

THE IMPORTANCE OF INNOVATION IN HRM PERFORMANCE IN MALAGASY SMEs

RABEMANANJARA Vololonirina Alisambatra

Lecturer at the University of Fianarantsoa
University of Fianarantsoa, Madagascar

ANDRIANARIZAKA Hantatiana Henimpitia

Doctor of Management Sciences
University of Antananarivo, Madagascar

RANDRIANARIJAONA Maeva

Doctor of Management Sciences
University of Antananarivo, Madagascar

RANDRIAMIHARISOA Mamy Alfa

Lecturer, Doctor HDR in Management Science
University of Antananarivo, Madagascar

ABSTRACT

The transformation of human resources management in recent years is forcing business leaders to change the way they work and the tools they use. Innovation offers inescapable opportunities when faced with the demands of human resources management. But the specific nature of SMEs in terms of size raises the question of how innovation can ensure the performance of human resources management in Malagasy SMEs.

Assuming that innovation ensures the performance of human resource management in Malagasy SMEs, this work provides analyses characterising the innovation brought about by the managers of these SMEs in the management of their human resources. Statistical tests of the results of a survey of a sample of 121 SMEs revealed the importance of innovation in the performance of human resources management.

Key words: *SME, Innovation, HRM, Recruitment, Career management, Involvement, Performance.*

INTRODUCTION

Since the work of March (1991), the idea that a company's success depends on its ability not only to optimise existing knowledge and improve efficiency, but also to explore radically new opportunities, has been widely accepted in management literature. Innovation has now become a vital requirement for companies to prosper. If they are to stand out from the crowd and remain competitive, companies know that they must align themselves with this process. Innovation tests an organisation's ability to convert its creative ideas into something concrete with added value, which can give them an advantage in terms of sustainable development and competitiveness.

Innovation triggers numerous changes in management methods and tools to facilitate its growth, rather than slowing it down (Atamer T. et al., 2005).

Companies that develop new products or processes are also recognised as innovative, and a great deal of research highlights the alliance between technological and organisational innovation.

Furthermore, if we consider the specific context of SMEs, there is reason to question their capacity to innovate (Rosenbusch, Rauch and Bausch, 2011). The small size and flexibility of SMEs means that they are likely to evolve rapidly and adjust more quickly than large companies (Nooteboom, 1994; Vossen, 1998); but on the other hand, the limited resources of SMEs and their greater vulnerability to failure (Eisenhardt and Martin, 2000) or temporary unprofitability (Block and MacMillan, 1993) would hamper their capacity to invest or take risks in innovation (Majchrzak, Cooper and Neece, 2004, Danneels, 2002).

However, there is no denying that in order to position themselves in a highly competitive market, SMEs are obliged to embark on a process of innovation, especially at organisational level, given that their small size is always accused of slowing down their development. This raises the question of precisely how innovation can improve the performance of human resources management in SMEs.

In the context of a Malagasy SME, innovating does not require the same strategy as a large company in terms of its financial, human and technical resources. However, the size of an SME is not necessarily a determining factor in bringing about innovation (Symeonidis George, 1996). In fact, some research has shown that the small size of a company can be a factor that facilitates innovation, because it has the ability to integrate flexibly, as well as the entrepreneurial skills that enable it to survive in a market (Brouwer and Kleinknecht, 1996).

Thus, based on the hypothesis that innovation ensures the performance of human resource management in SMEs, the aim of this work is to evaluate the capacity of SMEs to innovate in the management of their human resources in order to determine the impact of this innovation on the performance of their HRM.

The results of an opinion poll of a sample of 121 Malagasy SMEs will be processed and analysed using statistical tools in order to obtain databases that can be used to confirm or refute the initial hypothesis.

I- CONCEPTUAL BASIS

The notion of innovation is a multi-disciplinary and polysemous concept (Leymarie, 2003) which is closely related to other notions such as change, creativity, invention and entrepreneurship. Some authors choose to include creativity upstream of innovation, in a more global model of analysis (Woodman, Sawyer and Griffin, 1993).

