

# Do HRM practices facilitate innovation? A qualitative study in a developing country

Ilhaamie Abdul Ghani Azmi

*Department of Shariah and Management, Academy of Islamic Studies,  
University of Malaya, Kuala Lumpur, Malaysia, and*

Junaidah Hashim

*Department of Business Administration,  
Kulliyah of Management Sciences and Economics,  
International Islamic University Malaysia, Kuala Lumpur, Malaysia*

## Abstract

**Purpose** – The purpose of this study is to examine the implementation of human resource management (HRM) practices that facilitate innovation in the public sector in a developing country.

**Design/methodology/approach** – Qualitative method was engaged whereby a semi-structured interview was conducted to get the responses of two groups of employees which are top management and executive in two types of public organizations which are awarded and non-awarded. The collected data was later analyzed thematically.

**Findings** – The results show that there are differences and similarities among the public agencies in terms of their implementation of HRM practices that facilitate innovation. Apparently, the awarded public agencies do follow HRM practices that really facilitate innovation such as local training, provide more types of rewards to their employees and set a higher minimum level of innovation in their performance evaluation.

**Research limitations/implications** – This research confines only 10 public agencies in Malaysia. Future studies might want to include a larger sample size to make the findings more extensive. It also would be interesting to know different approaches in HRM implemented in the private organizations as well as to examine their influences on performance and other organizational factors.

**Practical implications** – Good and fair HRM practices such as training, reward and performance appraisal practices that focus on innovation facilitate and produce more innovative employees and organization innovation. Thus, public managers should implement them to a higher extent.

**Originality/value** – To the best of the authors' knowledge, this is the first study that aims to engage the qualitative method in understanding how HRM practices can facilitate innovation in a developing country.

**Keywords** Human resource management practices, Innovation, Public service, Developing country

**Paper type** Research paper

## 1. Introduction

Innovation is rarely linked to the public sector since its primary goal is to provide citizens and community services. In short, profit is not its primary objective. The absence of studies on this affirms this matter, especially on the function of human resource management (HRM) practices in facilitating innovation, particularly in a developing country's public sector. The underlying mechanism through which HRM practices have enhanced innovation in the



---

public sector requires further investigation. This paper examines HRM practices that facilitate innovation in public service in a developing country, given that innovation is necessary for growth. Since most existing studies were quantitative, this study will use the qualitative method to fill the research gap.

HRM practices  
and innovation  
in a developing  
country

## 2. Literature review

### 2.1 Innovation

The four stages of innovation are idea generation, selecting the best idea, completion and implementation. Whenever public agencies and private companies implement innovation, it affects performance and becomes a source of sustainable competitive advantage. The OSLO Manual, which the [OECD \(2005\)](#) developed, defined the features we can use to measure innovation performance in innovation output (e.g. the number of new products produced, increase in the quality of the work, improvement of the systems) and impact of innovation (e.g. changes in competition, market expansion, increased productivity, profit and environmental impact).

Malaysia is currently ranked 33rd in the Global Innovation Index, attaining a score of 45.60% among the upper-middle-income countries. The Southeast Asian region reached 8th place and 41st middle-income economy ([Global Innovation Index, 2014](#)). Later, Malaysia was ranked 37th in the Global Innovation Index in 2017 compared with 35th in 2016 and 32nd in 2015 ([The Star, 2017](#)). In 2019, Malaysia climbed to 2nd place in the middle-income countries, 8th in the Southeast region and 35th in the overall quality of innovation ([Global Innovation Index, 2019](#)).

The level of innovation in Malaysia remains low, and Malaysia still lags behind its nearest neighbor, Singapore. [Tan and Nasurdin \(2010\)](#) reported that Malaysia had a low GDP ratio for three consecutive years of 0.69 in 2002, 0.63 in 2004 and 0.64 in 2006. In contrast, Singapore's GDP ratio was 2.19 in 2002, 2.25 in 2004 and 2.39 in 2006, almost three times greater than Malaysia.

Thus, subject-matter experts must determine the factors that significantly influence innovation. This determination is pertinent to Malaysia's success. Past studies have examined many factors that support innovation. [Fernandez and Pitts \(2011\)](#) found factors that promote bottom-up innovation, including reward, training, development, employee empowerment and involvement in decision-making and high-exchange dyadic relationships with supervisors. As many of the identified factors pertain to HRM practices, this article will examine HRM practices that facilitate innovation in public services of a developing country.

### 2.2 Public sector

Subject matter experts categorize organizations into public, private and non-profit organizations. The difference between the public and other types of organizations is that public sectors tend to be more bureaucratic and hierarchical. Furthermore, public agencies offer employees restricted autonomy, as decision-making is centralized in the higher authority. As they are the government, public organizations are less competitive because each has a different function in providing services to the citizens, and there is no role similarity. In addition, public sector organizations tend to have higher formalization and function based on direct government orders. However, an advantage is that public sector employees enjoy greater job security than those in the private sector ([Fernandez & Pitts, 2011](#)).

The Malaysian public sector comprises bureaucratic and formal organizations ([Siddiquee, 2016](#)). Malaysia lies in the southeast Asia region alongside Indonesia and Brunei, below Thailand and above Singapore. It is a developing country, leading researchers to investigate HRM practices that facilitate innovation in the Malaysian public sector.

