

## Chapter 22

# Evidence-Based HR– Mediated Innovative Quality Management Practices: A Study on Two SMEs of India

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### ABSTRACT

*To achieve excellence in quality is now the top priority of organizations across the globe. From conformance to standards, quality has now transcended to customer satisfaction. While many have established continuous quality improvement tools, there is not much evidence on innovation- and creativity-backed quality pursuits of organizations. To ensure innovative and creative quality improvement, organizations are required to embrace various Human Resource Management (HRM) practices. Such HR practices hand help organizations to involve all cross-sections of employees in achieving excellence through continuous quality improvement and at the same time lend support to institutionalizing the culture of innovation and creativity. This chapter investigates the innovative quality improvement strategies of two SMEs in India, which helped them in achieving business results even in a competitive economy. Both the organizations have substantial stake in the domestic and export markets. Both the organizations, despite their less competitive pay and benefits compared to other domestic and international level competitors, through their excellent HR practices, could successfully institutionalize innovative and creative quality improvement culture.*

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## **INTRODUCTION**

To gain competitive advantages, organizations world-wide now focus on innovative solution to their business problems. Innovation is a process of translating creative ideas into new products, designs, or services. More precisely innovation is exploitation of creative ideas (Bhattacharyya, 2002, 2012). Although operationally we consider innovation and creativity one and the same, theoretically, creativity involves in generating new ideas, while innovation translates creative ideas into something new, which may be a new product or services, new processes, new strategies, and so also new ways of managing quality. Hence it is better to define innovation is the productive creativity. Very few organizations globally adopt an inclusive approach to institutionalize innovation and creativity with their business practices, but all organizations, irrespective of their size, make its best use, when they are in crisis. Those organizations that are fortunate to embed innovation in their corporate DNA allow space for collaborative incubation of ideas, leveraging the cross-functional expertises, but for organizations, who innovate to overcome their current crisis, focus is more on directed creativity (Palsek 1997) approach. Success of discontinuous innovation in the second case largely depends on the top management initiatives and the way they steer the process.

Thus innovation encompasses product/services, process, managerial styles and even organizational structure. In any organization need for innovation is primarily felt to keep pace with the competition. It has to be essentially customer-focused, as this backward linkage facilitates process-centered innovative changes. Whether it is just-in-time (JIT) inventory control, supply chain management (SCM), business process outsourcing (BPO), flexible manufacturing systems (FMS), product/service customization, strategic backward or forward integration, synergy through merger or acquisition, alliances or collaboration, organizational re-engineering, TQM or six

sigma practices, new work culture as facilitator of organizational change or any R&D initiative for value addition, which broadly encompasses innovation; all stem from customers' explicit or implicit needs. Mapping customers' needs and aligning the same to innovation initiative is what we need in this competitive world. Human resource management practices are important enablers for organizational innovation. Among others, it calls for creating a work environment that recognizes creativity, 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 teams. Values enable adoption of principles, which foster innovation, and finally the culture provides the playing field.

Globally, we have some examples of organizations that earned business success by institutionalizing creativity and innovation. For example, Honda Motor Company was able to achieve improvement in engine efficiency by 35 per cent through creative solutions to problems. DuPont was able to reduce its requirements of spares parts by 80 per cent through innovative process designs (Bhattacharyya, 2012).

## **INNOVATIVE AND CREATIVE QUALITY MANAGEMENT PRACTICES IN SMES**

SMEs play most important role in developing countries including India. Apart from employment generation, in India SMEs could lend significant support in reducing the regional imbalance in economic growth. However, with the globalisation, SMEs in India now face the challenge of

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