Broadly speaking, Schumpeter's definition of innovation encompasses technological, commercial and organisational innovations (Boer and During, 2001). Some authors, on the other hand, limit themselves to distinguishing between technological innovations (designating both product and process innovations) and administrative innovations (including organisational innovations).

Other authors, such as Tidd, Bessant and Pavitt (1997) and Boer and During (2001) identify three types of innovation: product, process and organisational innovations.

Organisational innovation refers either to an organisational change that has occurred in the last three years, such as the existence of workgroups, autonomous teams or the introduction of a new procedure. In fact, any transformation in the organisation of work, in the knowledge management system, in the method of mobilising creativity, as well as new forms of relations between companies and their employees, are considered to be organisational innovations.

Historically, companies sought to organise the quality-cost-delay triptych. Now, the target strategy is to master the quality-cost-delay-innovation tetralogy. In an increasingly demanding environment (globalisation,

competition, etc.), this strategy, based on the need to innovate, has become essential, particularly for SMEs, which have specific organisational requirements.

II- RESULTS

The results that follow focus mainly on the situation of Malagasy SMEs in terms of innovation in the management of their human resources, and in order to verify the initial hypothesis, an evaluation of their performance in this function is necessary.

2.1 Innovation in HRM practices

The table below shows objectively and significantly that, when it comes to HRM innovation, the older the company, the more likely it is to innovate. In fact, according to the results of our survey, over 70% of company managers or representatives agree or strongly agree that they have introduced innovations in HRM, compared with just over 50% of those over 10 years old.¹

Table 1 : Distribution of HRM innovation by age of company

Innovation in HRM Age of the company	Strongly disagree	Disagree	Somewhat agree	Agree	Strongly agree	TOTAL
Less than 5 years	5,0%	6,7%	3,0%	71,7%	16,7%	100%
Between 5 and 10 years	12,5%	2,1%	12,5%	68,8%	4,2%	100%
More than 10 years	10,0%	5,0%	30,7%	50,0%	4,3%	100%

Source: Authors, 2023

HR practices represent the operational implementation of HR policies. They cover all the day-to-day activities involved in human resources management, in particular recruitment, career management, payroll management and monitoring and evaluation of the company's staff.

Overall, the results of our analyses reveal a fairly average level of innovation in the field of HRM. In fact, just over half of the company directors and representatives surveyed stated during our field visits that their employee recruitment system (53.3%) and career management system (56%) were not innovative at all. 53.3% of them said that their payroll management system was largely innovative. And employee appraisal monitoring is partly innovative, according to 50.3% of respondents.²

Table 2 : Breakdown of areas of use of innovation in HRM

Level of innovation	Not at all	Partly	Moderately	Largely	Totally	TOTAL
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¹ The dependence of respondents' opinions on the age of their company is highly significant. $\chi^2 = 40,68$, $ddl = 8$, $1-p = >99,99\%$.