### 2.3 HRM practices and innovation

HRM practices include recruitment and selection, training and development, performance management, rewards, compensation, safety, health and other departments. Employees' desired knowledge, skills, abilities, values and attitudes, known as competencies, are shaped through these practices. The public servants will later use these competencies to be creative and innovative in their workplace. Thus, HRM practices assist employees in forming intellectual capital, leading to attaining competitive advantages (Wong, Tan, Ng, & Fong, 2013). Therefore, managing human resources differ from managing other assets as it needs skills and systems. Subject matter experts consider HRM as one of the most significant factors in a firm's innovative behavior in innovation theory (Wang, Lamond, & Zhang, 2013).

Many studies on innovation have tried to determine which HRM practices affect a firm's capabilities in producing innovation. Furthermore, scholars have tested many different concepts of HRM in this relationship, such as "universalistic perspective" or the "best practices" approach to Strategic HRM (SHRM) (Harmen & Pitaloka, 2014; Wei, Liu, & Herndon, 2011; Aryanto, Fontana, & Afiff, 2015; Agolla, 2018), High Commitment Management (Ceylan, 2013; De Saa-Pérez & Díaz-Díaz, 2002), High-Performance HRM (Giauque, Anderfuhren-Biget, & Varone, 2013), High Involvement HRM (Prieto & Pérez-Santana, 2014) and High Performing Work System (HPWS)/High Involvement Work System (HIWS). HPWS/HIWS is a set of distinct but interconnected human resource practices to attract, retain and motivate employees (Van Houten and Demetriades, 2018; Rasheed, Shahzad, Conroy, Nadeem, & Siddique, 2017; Chen, Li, & Wu, 2016; Mo, Wang, Van Jaarsveld, Lee, & Ma, 2016; Lu, Zhu, & Bao, 2015).

An organization's HRM practices may effectively shape employee attitude, direction and commitment in accordance with the firm's objectives. High levels of intrinsic motivation are required among employees to produce innovation and HRM practices. HRM practices serve as a corporate culture for employees to innovate (Khoreva & Wechtler, 2018), as they attempt to inculcate the spirit of innovation among employees.

Several studies have found direct relationships between HRM practices and innovation. SHRM practices (recruitment and selection, training, development, compensation and rewards) refer to organizational performance. Innovation is among the SHRM measures alongside service quality and growth (Alaraqi, 2017). HRM practices are known as high-performing work systems (HPWS) (Fu, Flood, Bosak, Morris, & O'Regan, 2015). In contrast, HRM bundles refer to performance management and appraisal, knowledge sharing, involvement and empowerment in manufacturing and service firms (Crowley & Bourke, 2017). The results show that HRM practices applied together are more effective in influencing innovation performance than when applied individually (Laursen, 2008). For example, Walsworth and Verma (2007) stated that variable pay adds little to workplace innovation, and autonomy training positively affects Innovation. Thus, HRM bundles, or complementarities, must work together to improve performance.

However, collaborative HRM practices affect innovation through mediating variables (Donate, Pen'a, & de Pablo, 2010). These mediating variables can be:

- (1) the essential HR practices that increase effort through the employee's IWB – Innovative Work Behaviour – (Hazoor, Rehman, & Hussain, 2016) and
- (2) the essential HR practices to increase motivation through employees' psychological well-being (Khoreva & Wechtler, 2018).

Innovative Work Behavior (IWB) is a concept through which employees seek to improve existing processes and products by reassessing well-known and general ideas and unlearning old methods. They propose creative ideas and encourage implementation (Sanz-Valle & Jiménez-Jiménez, 2018).

The following variables are mediators between HRM practices and innovation:

- (1) IWB (Sanz-Valle & Jiménez-Jiménez, 2018),
- (2) work environment (Prieto & Pérez-Santana, 2014),
- (3) creativity climate (Heffernan, Harney, Cafferkey, & Dundon, 2016), team member exchange (TMX) (Fu *et al.*, 2015),
- (4) SMEs learning capability (Lai & Kwang, 2014),
- (5) organizational learning (Sanz-Valle & Jiménez-Jiménez, 2018; Tabasi & Seyed Mehdi, 2014; Raj & Srivastava, 2013),
- (6) innovation capability (Aryantoa *et al.*, 2015),
- (7) organizational citizenship behavior (OCB) (Saddam, 2017).

Zanko, Badham, Couchman, and Schubert (2008) conducted an in-depth case study on a Eurotech company's failure to implement new product development (concurrent engineering) by a Eurotech company. They explained that the failure was due to the absence of HRM practices caused by organizational power struggles.

The impact of HRM practices on innovation is more noticeable in manufacturing than in the service sector, especially the public sector. Thus, this study is the impetus of this study. Moreover, the lack of studies that engage qualitative methodology has triggered this study. This study will focus on selected HRM practices such as training and development, performance appraisal, reward and promotion. Employees with innovative capabilities are assets of an organization. Thus, companies should appropriately treat them by sending them to train, enhancing their performance and paying, rewarding them sufficiently and promoting them at the right time.

*2.3.1 Training and development and innovation.* On-the-job and off-the-job training can be formal and informal. Training is a significant predictor of employee innovativeness. Its dimensions comprise prospect exploration, idea generation, idea promotion and idea implementation influencing the employees' performance. Abdullah, Lee, Wahab, and Shamsuddin (2014) found that training explained 28.8% of the variance in employee innovativeness.

