



INNOVATION IN HR PRACTICES FOR SUSTAINABLE INDIAN SME'S

Divya Bajpai

PhD, Scholar, B K School of Business Management Gujarat University, Ahmedabad.

Dr. Rachna Gandhi*

Assistant Professor, KS School of Business Management Gujarat University, Ahmedabad. *Corresponding Author

ABSTRACT

In response to the changes in Indian economy and with the technological upgradation, it has become imperative for Indian SME's to focus on innovation and sustainable strategies in HR practices. Sustainable strategies in HR practices along with innovation in it, will work towards perpetual succession of Indian SME's. Hence forth making the role of HR venerably crucial and challenging, ensuring more involvement of people to establish a sustainable culture. In this cutthroat competition, Indian SME's HR are more liable to be prudently develop and to effectively employ scarce resources rather than consuming it for profit making motives. Extravagantly using resources, employee rigidness, lack of availability of right technology, lack of know-how, monopolistic structure leads to reluctance in performance & degrade Indian SME's efficiency. Therefore, this paper will emphatically analyse how the amalgamation of right technology and sustainable HR practices will provide efficacy in achieving the benchmark. Further with this paper will try to bridge the gap between traditional HR practices with innovation leading to sustainability.

KEYWORDS : Human Resource Management, Sustainable HR practices, SME's, Digitalization and Innovation.

INTRODUCTION

This paper will take in depth look at the study of innovative HR practices inculcating sustainability in Indian SMEs. Innovation is the major player in Indian SMEs to meet various sustainability and survival needs. Introduction of innovation and uniqueness in majorly HR practices, can do wonders to Indian SMEs. As known HR department of any organization deals with both external and internal issues, whether being environmental, social or employee's administrative issues. Hence, it's clear that adaptation of innovative HR practices will not only increase efficiency but also bring sustainability pensively.

HR practices have positive impact on SMEs performance and brings effectiveness in its operations. *Arving Joshi, President -HR, Dishman pharmaceuticals and Chemicals Lid(2013)*. said that "SMEs will have to adopt HR best practices in order to flourish. It is the entrepreneur who is solely responsible for his employees' decisions and will have to make them an integral part of the enterprise through such best practices." In small organization owners and managers are completely responsible for decision makings. Their managerial style has direct influence on HRM practices (Koch, C. L. Y. and J. M. P De Kok (1999). Indian SMEs contributes for 48% of countries GDP and 60% of employment, so having not injected innovation in HR practices can drastically pull down the economy. "India SMEs are efficient enough in trading operations, what we need today is to pace up with the changes and bring innovation with novel ideas in every field of its working." (Puja Bothra, 2019.). On the serious note, *Pankaj Bansal, CEO, People Strong (2013)*, said that, "The word of caution that, SMEs are still pennywise and pound foolish, when it comes to choosing digital and outsourcing partners. More often they get things right the second time, not the first time."

Technology In Hr Practices Leading To Sustainability

"Perspective-taking being one of the major forces of sustainable business behaviours and organizational sustainability in long run." (Barile, S, et.al,2014) Despite tighter budget and limited IT Sources, SME's need to centralize their work flow, special when it comes to HR practices. "Keeping with the trend of the increasing numbers of smaller firms, the need for effective SME management practices is crucial." (Audretsch, D.B.; Thurik, A.R.2001) Lack

of dedicated HR staff, less of record keeping compliances, employee attendance rate, performance gap are few points where hindrance emerges. There is a dire need of the training to update the employees with latest technological developments. "Learning which is a never-ending process should be provided to employees even though the employees are good enough to complete the given task but still they need a refresher and innovative training to upraise themselves effectively with the newest trends." (G V Narasimhan & CS Ramanarayanan, 2014). The use of Right HR software can help SME's alleviate pains by automating work flow, retain the best talent, no wastage of scarce resources, efficient utilization of external resources thereby keeping environment healthy and green too. A survey of 126 export unit SMEs in Bali, Indonesia depicted that "HRM significantly affects organizational performance and innovation, and it was found out that innovation can improve organizational performance." (I Gede Riana, et.al,2020)



(Source: Scholar's Findings)

Figure 1: Classes Of Hr Software

Sustainability And Innovation Are The Need Of An Hour

"Various attempts have been made by the firms towards innovating their current environment which was quite successful when the employees who are responsible for running the innovative process were well motivated, which proves that outcome of innovative attempts is the due to the effective HR practices applied." (Hyejin Cho, et.al, 2019) Sustainable innovation in HR has becomes a key issue but mostly SMEs do not have available resources to innovation therefore the concept of innovation capacity is usually difficult to investigate and left on hopes (Antoine PIERRE, Anne-Sophie FERNANDEZ,2018). Many researchers are working in this direction to find out various driving forces

and relation between Innovation-Sustainably-Performance-environment challenges.