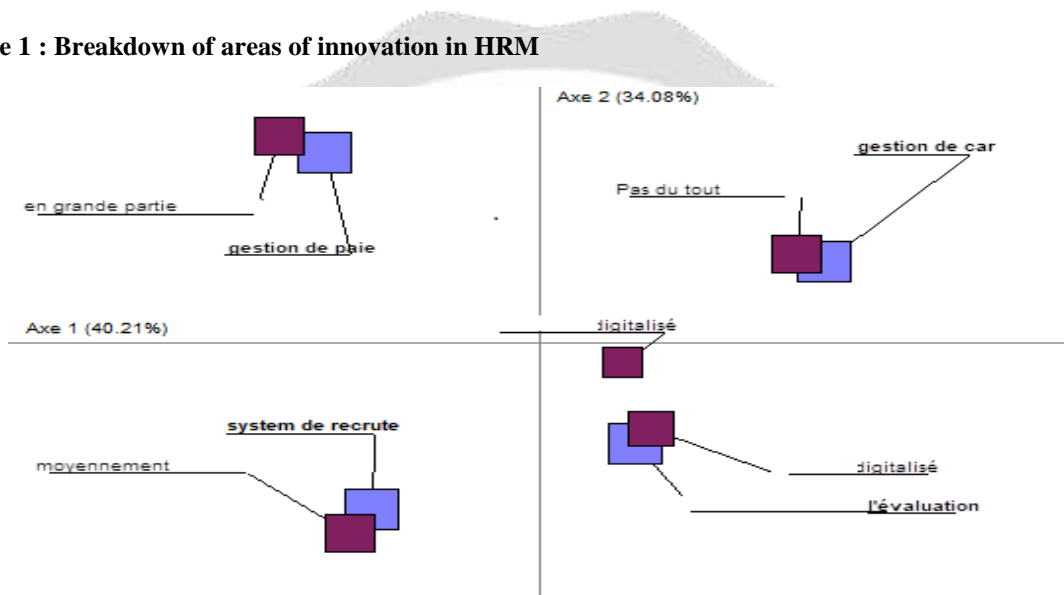
² The dependence of respondents' opinions is very significant. $\chi^2 = 181,44$, $ddl = 12$, $1-p = >99,99\%$.

Innovation in HRM	innovative	innovated	innovative	innovative	innovative	
Recruitment	53,3%	10,7%	13,3%	13,3%	9,3%	100%
Career management	56,0%	14,7%	6,7%	8,0%	14,7%	100%
Payroll management	13,3%	10,7%	12,0%	53,3%	10,7%	100%
Assessment	10,7%	50,3%	9,7%	8,0%	21,3%	100%

Source: Authors, 2023

Opinions are illustrated graphically in the concept map below, which is the result of a factorial correspondence analysis of the two variables used in our analysis.

Figure 1 : Breakdown of areas of innovation in HRM



Source: Authors, 2023

Organisation and procedures are an integral part of HRM. To this end, our study also focused on the administrative practices of SMEs in HRM.

According to the opinions of the interviewees, we analysed the level of innovation in these administrative practices with reference to communication and work tools, as well as work procedures and staff monitoring. More than half the companies stated that they had introduced innovations in their communication systems (52%), while work tools were moderately innovative (50.7%). On the other hand, 56% of respondents felt that innovation in work procedures had been carried out to an average degree. The same proportion of respondents felt that innovation was only partly carried out in personnel monitoring.³

Table 3 : Distribution of the level of innovation across administrative practices

Level of innovation Innovation practice	Not at all innovative	Partly innovated	Moderately innovative	Largely innovative	Totally innovative	TOTAL
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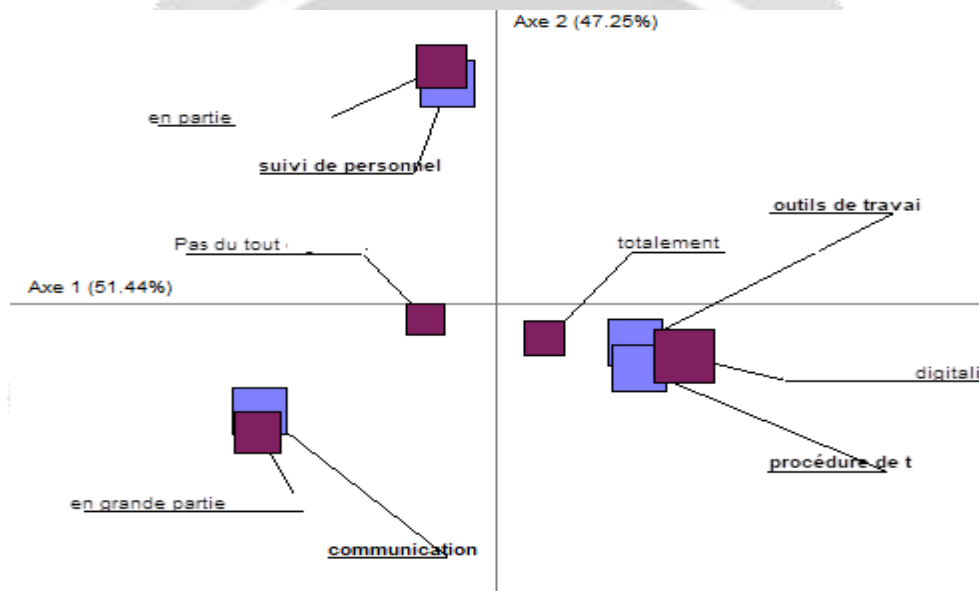
³ La dépendance des opinions des enquêtés est très significative. $\chi^2 = 153,85$, $ddl = 12$, $1-p = >99,99\%$.