Studies also found that training was positively linked to three dimensions of organizational innovation: product innovation, process innovation and administrative innovation (Tan & Nasurdin, 2010). Similarly, Irfan Ullah and Hameed (2015) found that training and employee recognition were positively correlated with three dimensions of organizational innovation, namely (1) product innovation, (2) process innovation and (3) organizational innovation. Dostie (2018) affirmed that more training leads to more product and process innovation.

Both on-the-job and off-the-job training and development affect a firm's innovative performance (Boadu, Yu, Du, & Dwomo-Fokuo, 2018; Diaz, Mar Bornay, Alvaro, & Cabrales, 2012). Berber and Lekovic (2018) found statistically significant associations between the effectiveness of training expressed by systematic assessment of training practice and the methods of employees' training, i.e. use of projects to motivate learning, on-the-job training, development centers, use of international work assignments and mentoring with the level of Innovation. However, they did not find any relationship between training and innovative performance. Thus, mechanisms should be in place to increase innovation. Public and private organizations can create climates that boost employees' skills and knowledge learned during training. It means that public organizations need to build an organizational climate that accepts employees' mistakes made during their attempts to transfer new knowledge and

skills gained from training (Fernandez & Pitts, 2011). HRM practices through training and development can serve innovative climate for the employees.

*2.3.2 Performance management and innovation.* Performance management is an essential function in any organization. Without it, no organization can ensure its objectives' achievement. Human resources or workers are the assets through which organizations will achieve their objectives. Thus, analysts must avoid biases in the performance appraisal process, and problematic employees need to receive proper advice to avoid affecting the organizations' performance of Aminuddin (2018).

There are mechanisms through which specific public organizations monitor and assess their employees bi-annually or annually, based on performance. Those who are innovative are certainly at an advantage. Studies reveal that individual innovation connects with consistent employee performance management. LMX (leader-member exchange) functions as a moderator in this relationship. Thus, ongoing employee performance management includes consistent, continuous monitoring and feedback (Audenaert, Decramer, George, Verschuere, & Van Waeyenberg, 2016). Employee performance management will make employees deliver a more significant amount of individual innovation in high-quality LMX relationships.

Studies have shown that performance appraisal and career management are significant predictors of innovation (Aman, Tayyba, Khan, Ali, & Yasin, 2018). Performance appraisal may also positively affect administrative innovation (Tan & Nasurdin, 2010). Mohammed Khaled's study (2012) showed that performance appraisal practice connects positively and significantly with service innovation in Malaysian Islamic banks. Irfan Ullah and Hameed's studies (2015) also showed that performance appraisal positively influences administrative innovation.

Ukko, Hilden, Saunila, and Tikkamaki (2017) showed many possibilities to exploit performance management through reflective practice to raise innovativeness and performance. Their study has three main implications:

- (1) Anyone can learn and develop reflective practice.
- (2) Reflective practice is attached to innovativeness and performance.
- (3) Performance management through performance measurement systems can assist in targeting the reflective practice.

*2.3.3 Reward and innovation.* Organizational rewards are intrinsic and extrinsic. Intrinsic rewards are non-monetary rewards such as compliments, recognition and appreciation. In contrast, extrinsic rewards are monetary, such as pay, wage, incentives and allowances. De Clercq, Thongpapanl, and Dimov (2015) found a positive relationship between reward interdependence and product innovation that is invigorated at higher levels of job rotation. Hafiza, Shah, Jamsheed, and Zaman (2011) found a positive relationship between financial reward and employee motivation. In contrast, non-financial rewards such as recognition, appreciation and empowerment showed weaker employee motivation.

Zhou, Zhang, and Montoro-Sánchez (2011) found that tangible extrinsic rewards affect employees' innovative behavior in an "inverse-U" shape. It means that more extrinsic rewards need to be provided to the employees to encourage them to innovate, as rewards will increase motivation at the beginning of the innovation phase. However, it will decrease as public servants start to face problems and challenges in innovating in the process. Organizations will respond by giving more intrinsic rewards, and, eventually, the motivation to innovate will increase at a later point. That black point is indefinite, and it is exceedingly challenging to specify. Organizations need to experience this point to know the exact time to insert more rewards to motivate their employees to be more innovative.

Due to tight budgets, the public sector may face difficulties using performance-based pay to motivate public servants to innovate. Moreover, studies have found that variable pay

contributes marginally to innovation in the workplace (Walsworth & Verma, 2007). The relationship between performance-based pay systems and innovation is complex (Wallo, Kock, & Nilsson, 2016). Thus, intrinsic rewards can be equally or even more effective in motivating public sector employees to innovate. Such intrinsic rewards could be job security, challenging and meaningful work, achievement orientation and serving the public interest.

Public employees regard IWB as an extra-role behavior for which they need clear signals and expect to be rewarded (Bos-Nehles, Renkema, & Janssen, 2017). Hence, an innovative organization must adopt a proper compensation strategy (Panigrahy & Pradhan, 2015). Interestingly, rewarding the innovative changes in processes rather than rewarding the innovative changes in outputs and outcomes seems to intensify innovation.