More and More policy makers and Businesses are adopting this concept, encouraging business solution and inculcating ideas for taking environment and many external challenges. This paper lays weightage on bringing innovation in HR practices which are important for achievement of overall firm's performance in improved manner and induce sustainability. The role of the HR departments has to become more focused and more involving which requires to help older workers to adapt to the increased speed of change in working environment. The fact is that Change in work practices is becoming faster and faster. The older we get in adapting, the more difficult it can become for us to change. (Charles Donkor Partner, People and Organisation PwC, Switzerland, 2017)

REVIEW OF LITERATURE

Previous studies and exploration finding show that execution of innovative HR polices by the firms have led them to experience better performance and competitive pressure (Singh, 2003). Innovative HR practices have brought thrust in efficiency and increase in individual productivity (Conway, 2011)

Innovative HR practices in SME's

In this cutthroat competition, implementing effective HRM is no longer confined to a context but is the execution of conventional set of practices (Kianto, 2017; Delery, 1996). SMEs must adopt new and innovative HR practices in this tremendously changing technology world. HR practice should be flexible enough to easily adjust to positive changes in organizational climate (Tai, 2014). Highlighting the realization of sustainability and environmental innovation at various levels is only possible through strategies and active role of HR management (Urbaniec and Gerstlberger, 2011). Innovation is done by digitalizing HRM practices by which strategies and various policies can be effectively implemented (Bondarouk & Ruel, 2009; Pooja Dixit, 2017). Various technologies bring potential inputs while chopping off undesired resources (Roberta Fenech, 2019; Bhumika Sharma et al. 2017).

Sustainability as A Concept

Sustainability Concept is based on social, environmental and economic aspects of an organization, also known as 3p's: People, Planet, Profits (Bolch, 2008 and Laff, 2009). While Ashley and Carney (1999) developed theory of Sustainable livelihood framework emphasizing four capital assets being financial, human and social. Sustainability can be achieved through proper planning, effective implementation of plans and HRM alignment with other operation to achieve strategic goals (Ulrich, Brockbank and Johnson, 2009). Dunphy (2003) says that sustainability results from activities that are viable to protect living species, enhances social ability, saves major problems, maintain a balance between present and future of organization stand.

HR Practices Leading to Sustainability

HR plays a vital role in supporting sustainability. Few organizations have established "sustainability councils" to focus on both social programs for employees and community along with environmental considerations. HR innovation is possible to any firm at varying degrees. It can be made as simple as a firm changing from paper-based recruitment advertising to on-line advertisements and many online services (Abdul Waheed et al. 2019.) (Amarakoon et al, 2013). Recruitment here focuses on proper induction of developing skills for stronger team and collaborative skills (Gole, 2010, Johansson, 2006). Skills important for

brainstorming greener and sustainable products and services for doing good to environment (Savitz, 2006). While Masterson et al. (2000), says training and development bring opportunities for employees to enhance their skill by accepting risk in tasks and satisfying themselves, employee with innovative skills easily meet the demand of competitive climate. Motivating employees can bring impact on performance leading to innovation (Dekoulou, J. Bus. Ind. Market, 2017). Hence, **Sustainable development commission 2010** has expressed the importance of strong leadership and commitment towards sustainable efforts of organization and highlights role of each employee from top to bottom in achieving suitability

RESEARCH METHODOLOGY

According to Clifford Woody "Research comprises defining and redefining problems, formulating hypothesis or suggested solutions; collecting, organizing and evaluating data; making deductions and reaching conclusions; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis."

The study is conceptual in nature as it tries to explore various HR practices leading to sustainability and challenges pertaining to it. The annotation aims to study the role of innovation in HR leading to sustainability in SMEs and analysis its direct impact on internal and external factors related. The study being exploratory in nature is supported by relevant literature cited. The paper presents research work and it is theoretical in a sense that its issues have not yet been studied in an empirical setting. The research work is based on poised understanding of innovative HR practices followed by its nature to make SMES sustainable. In addition, previous researches and secondary data helped in establishing a connection and helped in framing conclusions and analysis.