Communication	17,3%	10,7%	8,0%	52,0%	12,0%	100%
Work tools	8,0%	12,0%	50,7%	9,3%	20,0%	100%
Work procedures	12,0%	8,0%	56,0%	10,7%	13,3%	100%
Personnel monitoring	12,0%	56,0%	14,7%	8,0%	9,3%	100%

Source: Authors, 2023

The graphical illustration of these different opinions on the level of innovation through administrative practices is presented below by the factorial map of the factorial correspondence analysis.

Figure 2 : Distribution of the level of innovation across administrative practices



Source: Authors, 2023

The scoring of respondents' opinions on innovation according to their number of years of experience in the field shows that companies which have been innovating for less than 3 years and those which have been using innovation for more than 10 years are almost in agreement (with scores very close to 4) about innovation in the organisation's work tools and procedures. Those with 3 to 10 years' experience mention innovation in the company's internal communication. With scores hovering around 2, we can say that the managers and representatives of the companies surveyed are fairly unanimous about the absence of innovation in personnel monitoring.

Table 4 : Distribution of average scores for the opinions of company representatives on innovation according to their number of years of experience in the field

Innovation Experience in innovation	Internal company communication	Work tools	Work procedures in the company	Staff monitoring
Less than 3 years	2,87	3,87	3,93	2,17
3 to 6 years	3,54	3,13	2,97	2,11
7 to 10 years	3,20	3,20	2,80	2,00
More than 10 years	3,18	3,85	3,88	2,19

Source: Authors, 2023

2.2 HRM performance in SMEs

It should be remembered that HRM performance is measured in general terms by HRM practices and employee involvement and satisfaction.

The opinions of the managers and representatives of the companies surveyed on the effectiveness of recruitment in relation to innovation practices are summarised in the statistics in the frequency distribution table below and allow us to say that, generally speaking, the respondents are unanimous on the effectiveness of innovation in recruitment practices in their companies.

Table 5 : Distribution of opinions on the effectiveness of recruitment in relation to innovation practices

Opinions on efficiency Innovation in recruitment practices	Strongly disagree	Disagree	Somewhat agree	Agree	Strongly agree	TOTAL
Posting job offers	9,3%	18,7%	9,3%	50,7%	12,0%	100%
Response to job offers	9,7%	9,3%	12,3%	58,0%	10,7%	100%
Suitability of recruitment	17,3%	21,3%	6,7%	52,0%	2,7%	100%
Trial periods exceeded	7,0%	8,3%	12,0%	59,3%	13,3%	100%

Source: Authors, 2023

Over 60% agreed or strongly agreed that the recruitment system had been innovative in terms of job advertisements reaching the various target groups and the abundance of responses to advertisements, but also in terms of the suitability of recruitment and the efficiency of new recruits who managed to complete their probationary period.

However, these different trends in opinions or information on the effectiveness of innovation in recruitment practices only apply to our study sample. This leads us to say that the effectiveness of the recruitment system resulting from innovations may or may not be present in the different recruitment practices at company level.