Ab Ab Rahman and Ismail (2018) studied three factors contributing to innovation management in the Malaysian public sector: leadership skills, innovative culture and reward system. The interviews results suggested that, in the organization, an employee, especially a leader, should commit fully to the innovative culture. Furthermore, the leader must be supportive, have excellent communication with employees and provide attractive rewards to motivate the innovative culture toward successful management innovation.

On the other hand, Fernandez and Moidogaziev (2011) believe that giving rewards does not increase innovation, unlike empowerment. Empowerment means giving employees discretion to change work processes, enhancing motivation to innovate. It also means that employees need not report to their superiors regularly. However, it is crucial to know to what extent this is workable in the public sector as bureaucracy is essential in this kind of organization.

*2.3.4 Promotion and innovation.* Promotion is part of career development practice, as the career development objective is to get promoted. According to Gupta and Shaw (2014), in-house promotion influences employees' loyalty, commitment and innovation. Siengthai and Bechter (2001) found that HRM policies and practices connect significantly and positively with a firm's level of innovation within its industry, where internal promotion is one such practice. Similarly, De Saa-Pérez and Díaz-Díaz (2002) found that high commitment lies where HRM has internal promotions that positively affect organizational innovation.

Other studies found mediating effects in the relationship between promotion practice and innovation, such as employee voice (Rasheed *et al.*, 2017), TMX (Fu *et al.*, 2015), human capital and employee motivation (Jiang, Lepak, Hu, & Baer, 2012).

### 3. Theory

In summary, the literature review indicated that HRM practices affect innovation through a tendency toward training and development, performance management and reward practices. Such a tendency justifies the rationale for researching selected variables. However, as there are few direct results, the findings are inconclusive. Hence, this study examines the influence of these selected HRM practices on innovation: training and development, performance and management, promotion and reward using a qualitative method (Ab Rahman & Ismail, 2018).

The findings also affirm the theory of social exchange and equity. This theory posits that employers encourage their employees to become more innovative in their tasks when they offer them equitable rewards and promotions for their innovation. Social exchange and equity theory also hold for the human capital theory, which posits that training using specific methods and tools will result in more innovative workers.

### 4. Materials and methods

Due to a lack of qualitative studies, this study uses a qualitative research design to achieve the research objectives like the approach adopted by Ab Rahman and Ismail (2018) and

Zanko *et al.* (2008). Furthermore, due to changes in government, a quantitative study is not appropriate for reasons of revisions in policies and practices. This study engages multiple case study designs. The case studies consist of data collection through document studies and interviews. The authors developed interview questions based on past studies such as Agolla and Van Lill (2017) and others. The interview questions were pilot tested on top management and executives in two public agencies before the authors finalized the questions. The authors did not include these two public agencies in the final data analysis. The authors edited the questions after receiving incorrect responses. The informants could not understand the questions and made incorrect interpretations. Later, after much editing, the authors finalized the interview questions.

The four HRM practices investigated in this study are training and development, performance evaluation, reward and promotion. These four practices connect with innovation in the Malaysian public sector. Recruitment and selection practices are not studied, as they are centralized at the federal level. Thus, most public agencies do not practice them.

Five public organizations from different agencies in the Malaysian public sector are chosen based on: (1) high involvement in innovation units and activities, (2) substantial experience in managing innovation, and (3) winning innovation awards locally or internationally. The other five public organizations have not won an innovation award. The objective of having these two types of public organizations is to study and examine them to find which factors support innovation. The authors conducted 20 interviews, which comprised 10 interviews for each work position and type of public organization.

For the data analysis, the authors adopted thematic and content analysis. *Thematic analysis* is a method used for identifying, analyzing and reporting patterns (themes) within the interview data. The authors used purposive sampling for selecting the participants for an in-depth interview. They also used semi-structured interviews to design the research instruments. However, the interview questions set are not fixed but flexible for the researcher. They are only used to guide the interview process. In other words, they are the means and not the ends. The interview lasted one and a half hours for each interviewee. The authors transcribed the interview responses and analyzed them to identify themes, categories and patterns in the data.

Content analysis refers to identifying, analyzing and reporting content within the secondary data such as documents, journals articles, book chapters and others. The authors used this method to triangulate the findings obtained from the interviews, which are the primary data. Triangulating the findings is essential to ensure that the data obtained from the primary data is exceptionally dependable. Using only one data analysis method does not exclude the biases and inaccurate answers.

The authors compared the responses of top management and executives to identify the differences in the subject understanding. They also compared the results between the award-winning and non-awarded public organizations.

## 5. Results

### 5.1 Interviewee profile

A1 to A10 interviewees are from award-winning public organizations. In contrast, N2 to N9 interviewees are from non-awarded public organizations. For the top management group, seven male and three female interviewees: two directors, two deputy directors, three heads and three senior principal assistant registrars (KPP). Seven possess a master's degree (MA), while three possess only a bachelor's degree. The majority have worked for more than 10 years.

On the other hand, the executive group comprises two male and eight female interviewees. Two are deputy directors, two senior assistant registrars (PPK), three officers, one administrative assistant and one nurse. The majority of the executive group interviewees are BA holders [Table 4](#).

