

# Chapter 7

## HR Mediated Reverse Innovation: A Study on Two MNCs in India

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### ABSTRACT

*This book chapter at the outset explains the concept of reverse innovation, through literature review and review of the practices in different organizations. The chapter then examines the reverse innovation initiatives for business sustainability and value creation of two multinationals in India; one in manufacturing and the other one is in processing (chemical). The chapter then assesses how these two organizations could achieve success, and to what extent such success can be attributed to their sustainable human resource management (HRM) practices. Through critical review of HRM practices, the study documents the best HRM practices, and concludes how multinationals in developing countries can emulate such practices for achieving results in reverse innovation for business sustainability and value creation.*

### INTRODUCTION

Organizations in developing countries can ensure business sustainability and value creation embracing reverse innovation, and success of reverse innovation can be best achieved through effective human resource management (HRM) practices. Importance of innovation for business sustainability is already recognized, and we have many research studies to corroborate this. Reverse innovation as a strategic tool to achieve business sustainability and value creation with specific reference to India is also recognized, based on GE's experience. However, with sustainable HRM practices reverse innovation can be better achieved in organizations.

Organizations globally look for sustainable and more equitable way of resource utilization; and adopt business models which are sustainable and which can ensure value creation. For last several decades, strategic human resource management (SHRM) practices helped the organizations to achieve value creation and business sustainability. SHRM practices are although focused on achieving incremental results

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in terms of profit and in the process, emphasizes on performance outcomes of people which contributes to organizational profitability and ensure value creation; it cannot ensure business sustainability from long term perspective. Underlying reason for the same is with SHRM we have embedded concept of exploitation. Researchers like; Miles & Snow, 1984; Schuler & Jackson, 1987; Lundy & Cowling, 1996; Huselid, 1995; Pfeffer, 1998; Richard & Johnson, 2001; Macky & Boxall, 2008, etc. could list such pitfalls of SHRM. Sustainable human resource management as an alternative to SHRM, on the other hand recommends the need for value accretion simultaneously to employees and to organizations. Aligning HRM practices with business sustainability, today organizations try to gain their competitive strengths.

To sustain in competition, organizations need to be innovative. Continuous innovation helps in getting the first movers advantage (for new products and services), cost competitiveness (for new processes), and the benefits of differentiation (for value addition to existing products and services). Many organizations have their independent research and development (R&D) wing, but in most of the cases they engage them in innovation. This is because invention is more fundamental, and requires series of experimentation before documenting the ideas. More precisely innovation is exploitation of creative ideas (Bhattacharyya 2002; 2012). Although operationally we consider innovation and invention as one and the same, theoretically, invention involves in generating new ideas, while innovation translates such ideas in to something new, which may be a new product or services, new processes, new strategies, and so also new ways of managing the organization. Hence it is better to define innovation as the productive invention. Very few organizations globally adopt an inclusive approach to institutionalize innovation with their business practices, but all organizations, irrespective of their size, make its best use, when they are in crisis (Bhattacharyya 2013). Those organizations that are fortunate to embed innovation in their corporate DNA allow space for collaborative incubation of ideas, leveraging the cross-functional expertise. Organization who innovates to overcome their current crisis, focus more on directed creativity (Plsek 1997) approach. Success of discontinuous innovation in the second case largely depends on the top management initiatives and the way they steer the process.

Innovation in organization gets influenced by HRM issues. This is because innovation has its ramification on the behaviour and attitudes of people, and so also the overall culture of the organizations (Krishnan et al. 1993). For its in-built innovation elements, HRM practices are considered to have the embedded cognitive and sensory constructs (Shahid and Gunasekaran 1999). McGuire (1976) defined cognitive motives to provide the sense of meaning attached by the people while they adapt with the environment. The sensory or affective motive, on the other hand, is the pursuit of the people to satisfy their emotional goals. For innovation, Bowen and Lawler III (1992) suggested HR practices focusing on organization rather than the job, group performance, egalitarianism, change and participation. Therefore, HRM practices are important enablers for organizational innovation. Among others, it calls for creating a work environment that recognizes innovation, inter-organizational co-operation rather than competition, working as cross-functional teams, productive meetings for innovative results, introduction of formal innovation programmes and finally organization's receptivity to new ideas and perspectives. Fostering innovation requires a structured approach. It has to be broadly in the given context, leadership, values and culture. Contextual analysis helps in building required innovation teams. Leaders facilitate the

From the foregoing arguments, it is clear that HRM can play a crucial mediating role in innovation and sustainable development in organizations. Obviously, innovation can help in business sustainability and value creation when mediated by sustainable HRM practices.

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