As for the future of career management after the adoption of innovation by companies, our results show that company managers and representatives are unanimous in their opinions. Slightly more than half of those

surveyed, i.e. exactly a little over 52%, said that they more or less agreed with the objectivity of innovation in terms of assignment and promotion as well as training and assessment.⁴

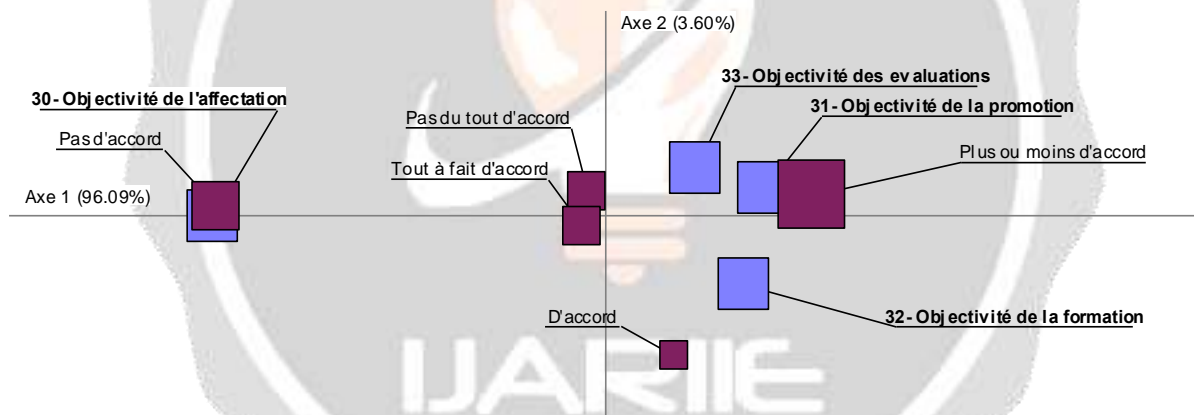
Table 6 : Breakdown of respondents' opinions on the objectivity of career management

Opinions on objectivity Innovation in the career function	Strongly disagree	Disagree	Somewhat agree	Agree	Strongly agree	TOTAL
Assignment	14,7%	10,7%	52,0%	6,7%	16,0%	100%
Promotion	14,7%	10,3%	52,3%	8,0%	14,7%	100%
Training	12,0%	7,3%	52,7%	13,3%	14,7%	100%
Assessments	11,3%	16,0%	52,7%	6,7%	13,3%	100%

Source: Authors, 2023

The graph below provides a better illustration of respondents' opinions on the objectivity of career management following innovation.

Figure 3 : Breakdown of respondents' opinions on the objectivity of career management



Source: Authors, 2023

This representation highlights the disagreement of managers and company representatives on the objectivity of the post-innovation assignment in terms of career management.

With regard to the involvement and satisfaction of employees following the innovation adopted by the company, our study reveals a positive finding according to the opinions of company managers and representatives. More than 60% of those interviewed agreed, or even strongly agreed, that company employees show all kinds of emotional, normative and calculated involvement, as well as expressions of satisfaction and well-being at work.

However, these employee behaviours are only valid for our study sample, because according to the results of the chi-square test, there are no significant differences between the different percentages found.

⁴ Dependence is very significant. $\chi^2 = 67,42$, $ddl = 12$, $1-p = >99,99\%$.

We can therefore say that innovation in HRM may or may not result in employee involvement, satisfaction and well-being at work.

Table 7 : Breakdown of respondents' opinions on employee involvement and satisfaction

Opinions Event	Strongly disagree	Disagree	Somewhat agree	Agree	Strongly agree	TOTAL
Affective implication	6,0%	17,3%	10,7%	55,3%	10,7%	100%
Normative implication	10,7%	12,0%	12,0%	54,7%	10,7%	100%
Calculated involvement	10,7%	13,3%	6,7%	56,0%	13,3%	100%
Satisfaction	13,3%	14,7%	10,7%	57,3%	4,0%	100%
Well-being	12,0%	10,7%	14,7%	53,3%	9,3%	100%

Source: Authors, 2023

III- DISCUSSIONS

The aim here is to verify the impact of innovation on the effectiveness of human resources management in Madagascan SMEs.