---

### 5.2 Top management responses

When the authors asked the respondents about understanding HRM practices, the award-winning public organizations' top management responded by saying: (1) training, (2) performance appraisal, (3) compensation such as employee awards like best employee for the month, (4) employee excellence award (APC) and (5) promotion. On the other hand, the responses of non-awarded public organizations are more specific in terms of government training, such as integrated training schemes and training programs. The number of training that public servants need to attend per year is three days. The types of compensation provisions are salary increments and employee excellence awards. Performance appraisal is about the achievements of the KPI (key performance index) set early in the year and monitored in the middle of the year. The respondents of non-awarded public agencies also mentioned recruitment and selection, career development practices, promotion and the HR system, besides job rotation and informal HR activities such as feasts and visits to festivals (Table 1).

The award-winning public organizations mentioned some of the training on innovation:

- (1) innovation workshops,
- (2) design thinking,
- (3) brainstorming,
- (4) ISO,
- (5) strategic thinking,
- (6) strategic plan,
- (7) creative thinking,
- (8) ways to produce an excellent technical product,
- (9) critical thinking,
- (10) problem-solving,
- (11) creativity and
- (12) innovative corporate culture.

On the other hand, non-awarded public organizations mentioned more:

- (1) brainstorming,
- (2) design thinking,
- (3) innovation workshop,
- (4) ISO,
- (5) strategic thinking,
- (6) *Maqasid Syariah* (training on Shariah principles),
- (7) project management
- (8) introduction course,
- (9) Innovation and Creativity Group (more known as KIK)
- (10) documentation,
- (11) Business Management Commercialization (BMC),

- (12) communication skills – how you attract people,
- (13) translation skills,
- (14) postgraduate short courses and
- (15) project defense course (Table 2).

**376**

Award-winning	Non-awarded
Training	Training Roadmap, Integrated Training Scheme (SLB) for three days
Reward ( <i>APC</i> , Best employee for the month)	<i>APC</i> , Salary Increment
<i>LNPT</i>	<i>LNPT</i> , <i>SKT</i> , KPI
Promotion	Promotion Career Development Recruitment And Selection Job Rotation HR System Potluck, Festive Visits

**Table 1.**  
Top management view on HRM practices

Award-winning	Non-awarded
Brainstorming Design Thinking, Innovation Workshop, ISO, Strategic Thinking Strategic Plan, Creative Thinking, How to Produce Good Technical Product, Critical Thinking, Problem-Solving, Creativity and Innovation, Corporate Culture	Brainstorming, Design Thinking, Innovation Workshop, ISO, Strategic Thinking <i>Maqasid Syariah</i> , Introduction to Project Management Course, <i>KIK</i> Documentation Preparation Course, BMC, Commercialization, Communication Skills – How You Attract People, Translation Skills, Postgraduate and Short Courses, Project Defense Course

**Table 2.**  
Innovation training

Most of the respondents agreed that the performance appraisal practice considers innovation. All the award-winning public organizations' respondents agreed to this. In contrast, only one interviewee disagreed with a non-awarded public organization. In the award-winning public agencies, most respondents agreed that innovation is a criterion in assessing the performance of the public servants, especially officers, general directors and researchers.

The public organizations also assigned rewards for their innovative staff. The award-winning public organizations offered many monetary and non-monetary rewards compared to the non-awarded public organizations, such as cash, certificates, trophies, best employee award (*APC*), innovation award, best presentation, best slide, the best team and compliments. In contrast, non-awarded public organizations provided cash, certificates, royalty, excellent employee awards, overseas meetings and compliments to motivate their employees to innovate (Table 3).

When the authors asked the interviewees about innovation as the criteria for promotion, most interviewees from award-winning and non-awarded public organizations agreed. It shows the similarity of promotion practices in public agencies.

Most interviewees agreed that the outcome of the HRM practices in the Malaysian public service is the facilitation of service innovation in award-winning or non-awarded public organizations. This finding concurs with the significant role of the public sector that facilitates service delivery to the citizens.

Award-winning	Non-awarded
Cash and Certificate Prime Minister Innovation Award	Cash and Certificate Cash (RM4,000) and Royalty Grant Royalty Percentage for Researcher APC
APC Best employee Compliments Cash Using Own Money (RM100-200), Trophy for The Best Presenter, The Best Slide, Best Team	Compliments Overseas meeting

**Table 3.**  
Reward and innovation

### 5.3 Executives responses

Most executive interviewees of award-winning public organizations mentioned local training on innovation consensually, such as INTAN, KIK, GENOVASI, YIM and MALA. In contrast, most non-awarded executive respondents revealed overseas training or no training at all. The remainder stated that training on innovation is done locally or through self-learning. Most of the time, training is on quality, known as KIK. The training promotes the use of problem-solving tools of high quality. The training is held either at the main federal level, i.e. INTAN, or at locally authorized training organizations known as MALA. At the same time, the Prime Minister's Department conducts the GENOVASI and YIM training.

All the executive interviewees of award-winning public organizations agreed that innovation is a criterion in performance appraisal with 10% to 20%. Like non-awarded public organizations, the majority affirms this by allocating 2% to 25%.

In terms of reward, most of the award-winning public organizations agreed that an excellent employee (known as APC) was the most common reward given to the employee for being innovative. In contrast, the organization is given an innovation award at the ministry or national levels. The public servants also give intrinsic rewards such as empowerment, acknowledgment, certificate, cash, best employee, compliments and lunch treat. The non-awarded public organizations give the same responses except that one interviewee added the reward of autonomy (Table 4).