Objective of the study

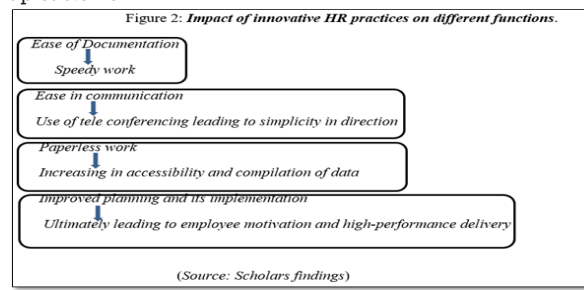
- 1) To identify the scope of integrating innovative HR practices for sustainability
- 2) To identify the challenges faced by SMEs in bringing sustainability

DISCUSSION AND FINDINGS:

Innovation is the way of transforming the resources of an enterprise through the creativity of people into new resources and wealth (Schumman, 1993). The purpose of innovation is to simplify tedious task and operated in sense to bring creativity, in other words, innovation means creative thought that is trough presentation of product, process and new services to market. Integration of innovation in HR practices has mostly served well to the organisation as said by HR serving here:

Initiatives leads to Innovative HR practices and sustainability

According to Wang (2005), innovative firms treat HRM practices as the organization's strategy to encourage team responsibilities, enhance organisational culture, and build up customer



relationships through participation and empowerment. It is important for a firm to implement supportive HRM practices that can motivate and stimulate employees to be innovative. Innovation can be either viewed as a process or an outcome. It refers to “the act of introducing something new” or can it be “a new idea, method or device”. Innovation is the way of transforming the available resources of an enterprise through the creativity of people into new resources and wealth (Schumann, 1993).

HR PRACTICES HELP TO ATTAIN SUSTAINABILITY

Various HR practices by imbining innovation in them are as follows

a. Recruitment and Selection

·Aptitude test: - hiring prospective candidate who is concern about environment, society and organisation.

·Behavioural management: - inculcating values to build sustainable environment creating more awareness and highlighting skills through right culture.

·Upgrade and innovate Selection method: - firstly, it maintains employers' reputation, attract high quality candidates through software like Application tracking system, (ATS), mobile app

b. Training And Development

·Induction: - New employee orientation for having sustainable perspective through inclusion of modules on “Sustainability”.

·Online training: - Latest Software allows bling hiring by recruiters based on ability without hassle like AI, ML (artificial intelligence, machine learning)

·Specialised knowledge: - impart apt knowledge so that employees develop their learning curve and efficiently use resources thereby increasing work productivity.

·Proper counselling and mentoring: - launching projects and promoting long term sustainability.

c. Incentives and compensation

·Performance Review system: - Sustainability goals should be incorporated into performance and included as an objective for employees with incentive attached to them.

·Incentivising teams based on Waste Control and work efficacies.

·Employees Health investment: - Activity game rooms, gym membership, paid in-office medical screening, etc.

d. Teamwork and motivation

·Workforce Unity: - Unite entire workforce to work toward sustainability as a cause with effect and measure it from time to time.

·Empowerment: Employees should be Sustainability champions across all level

·Promote Ideas: Enable employees to contribute ideas to the company through dedicated modes Like Suggestion box, Intranet, etc.

·Peer-to-peer Recognition: e.g. “thanks box” tool to show gratitude to peer employee for promoting sustainability.

·Benchmarking: -Sustainable goals and promoting excellence through benchmarking sound HR practices within industry.

HR and its people can curve a space themselves as trailblazer of sustainable businesses that put environmental and societal consideration alongside growth and profits.

VARIOUS CHALLENGES FACED BY SMES TO BRING SUSTAINABILITY

However, technology has made work of any organisation easy but when coming to SMEs, it is still a mammoth task to implement it. It is not because SMEs are not ready to adopt technology to bring sustainability but due various factors they are pulled down.

SMEs are mostly singly handled either by owner or hired HR services for the firm, so investment in technology is a big hindrance. Though this hurdle can be overcome if exact knowledge of using right technology at right place is known to the HR of SMEs. Lack of knowledge is a big question for SMEs. Further employees' attrition rate is at extreme and hence maintaining and managing them is tough. This could be sort out at initial stage of recruitment only, if they have well designed selecting and recruitment blueprint. Moreover, few SMEs are stuck with economical choices rather than ethical choices