The validation of this hypothesis, which suggests that innovation guarantees the performance of HRM in SMEs, is based on 3 groups of correlation analyses, which first look at innovation in the recruitment system, then at career management, and finally at working methods and conditions in relation to their respective impacts.

Correlation analyses using Pearson's correlation test between innovation in the recruitment system and the various impacts in this area all produced significant p-values below the risk of error of 0.05, demonstrating that the greater the level of innovation adopted by the company, the greater the impact in terms of the effectiveness of offers, in this case the number of people reached by the offer and also the increase in responses to job offers on the one hand, but on the other, the greater the number of trainee candidates who have exceeded the trial periods and the effectiveness of new recruits.

Table 8 : Correlation of recruitment system innovation with impacts

		Effectiveness of job offers	Increase in responses to job offers	Effectiveness of new recruits	Probationary periods for new recruits exceeded
Innovation in the recruitment system	Pearson correlation	-,131	-,171	,222	,016
	Sig (two- tailed)	,011	,022	,001	,035

Source: Authors, 2023

The objectivity of the career management innovation, on the other hand, according to the correlation analyses carried out, is only significant for the assignment (p-value less than 0.001). We can therefore say that the greater the level of innovation in career management, the more objective the assignment is considered to be by company managers and representatives.

Table 9 : Correlation between career management innovation and impact

		Objectivity of the assignment	Objectivity of the promotion	Objectivity of training	Objectivity of the assessment system
Innovation in career management	Pearson correlation	,392	-,152	,034	-,143
	Sig (two-tailed)	,001	,192	,772	,221

Source: Authors, 2023

In relation to the analysis of the correlation between the innovation of working methods and conditions and the different types of organisational commitment and satisfaction with the HRM system and the well-being of employees at work, the p-values presented in the table below allow us to suggest that only calculated commitment could be positively impacted by the innovation of working methods and conditions, given the p-value of less than 0.05. The Pearson correlation coefficient is positive at 0.308, which implies that the greater the contribution of innovation of working methods and conditions within organisations, the greater the manifestation of calculated commitment by employees.

The positive Pearson correlation coefficient of 0.308 implies that the greater the contribution of innovation in working methods and conditions within organisations, the greater the degree of involvement calculated by employees.

The other p-values, all below 0.05, suggest that innovation within the company has no impact on either the manifestation of affective involvement or the calculated involvement, given that this practice could generate negative psychological effects that lead employees to consider themselves as oppressed, given the existence, for example, of infallible digital surveillance tools in the workplace or production area.

In addition, the insignificant p-values of 0.874 and 0.165 associated with the expressions of satisfaction with the HRM system and well-being at work following the innovations in the working methods and conditions of the companies' employees allow us to say that the amplification of this digital strategy in no way ensures either satisfaction or well-being.

Table 10 : Correlation of innovation in working methods and conditions with manifestations of organisational implications, HRM satisfaction and well-being at work

	Manifestation				
	Affective implications	Normative implications	Calculated implication	Satisfaction with the HRM system	Well-being at work

Innovative working methods and conditions	Pearson correlation	-,116	-,191	,708	-,019	,162
	Sig (two-tailed)	,320	,100	,007	,874	,165

Source: Authors, 2023

In view of the results obtained from the 3 groups of correlation analyses, we can affirm that innovation ensures the performance of human resources management in SMEs.

CONCLUSION

In conclusion, Malagasy SMEs, whatever their sector of activity and their turnover capacity, are currently opting for innovation. Human resources management is important, as it is the primary resource for ensuring that the business runs smoothly. This mission is doubly difficult given that the Human Resources function is itself undergoing a profound transformation in its usual way of doing things: recruitment management, career management, pay management, training management, social management and communication. Innovation is therefore becoming essential in order to carry out these various tasks. An analysis of the results of this study, showing the role of innovation in human resources management in SMEs, confirms that innovation ensures the performance of human resources management.

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