Most award-winning and non-awarded public executives agreed that innovation is a promotion criterion. The award-winning public organization remarked that innovation-based promotion depends on the occupation scheme. While the others, who disagreed with a link between promotion and innovation, stated promotion was time-based and dependent on people.

## 6. Discussion and conclusion

The authors observed that top management and their executives gave the same responses irrespective of the type of organization. Four HRM practices are deployed in the sampled organizations: training and development, performance appraisal, reward and promotion. All employees should practice these four practices in any public organization.

Award-winning	Non-awarded
APC Innovation Award Empowerment, Acknowledgment, Certificate, Festive Money, Best Employee Award, Compliment Lunch treat	APC Innovation Award Empowerment, Acknowledgment, Certificate, Cash, Best Employee For The Month, Compliment Autonomy

**Table 4.**  
Executives view on  
rewards and  
innovation

Both organizations agree on innovation training such as brainstorming, design and thinking, innovation workshop, ISO and strategic thinking. However, the award-winning public organizations are more specific in their innovation training and prefer local to overseas training. Thus, local training should be preferred as innovation costs lots of money and organizations can organize innovative training pertinent to the organization's success.

The award-winning public organizations also provide more rewards than the non-awarded public organizations. It shows why some of these agencies have received the Prime Minister's innovation award, the highest in Malaysia. However, both public organizations concur that cash and certificate, known as *APC*, are the most common reward types for their active innovation employees.

Both public organizations agreed that innovation is a criterion in performance appraisal, reward and promotion practices. They also agree on innovation awards, certificates and employee awards (*APC*) as the types of rewards for innovation. However, the executive group specifically wants more intrinsic rewards such as empowerment, acknowledgment and compliment.

Hence, these three types of rewards, which comprise intrinsic and extrinsic rewards, should be a priority in motivating employees to be innovative and provide different rewards to distinct groups of employees as distinct types of rewards motivate them.

The outcome of these HRM practices for both types of sampled public organizations is service innovation. Henceforth, the authors recommend that these non-awarded public organizations do not give up in their course of being awarded. The award-winning public agencies should find more ways to motivate their employees to innovate and be role models for the non-awarded public agencies and others.

Innovation is crucial for non-awarded public organizations to elevate their ministry's position. So, they should try to seek and provide HRM practices aiming at being awarded.

The findings of this study support social exchange, equity and human capital theories that good and fair HRM practices will facilitate and produce more innovative employees.

## References

- Ab Rahman, Z.N., & Ismail, N. (2018). Determinant factors for managing innovation in the Malaysian public sector. In *paper presented at MATEC Web of Conferences*, Malacca, Malaysia. 150. Technical University of Malaysia Malacca, doi: [10.1051/mateconf/201815005042](https://doi.org/10.1051/mateconf/201815005042).
- Abdullah, N.H., Lee, L.P., Wahab, E. and Shamsuddin, A. (2014). Perception on training and employee innovativeness: an evidence from small firms. In *Proceeding of the 2014 IEEE ICMIT*. (pp. 76–80).
- Agolla, J.E. (2018). Modelling the relationship between innovation, strategy, strategic human resource management and organization competitiveness. *African Journal of Business Management*, 12(14), 428–438.
- Agolla, J. E., & Van Lill, J. B. (2017). An empirical investigation into innovation drivers and barriers in public sector organizations. *International Journal of Innovation Science*, 8(4), 404–422.
- Alaraqi, A.K. (2017). Relationship between SHRM and organisational performance among Iraqi oil companies. *Journal of Global Economic*, 5(1), 1–12.
- Aman, Q., Tayyba, N., Khan, I., Ali, R., & Yasin, A. (2018). The impact of human resource management practices on innovative ability of employees moderated by organizational culture. *International Journal of Organizational Leadership*, 7(4), 426–439.
- Aminuddin, M. (2018). *Human resource management: Principles and practices* (4th ed.). Kuala Lumpur: Oxford University Press.
- Aryanto, R., Fontana, A., & Afiff, A.Z. (2015). Strategic human resource management, innovation capability and performance: An empirical study in Indonesia software industry. In *Proceeding of the 2nd Global Conference on Business and Social Science in Bali*, Indonesia (pp. 874–879).

