’ creativity.

Second, this study reveals a mismatch between the HR practices firms adopted and those employees desire if the level of employee engagement and creativity is to be maximized. The most fundamental difference is manifested, perhaps, in the short-term performance-oriented HR strategy firms pursue and employees’ desire for more humanistic HRM practices, although the two orientations may share certain common aspects. On the one hand, HRM practices that firms adopt are largely organizational goal-driven and control-oriented. HRM practices are used to “better control the employees” and to “align the individuals’ goals with that

of the company,” as reported by informants. It is worth noting that Japanese-style quality management techniques appear to be highly popular among Indian firms; a large proportion of managers reported having adopted some form of quality initiatives. In pursuing greater efficiency, employee involvement has been implemented primarily in the form of suggestion schemes that mainly benefit the company and not necessarily the well-being of the workforce. There is little real empowerment of employees and their participation in decision making. Autonomy is allowed, but “quality is the main determinant” and “as long as it aligns with business goals,” as reported by informants. On the other hand, employees and managers interviewed demand more empowerment, autonomy, democracy, fairness, and return (both financial and psychological) from the company in exchange for their efforts. This is indicative of the changing cultural values in Indian society, that has traditionally emphasized social hierarchy and obedience. This suggests that firms need to adjust their management approach to reflect the changing culture. How to align employee outcomes with organizational outcomes is therefore a key issue.

A third implication is that while the causes of ineffectiveness in implementing HR initiatives are often generic and have been identified by studies located in the Western context, some of the causes may be unique to the Indian context and specific to the public sector. State-owned companies, particularly those in a monopoly position, appear to be more bound by organizational inertia and, taken together with their monopoly position, lead to the lower levels of HR effectiveness and customer-oriented innovations. These institutional characteristics appear to be common in emerging economies (e.g., Boisot & Child, 1996; Peng et al., 2004; Shenkar & Von Glinow, 1994; Tan, 2002).

Fourth, firms seem to be more likely to initiate product innovations and production process innovations but appear to be less proactive in developing business process innovations and customer service innovations. This is at least the case in the companies in our study, the majority of which are involved in

manufacturing/engineering activities as part of their business. Yet, business process and customer services innovations are not only less constrained by the firm's technological path and therefore arguably easier to implement than product and production process innovations in the manufacturing environment, but also crucial in today's competitive environment, as cogently argued by Prahalad and Krishnan (2008).

This paper contains a number of limitations. First, the sample size of the study is relatively small with 54 firms that are mostly very large firms, though the study took place at the workplace level. No small and medium-sized firms were included in the sample; indeed, their business environment, innovation capacity, and management style may be significantly different from large firms, particularly those in the state sector. Second, a relatively large proportion (approximately two-thirds) of the sample firms in this study are SOEs, which might have skewed the aggregate findings, on the one hand, and made it difficult to identify distinctive patterns of innovations and HRM practices, if any, across different ownership forms, on the other. Third, the wide spread of industries within a relatively small sample size also made it impossible to establish industry-specific patterns, if any existed. Fourth, only one manager participated in the study from each company. This person may not have been able to provide a full picture of what is occurring in the company. The vast majority of respondents, however, were mid-ranking managers who are arguably the key layer of management at the operational level. If they are unaware of what HRM practices and innovations are taking place at their workplace, then perhaps these activities may not have really taken root despite espoused strategic intent at the higher level. On the other hand, information revealed by managerial informants may be positively biased toward their firm for various reasons,

such as social desirability, and the resultant tendency for informants to report their firms' practices more favorably than the reality. To eliminate the potential bias, cautions were taken when we analyzed the survey data. Survey responses that sounded too good to be true or claims made without supporting examples were discarded. The fact that the informants have all been through their EMBA education means that they were accustomed to analyzing organizational strategy and management practices in a critical way to identify how problems may be tackled and improvements can be made.

A fifth and related limitation is that no non-managerial employees were included in this study, and the managers' view may not be representative of those held by their subordinates, particularly regarding the employees' perception of the impact of the HRM practices and the level of support from their line managers. Future studies should adopt an in-depth case study approach to investigate more fully what seem to be the most effective HRM practices in supporting firms' innovation-oriented business strategy across firms of different sizes, ownership forms, and industrial sectors in the Indian context. In particular, the systematic use of multiple informants in each company studied will help increase the validity and reliability of the data. Cross-country comparative studies should also be conducted to identify similarities and differences in these orientations in different institutional and cultural environments to deepen our conceptual understanding and to inform management practices.

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APPENDIX Survey Questions

This study intends to investigate the extent to which HR practices are used strategically by Indian firms to support their innovation-oriented business strategy. It seeks to understand what HR practices are used strategically by Indian firms to support their innovation-oriented business strategy. The meaning of “innovation-oriented” is broadly defined here to include product innovations, production process innovations, business process innovations, and customer services innovations. Therefore, you do not have to be in a high-tech business to have an innovation-oriented business strategy. Some degree of innovation-orientation can be found in most companies. **Please give your honest opinion to the questions below and make your answers as detailed as possible.**

- a) Your job title: _____
- b) How long have you worked for this company: _____
1. General background information of your company (e.g., Name, history, ownership, number of employees, major products, product market, management structure)
2. What are the key elements and initiatives in the innovation-oriented business strategy of your company (e.g., product innovations, production process innovations, business process innovations, and customer services innovations)? **Please elaborate with examples.** Based on your description of the company’s strategy, rank your company’s level of innovation-orientation in ‘High,’ ‘Medium,’ or ‘Low.’
3. What HR practices does your company adopt to support/achieve its innovation-oriented business strategy?

Some examples of HR practices that support innovation may include:

- 1) Emphasis on creativity of job candidates in recruitment selection
- 2) Training and development
- 3) Initiatives towards building a learning organization
- 4) Knowledge management schemes
- 5) Problem-solving team
- 6) Employee suggestions scheme (and employees get rewarded when the suggestion is adopted by the firm)
- 7) Employee recognition scheme
- 8) Firm-specific employee welfare schemes
- 9) Employee involvement in decision making/problem solving
- 10) Initiatives to build a high performance work culture
- 11) Performance/profit-related pay
- 12) Performance-related or merit-based promotion
- 13) Autonomy at work
- 14) Employee empowerment
- 15) Adoption of HR score card to support innovation culture
- 16) HR initiatives to enhance employees’ commitment and engagement with the company

The above are just examples of HR practices some firms may use to support their business strategy. Your organization may have adopted similar or different HR practices to support innovation. **Please describe in detail** below the HR practices YOUR COMPANY has adopted, including those that are not on the above list.

4. How effective are these HR practices in supporting the innovation-oriented business strategy? Please elaborate. And, based on your assessment, rank the effectiveness in 'High,' 'Medium,' or 'Low.'
5. What do you think the company should do to enhance the alignment between its HR strategy and an innovation-oriented business strategy?