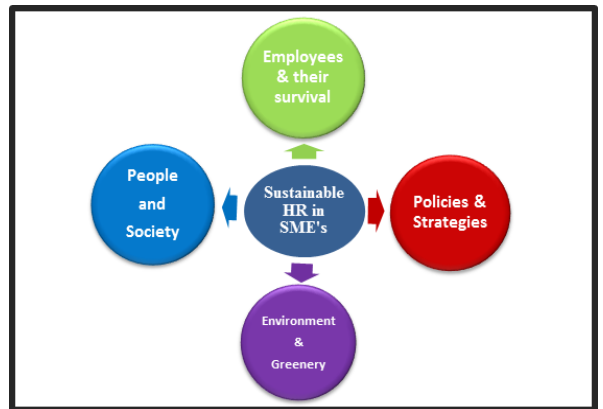


Figure 4: HR Practices for SMEs to bring Sustainability (Source: Scholars findings)

The above figure explains that it's not about dealing internal challenges but also looking at external factors effecting and getting affected by the organisations.

a) *Employees and their survival:* Indian SMEs accounts to more employment creation and making employees survive in same organisation. Making them competent enough without exploiting, is a challenging task.

b) *Policies and Strategies:* From job creation to retirement, designing policies innovatively and strategizing practices to reap organisational as well as ethical benefits is the hardest task of all.

c) *Environment and greenery:* SMEs being much larger in number are accountable to environment maintenance and bringing greenery awareness to their worker's knowledge while induction.

d) *People and society:* Healthy environment will bring good life to its country people. Thereby improve the quality of living and overall wellbeing.

So, they all being interconnect and interdependent on Organisation HR policies and practices for sustainable environment.

CONCLUSION

This paper therefore concludes that innovative HRM practices are important to foster SMEs sustainability. With

various data finding from previous research it shows that most of the SMEs are not yet into innovation mode, they are still adamant in their functioning. Few of those who have accepted socially sensitive factors, have shown positive outcome like health and safety, employee education, awareness to technology. It also states that no single HRM practice is sufficient to promote innovation, rather bundles of strategies need to be studied empirically. Therefore, this paper aims at contributing to the management of SMEs intellectual knowledge which will help them to maximize innovation using appropriate HRM practice. Indian SMEs are sprouting day by day and their nature being flexible to changes, should adopt innovation in their functioning to meet various challenges and work for sustainability, internally for organisation and externally for environment. To flourish in future and make it big.