- Audenaert, M., Decramer, A., George, B., Verschuere, B., & Van Wyanberg, T. (2016). When employee performance management affects individual innovation in public organisations: The role of consistency and LMX. *International Journal of Human Resource Management*, 30(5), 815–834.
- Berber, M., & Lekovic, B. (2018). The impact of HR development on innovative performances in central and eastern European countries. *Employee Relations*, 40(5), 762–786.
- Boadu, F., Xie, Y., Du, Y.-F., & Dwomo-Fokuo, E. (2018). SMEs subsidiary training and development and firm innovative performance: The moderating effects and tacit and explicit knowledge received from headquarter. *Sustainability*, 10(11), 1–25.
- Bos-Nehles, A., Renkema, M., & Janssen, M. (2017). HRM and innovative work behaviour: A systematic literature review. *Personnel Review*, 6(7), 1228–1253.
- Ceylan, C. (2013). Commitment-based HR practices, different types of innovation activities and firm innovation performance. *The International Journal of Human Resource Management*, 24(1), 208–226.
- Crowley, F., & Bourke, J. (2017). The influence of human resource management systems on innovation: Evidence from Irish manufacturing and services firms. *International Journal of Innovation Management*, 21(1), 1–28.
- De Clercq, D., Thongpapanl, N., & Dimov, D. (2015). Structural and relational interdependence and entrepreneurial orientation in small and medium sized enterprises: The mediating role of internal knowledge sharing. *International Small Business Journal*, 33(5), 514–536.
- De Saá-Pérez, P., & Díaz-Díaz, N.L. (2002). Human resource management and innovation in the Canary islands: An ultra-peripheral region of the European Union. *International Journal of the Economics of Business*, 9(1), 139–156.
- Diaz, M. F., Mar Bornay, B. and Cabrales, A. L. (2012). Being innovative for surviving: The role of HRM practices. WP BOM 12.4, Working Paper Series.
- Donate, M.J., Pen'a, I., & de Pablo, J.D.S. (2010). HRM practices for human and social capital development: Effects on innovation capabilities. *The International Journal of Human Resource Management*, 21(10), 1649–1666.
- Dostie, B. (2018). The impact of training on innovation. *ILR Review*, 71(1), 64–87.
- Fernandez, S., & Moldogaviez, T. (2011). Empowering public sector employees to improve performance: Does it work?. *The American Review of Public Administration*, 41(1), 23–47, doi: [10.1177/0275074009355943](https://doi.org/10.1177/0275074009355943).
- Fernandez, S., & Pitts, D.W. (2011). Understanding employee motivation to innovate: Evidence from front line employees in United States federal agencies. *Australian Journal of Public Administration*, 70(2), 202–222.
- Fu, N., Flood, P.C., Bosak, J., Morris, T., & O'Regan, P. (2015). How do high performance work systems influence organisational innovation in the professional service firms?. *Employee Relations*, 37(2), 209–231.
- Giauque, D., Anderfuhren-Biget, S., & Varone, F. (2013). HRM practices, intrinsic motivators and organizational performance in the public sector. *Public Personnel Management*, 42(2), 123–150.
- The Global Innovation Index (GII) (2019). *Creating healthy lives – the future of medical innovation*. Geneva: World Intellectual Property Organization (WIPO).
- Gupta, N., & Shaw, J. D. (2014). Employee compensation: The neglected area of HRM research. *Human Resource Management*, 24, 1–4.
- Hafiza, N.S., Shah, S. S., Jamsheed, H., & Zaman, K. (2011). Relationship between rewards and employee's motivation in the non-profit organizations of Pakistan. *Business Intelligence Journal*, 4(2), 327.
- Harmen, H., & Pitaloka, E. (2014). Strategic human resource management and sustainable competitive advantage: The role of dynamics and innovation capabilities. *South East Asia Journal of Contemporary Business, Economics and Law*, 5(2), 41–47.

- Hazoor, A.A., Makhdoom, M.S.H.R., & Hussain, M.S. (2016). Effort-enhancing HR practices and innovative work behavior: Role of employee empowerment. *International Journal of Academic Research in Business and Social Sciences*, 6(10), 358–368.
- Heffernan, M., Harney, B., Cafferkey, K., & Dundon, T. (2016). Exploring the HRM performance relationship: The role of creativity climate and strategy. *Employee Relations*, 38(3), 438–462.
- Irfan Ullah, M.F., & Hameed, R.M. (2015). HR practices and organisational innovation: The mediating role of knowledge management effectiveness. *Journal of Resources Development and Management*, 13, 48–62.
- Jiang, K., Lepak, D. P., Hu, J., & Baer, J. C. (2012). How does human resource management influence organisational outcomes? A meta-analytic investigation of mediating mechanisms. *Academy of Management Journal*, 55(6), 1264–1294.
- Khoreva, V., & Wechtler, H. (2018). HR practices and employee performance: The mediating role of well-being. *Employee Relations*, 40(2), 227–243.
- Lai, W.H., & Kwang, S.N. (2014). Enhancing organisational performance of Malaysian SMEs: The role of HRM and organisational learning capability. *International Journal of Manpower*, 35(7), 973–995.
- Laurson, K. (2008). The importance of sectorial differences in the application of complementary HRM practices for innovation performance. *The International Journal of Human Resource Management*, 19(7), 1208–1221.
- Lu, K., Zhu, J., & Bao, H. (2015). High-performance human resource management and firm performance: The mediating role of innovation in China. *Industrial Management and Data Systems*, 115(2), 353–382.
- Mo, Y.L., Wang, D.D., Jaarsveld, G., Lee, K., & Ma, D.G. (2016). From employee-experienced high-involvement work system to innovation: An emergence-based human resource management framework. *The International Journal of Human Resource Management*, 27(9), 928–953.
- OECD (2005). Oslo manual @[https](https://www.oecd.org/science/inno/2367614.pdf). Available from: [www.oecd.org/science/inno/2367614.pdf](https://www.oecd.org/science/inno/2367614.pdf)
- Panigrahy, N. P., & Pradhan, R. K. (2015). Creativity and innovation: Exploring the role of HR practices at workplace. In *National Conference Proceeding*, Cuttack. Ravenshaw B-School.
- Prieto, I.M., & Pérez-Santana, M.P. (2014). Managing innovative work behaviour: The role of human resource practices. *Personnel Review*, 43(2), 184–208.
- Raj, R., & Srivastava, K.B.L. (2013). The mediating role of organisational leaning on the relationship among organisational culture, HRM Practices and innovativeness. *Management and Labour Studies*, 38(3), 201–223.
- Rasheed, M.A., Shahzad, K., Conroy, C., Nadeem, S., & Siddique, M.U. (2017). Exploring the role of employees between high-performance work-system and organisational innovation in small and medium enterprises. *Journal of Small Business and Enterprise Development*, 24(4), 670–688.
- Saddam, A.K. (2017). *A study on the relationship between strategic human resource management and organisation performance with organisation citizenship behaviour as the mediator*. (Unpublished Doctoral Thesis), UTM, Skudai.
- Sanz-Valle, R., & Jiménez-Jiménez, D. (2018). HRM and product innovation: Does innovative work behaviour mediate that relationship?. *Management Decision*, 56(6), 1417–1429.
- Siddiquee, N.A. (2016). Public management reform in Malaysia recent initiatives and experiences. *International Journal of Public Sector Management*, 19(4), 339–358.
- Siengthai, S., & Bechter, C. (2001). Strategic human resource management and firm innovation. *Research and Practice in Human Resource Management*, 9(1), 35–37.
- The Star (2017). *Malaysia ranks 37th in global innovation index*. 15 June, Kuala Lumpur: The Star.
- Tabasi, M.M., & Seyed Mehdi, R.V. (2014). A relationship between strategic human resources management practices and organisational innovation with respect to the role of organisational learning. *Kuwait Chapter of Arabian Journal of Business and Management Review*, 3(7), 370–385.