REFERENCES

- Abdul Waheed, Xiaoming Miao, Salma Waheed, Naveed Ahmad and Abdul Majeed (2019). How New HRM Practices, Organizational Innovation, and Innovative Climate Affect the Innovation Performance in the IT Industry: A Moderated-Mediation Analysis. *Sustainability* 2019, 11, 621; www.mdpi.com/journal/sustainability
- Amarkoon, U., Weerawardena, J. & Verreynne. M.L. (2013). Competitive advantage through HR Innovation. *European Business Review*, September, 70-72
- Antoine Pierre, Anne-Sophie Fernandez (2018), Going Deeper into SMES' Innovation Capacity: An Empirical Exploration of Innovation Capacity Factors, *Journal of Innovation Economics & Management* 2018/1 n° 25 | pages 139 à 181 ISBN 9782807391888
- Ashley, C. & Carney, D. (1999). *Sustainable Livelihoods: Lessons from early experience*. London: Department for International Development.
- Audretsch, D.B.; Thurik, A.R. (2001), What's new about the new economy? Form the managed to the entrepreneurial economy. *Ind. Corp. Chang.* 2001, 10, 267-315. [CrossRef]
- Barile, S.; Saviano, M.; Landolo, F.; Calabrese, M. (2014), The viable systems approach and its contribution to the analysis of sustainable business behaviors. *Syst. Res. Behav. Sci.* 2014, 31, 683-695. [CrossRef]
- Bhumika Sharma, Satinder Pal and Hardeep Singh Saini, (2017). HRM practices for promoting innovation in SMEs: a review. *Journal of Modern Management & Entrepreneurship*, Volume 07, No. 04, October, 2017, pp. 295-298.
- Bolch, M. (2008). Speaking green. *HR Magazine*, June 2008, 58-61.
- Bondarouk, T., & Ruel, H. J. M. (2009). Electronic Human Resource Management: challenges in the digital era. Guest-editors' Introduction to a Special Issue. *International journal of human resource management*, 20(3), 505-514. <https://doi.org/10.1080/09585190802707235>.
- Business Standard. (January 20, 2013). SMEs should adopt the HR best practices. https://www.business-standard.com/article/economy-policy/smes-should-adopt-hr-best-practices-110052200024_1.html
- Conway, D. G. (April 2011). The impact of HR practices, HR effectiveness and a 'strong HR system' on organisational outcomes: a stakeholder perspective. *The International Journal of Human Resource Management*, 22(8), 81-96.
- Delery, J.E.; Doty, D.H. (1996) Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions. *Acad. Manag. J.* 1996, 39, 802-835.
- Dekoulou, P and Trivellas, P (2017), Organizational structure, innovation performance and customer relationship value in the Greek advertising and media industry. *J. Bus. Ind. Market.* 2017, 32, 385-397.
- Dunphy, D., Griffiths, A. & Benn, S. (2003). *Organizational change for corporate sustainability*. London: Routledge
- G V Narasimhan, Dr C S Ramanarayanan (2014), ISSN: 2240-0310 EISSN: 2229-5674, Analysis of training needs assessment and implementation- A comparative study of Public and Private Sector Bank.
- Goleman, D. (2010). Why leading sustainability matters more than ever. *People & Strategy*, 33(1), 7-8. <https://advisory.kpmg.us/content/dam/advisory/en/pdfs/hr-survey-2019-exec-summary.pdf>
- Hyejin Cho, Pyoungsoo Lee and Choong Ho Shin, 2019, Becoming a Sustainable Organization: Focusing on Process, Administrative Innovation and Human Resource Practices, Published: 28 June 2019, *Sustainability* 2019, 11, 3554; doi:10.3390/sul1133554 www.mdpi.com/journal/sustainability.
- Johansson, F. (2006). *The Medici Effect*. Boston: Harvard Business School Press.
- Kianto, A.; Sáenz, J.; Aramburu, N. (2017), Knowledge-based human resource management practices, intellectual capital and innovation. *J. Bus. Res.* 2017, 81, 11-20.
- Koch, C. L. Y. and J. M. P De Kok (1999), 'A human resource based theory of the small firm', RIBES nr. 9940, Rotterdam: Erasmus University Rotterdam.
- Laff, M. (2009). Triple bottom line: Creating corporate social responsibility that makes sense, T + D. February, 34-39
- Masterson, S.S.; Lewis, K.; Goldman, B.M.; Taylor, M.S. (2000), Integrating justice and social exchange: The differing effects of fair procedures and treatment on work relationships. *Acad. Manag. J.* 2000, 43, 738-748.
- Pooja Dixit (2017), Digitalisation-An Emerging Trend in Human Resource Practices. *Imperial Journal of interdisciplinary Research*, Vol-3, ISSN: 2454-1362.
- Puja Bothra, (2019). Why SMEs need HR for business growth. *HR Katha*. May 31, 2019. <https://www.hrkatha.com/leadership/why-smes-need-hr-for-business-growth/>
- Riana, I. G., Suparna, G., Suwandana, I. G. M., Kot, S., & Rajjani, I. (2020). Human resource management in promoting innovation and organizational performance. *Problems and Perspectives in Management*, Volume 18 2020, Issue #1, pp. 107-118, Creative Commons Attribution 4.0 International License
- Roberta Fenech, Priya Baguant, and Dan Ivanov, (2019). The Changing Role of Human Resource Management in an Era of Digital Transformation. *International Journal of Entrepreneurship*, Volume 22, Issue 2, 2019
- Savitz, A. & Weber, K. (2006). *The Triple Bottom Line* (pp. 12). San Francisco: John Wiley and Son.
- Schumann, P.A. Jr., (1993), 'Creativity and innovation in large organization', in Kuhn,
- Singh, K. (2003). Strategic HR orientation and firm performance in India. *International Journal of Human Resource Management*, 6(1), 23-35. <http://www.sdcommission.org.uk/publications.php?id=1140.html>, Sustainable development commission 2010, Annual Report & Accounts 2009 - 2010
- Tai, F.-M.; Chuang, S.-H. (2014) corporate social responsibility. *Ibusiness* 2014, 6, 117.
- The way we work - in 2025 and beyond*. (n.d.). 33.2017, © 2017 PwC. PricewaterhouseCoopers AG, which is a member firm of PricewaterhouseCoopers International Limited.
- Ulrich, D., Brockbank, W. & Allen, J. (2009). HR transformation. *TMTC Journal of Management*, July 2009.
- Urbaniec Maria; Gerstlberger Wolfgang, (2011). Innovation in environment-oriented networks Influence factors from case study and survey research. In: *Management of Environmental Quality: An International Journal*, Vol. 22 No. 6, 2011, pp. 686-704.
- Wang, Z.M. (2005). Organisational effectiveness through technology innovation and HRM strategies. *International Journal of Manpower*, 26(6), 481-487.