- Tan, C.L., & Nasurudin, A.M. (2010). Human resource management practices and organisational innovation: Assessing the mediating role of knowledge management effectiveness. *The Electronic Journal of Knowledge Management*, 9(2), 155–167.
- Ukko, J., Hilden, S., Saunila, M., & Tikkamaki, K. (2017). Comprehensive performance measurement and management – innovativeness and performance through reflective practice. *Journal of Accounting and Organizational Change*, 13(3), 425–448.
- Wallo, A., Kock, H., & Nilsson, P. (2016). Setting the stage for innovation: Towards a conceptual model of the HR-innovation link. *International Journal of Human Resources Development and Management*, 16(1/2), 100–200.
- Walsworth, S., & Verma, A. (2007). Globalisation, human resource practices and innovation: Recent evidence from the Canadian workplace and employee survey. *Academy of Management Journal*, 61(5), 2000–2009.
- Wang, G.G., Lamond, D., & Zhang, Y. (2013). Innovation and Chinese HRM research and practice. *Journal of Chinese HRM*, 4(2), 105–116.
- Wei, L.-Q., Liu, J., & Herndon, N.C. (2011). SHRM and product innovation: Testing the moderating effects of organisational culture and structure in Chinese firms. *The International Journal of Human Resource Management*, 22(1), 19–33.
- Wong, K.-L., Tan, P.S.-H., Ng, Y.-K., & Fong, C.-Y. (2013). The role of HRM in enhancing organisational performance. *Human Resource Management*, 3(1), 11–15.
- Zanko, M., Badham, R., Couchman, P., & Schubert, M. (2008). The play of power and politics in innovation and HRM. *International Journal of Human Resource Management*, 19(4), 562–581.
- Zhou, Y., Zhang, Y., & Montoro-Sánchez (2011). Utilitarianism or romanticism: The effort of rewards on employees' innovation behaviour. *International Journal of Manpower*, 32(1), 81–98.
- Chen, T.-J., Lin, C.-C., & Wu, C.-M. (2016). High Performance Work System, psychological efficiency, job satisfaction and task performance in the hotel workplace. *Open Journal of Social Sciences*, 4(7), 76–81.
- Mohammad Khaled, K.N. (2012). *The effects of human resource management practices (HRM) on service innovation in Malaysian Islamic banks*. (Unpublished Master of Business Administration Dissertation), USM, Penang.
- The Global Innovation Index (2014). *The human factor in innovation*. Geneva: World Intellectual Property Organization (WIPO).
- Van Houten, G., & Demetriades, S. (2018). *Associations of workplace practices, innovation and performance with changes in employment*. working paper, Eurofound.

### Further reading

- Jime'nez-Jime'nez, D., & Sanz Valle, R. (2018). Could HRM support organizational innovation?. *The International Journal of Human Resource Management*, 19(7), 1208–1221.
- Vishal, G. (2014). HRM practices and employee creativity: Mediating and moderating role of psychological capital. *Indian Journal of Industrial Relations*, 49(4), 649–662.

### Corresponding author

Ilhaamie Abdul Ghani Azmi can be contacted at: [amieazmi@um.edu.my](mailto:amieazmi@um.edu.my)

For instructions on how to order reprints of this article, please visit our website:

[www.emeraldgrouppublishing.com/licensing/reprints.htm](http://www.emeraldgrouppublishing.com/licensing/reprints.htm)

Or contact us for further details: [permissions@emeraldinsight.com](mailto:permissions@emeraldinsight.com)